Ginko International Co., Ltd.
and Subsidiaries

Consolidated Financial Statements

with Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

Address: **P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands**

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of Ginko International Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Ginko International Co., Ltd. and Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2018 and 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs").

Basis for Opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue Recognition

   Please refer to note 4(p) “Revenue” for accounting policy of revenue, note 5(a) “revenue recognition” for significant accounting assumptions and judgments, and major sources of estimation uncertainty, and note 6(l) “ refundable liabilities-current” for estimation of allowance for sales discount and sales return to the consolidated financial statements.

How the matter was addressed in our audit:

The Group's revenue is based on agreement upon contracts to provide sale return and allowance to clients, and the Group's managements made it as deduction of revenue. Besides, revenue is the main index of the Group's financial and sales performances for investors and management, thus the correct period and amount for revenue recognition has major impact to consolidated financial statements. Therefore, sales revenue, discount and return have been identified as one of the key judgmental areas for our audit.

Our principal audit procedures included:

Our key audit procedures performed above included testing the revenue cycle transactions and its relevant controls, inspecting the Group's sales contracts and relevant documents, reviewing and assessing client's information, conducting analytical reviews for changes of sales from major clients and product categories, adopting sales cut-off test to ensure that sales were recorded in the proper period and assessing the adequacy of the Group's disclosures of its revenue recognition policy and other related disclosures.

The key audit procedures for the Group's estimated sales' return and allowance included assessing the hypothesis adopted by the Group's management, rechecking the Group's internal and external information and understanding whether or not there is any major sales' return and allowance after the end of reporting period.

2. Inventory Evaluation

Please refer to note 4(i) "Inventories" for accounting policy, and note 6(d) "inventories" for description of significant account to the consolidated financial statements.

How the matter was addressed in our audit:

The Group's major operation activities are selling and producing contact lenses, lens care products and medicines. The Group's production and research activities are based on market demand, and the products are unique in the market. The probable changes of market demand and price can cause relevant product demand fluctuates. The inventories are evaluated by lower of cost or market value, and the Group's management assesses the product price through internal and external relevant information. Therefore, inventory has been identified as one of the key judgmental areas for our audit.

Our principal audit procedures included:

Our key audit procedures performed included assessing if the policies for valuation of inventory obsolescence and inventory allowance have followed the rules of communique provisions, reviewing inventory aging report, analyzing the changes in inventory aging report, reviewing selling condition and assessing the reasonableness of lower of cost or market values adopted by the Group. Therefore, the reasonableness of inventory allowance valuation can be verified, and the relevant information of inventory allowance valuation is properly disclosed by the Group's management.

3. Account Receivable Evaluation

Please refer to note 4(h) "Financial instruments" for accounting policy of account receivable, note 5(b) "Impairment loss of account receivable" for significant accounting assumptions and judgments, and major sources of estimation uncertainty, and note 6(c) "Notes receivable, accounts receivable " for description of significant account to the consolidated financial statements.

How the matter was addressed in our audit:

The Group's account receivable has taken 20% of total asset at the year ended of 2018. The Group's management has evaluated impairment loss based on external evidence and historical experiences. Therefore, account receivable has been identified as one of the key judgmental areas for our audit.

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Our principal audit procedures included:

Our key audit procedures performed included assessing if the policy of accounts receivable allowance has followed the rules of communique provisions, assessing the accounts receivable aging report, analyzing the changes of accounts receivable aging report, sending confirmation letter to sampled clients, tracing subsequent cash receipt records after year-end. Therefore, the reasonableness of the Group' s accounts receivable allowance and aging report can be verified, and the relevant information of accounts receivable allowance valuation is properly disclosed by the Group's management.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are

Yu-Feng Hsu and Yuan-Chen Mei.

KPMG

Taipei, Taiwan (Republic of China)
March 22, 2019

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Ginko International Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in thousands of currency)

	Assets	December 31, 2018 CNY	December 31, 2018 TWD	%	December 31, 2017 CNY	December 31, 2017 TWD	%
	Current assets:						
1100	Cash and cash equivalents (note 6(a))	$ 609,550	2,725,908	14	871,845	3,979,974	21
1150	Notes receivable, net (note 6(c))	9,724	43,485	-	6,975	31,842	-
1170	Accounts receivable, net (note 6(c))	829,863	3,711,147	18	934,506	4,266,019	23
1181	Accounts receivable from related parties (notes 6(c) and 7)	27,007	120,777	1	23,370	106,686	1
1200	Other receivables	18,425	82,399	-	13,204	60,277	-
1210	Other receivables from related parties (note 7)	2,188	9,783	-	13,993	63,878	-
1220	Current income tax assets	2,972	13,289	-	3,066	13,997	-
130X	Inventory (note 6(d))	516,458	2,309,601	11	456,984	2,086,133	11
1410	Prepayments (note 6(e))	114,651	512,720	3	86,366	394,255	2
1476	Other financial assets (notes 6(b) and 8)	512,854	2,293,483	11	284,637	1,299,369	7
1479	Other current assets	27,509	123,020	1	13,252	60,497	-
	Total current assets	2,671,201	11,945,612	59	2,708,198	12,362,927	65
	Non-Current assets:						
1600	Property, plant and equipment (notes 6(f) and 8)	1,697,145	7,589,632	37	1,279,731	5,841,974	31
1780	Intangible assets (note 6(g))	11,734	52,474	-	13,979	63,812	-
1840	Deferred income tax assets (note 6(o))	34,497	154,269	1	40,073	182,931	1
1915	Prepayments on purchase of equipment (note 9)	33,117	148,100	1	39,322	179,503	1
1930	Long-term receivables, net (note 6(c))	31,082	138,997	1	30,756	140,401	1
1995	Other non-current assets (notes 6(h) and 8)	32,974	147,460	1	38,856	177,377	1
	Total non-current assets	1,840,549	8,230,932	41	1,442,717	6,585,998	35
	Total assets	$ 4,511,750	20,176,544	100	4,150,915	18,948,925	100

	Liabilities and equity	December 31, 2018 CNY	December 31, 2018 TWD	%	December 31, 2017 CNY	December 31, 2017 TWD	%
	Current liabilities:						
2100	Short-term bank loans (notes 6(i), and 8)	$ 1,237,314	5,533,267	28	1,112,749	5,079,700	28
2103	Contract liabilities-current (note 6(r))	14,511	64,893	-	-	-	-
2150	Notes payable	15,195	67,953	-	5,462	24,933	-
2170	Accounts payable (note 7)	87,113	389,570	2	84,023	383,563	2
2200	Other payables (notes 6(k), (p) and 6(t))	130,539	583,771	3	160,111	730,907	4
2220	Other payables to related parties (note 7)	3,572	15,973	-	2,154	9,834	-
2230	Current income tax liabilities	22,433	100,321	-	16,034	73,195	-
2250	Provisions for liabilities - current (note 6(m))	-	-	-	20,596	94,021	-
2320	Long-term liabilities, current portion (note 6(i) and (j))	97,496	436,000	2	153,965	702,848	4
2399	Refundable liabilities-current (note 6(c) and (l))	16,248	72,661	-	-	-	-
	Total current liabilities	1,624,421	7,264,409	35	1,555,094	7,099,001	38
1	**Non-current liabilities:**						
2540	Long-term bank loans (notes 6(i), (w) and 8)	564,848	2,526,000	13	343,921	1,570,000	8
2570	Deferred income tax liabilities (note 6(o))	-	-	-	3,400	15,521	-
	Total non-current liabilities	564,848	2,526,000	13	347,321	1,585,521	8
	Total liabilities	2,189,269	9,790,409	48	1,902,415	8,684,522	46
	Equity attributable to owners of parent (note 6(p)):						
3110	Share capital - common stock	191,908	924,505	4	191,908	924,505	5
3200	Capital surplus	676,407	3,073,227	16	676,407	3,073,227	16
3300	Retained earnings	1,464,439	6,980,821	32	1,416,739	6,776,104	34
3410	Exchange differences on translation of foreign financial statements	(6,504)	(575,563)	-	(35,641)	(505,265)	(1)
	Equity attributable to owners of the parent	2,326,250	10,402,990	52	2,249,413	10,268,571	54
	Non-Controlling Interest:						
36XX	Non-controlling interest	(3,769)	(16,855)	-	(913)	(4,168)	-
	Total equity	2,322,481	10,386,135	52	2,248,500	10,264,403	54
	Total liabilities and equity	$ 4,511,750	20,176,544	100	4,150,915	18,948,925	100

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Ginko International Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in thousands of Chinese Yuan)

		2018 Amount	%	2017 Amount	%
4000	**Operating revenue (notes 6(r), (s), 7 and 14)**	$ 1,620,403	100	1,319,899	100
5000	**Operating Costs (notes 6(d), (f), (n), (t), 7 and 12)**	762,734	47	604,367	46
	Gross profit from operations	857,669	53	715,532	54
	Operating expenses (notes 6(c), (f), (g), (n), (t), 7, 9, and 12):				
6100	Selling expenses	395,850	24	277,727	21
6200	General and administrative expenses	139,447	9	156,672	12
6300	Research and development expenses	30,630	2	27,585	2
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	(21,043)	(1)	-	-
	Total operating expenses	544,884	34	461,984	35
	Operating Profit	312,785	19	253,548	19
	Non-operating income and expenses (notes 6(j), (u), and 7):				
7010	Other income	19,833	1	12,513	1
7020	Other gains and losses	(22,505)	(1)	24,175	2
7050	Financial costs	(39,904)	(2)	(33,421)	(3)
	Total non-operating income and expenses	(42,576)	(2)	3,267	-
7900	**Profit before income tax**	270,209	17	256,815	19
7950	**Income tax expense (note 6(o))**	90,236	6	44,046	3
	Net income for the year	179,973	11	212,769	16
8300	**Other comprehensive income (loss):**				
8360	**Items that may be subsequently reclassified into profit or loss**				
8361	Foreign currency translation differences for foreign operations	29,117	2	(13,986)	(1)
8399	Income tax relating to components of other comprehensive income	-	-	-	-
	Total items that may be subsequently reclassified into profit or loss	29,117	2	(13,986)	(1)
	Other comprehensive income (loss), net of tax	29,117	2	(13,986)	(1)
8500	**Total comprehensive income for the year**	$ 209,090	13	198,783	15
	Profit attributable to:				
	Shareholders of the parent	$ 182,809	11	215,426	16
	Non-controlling interest	(2,836)	-	(2,657)	-
		$ 179,973	11	212,769	16
	Comprehensive income attributable to:				
	Shareholders of the parent	$ 211,946	13	201,621	15
	Non-controlling interest	(2,856)	-	(2,838)	-
		$ 209,090	13	198,783	15
9710	**Basic earnings per share (expressed in Chinese Yuan) (note 6(q))**	$	1.98		2.33
9810	**Diluted earnings per share (expressed in Chinese Yuan) (note 6(q))**	$	1.97		2.32

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Ginko International Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in thousands of New Taiwan Dollars)

		2018 Amount	%	2017 Amount	%
4000	**Operating revenue (notes 6(r), (s), 7, and 14)**	$ 7,389,201	100	5,948,520	100
5000	**Operating Costs ((notes 6(d), (f), (n), (t), 7 and 12)**	3,478,143	47	2,723,760	46
	Gross profit from operations	3,911,058	53	3,224,760	54
	Operating expenses (notes 6(c), (f), (g), (n), (t), 7, 9, and 12):				
6100	Selling expenses	1,805,115	24	1,251,659	21
6200	General and administrative expenses	635,894	9	706,090	12
6300	Research and development expenses	139,674	2	124,319	2
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	(95,959)	(1)	-	-
	Total operating expenses	2,484,724	34	2,082,068	35
	Operating Profit	1,426,334	19	1,142,692	19
	Non-operating income and expenses (notes 6(j), (u), and 7):				
7010	Other income	90,438	1	56,395	1
7020	Other gains and losses	(102,624)	(1)	108,952	2
7050	Financial costs	(181,965)	(2)	(150,623)	(3)
	Total non-operating income and expenses	(194,151)	(2)	14,724	-
7900	**Profit before income tax**	1,232,183	17	1,157,416	19
7950	**Income tax expense (note 6(o))**	411,485	6	198,506	3
	Net income for the year	820,698	11	958,910	16
8300	**Other comprehensive income (loss):**				
8360	**Items that may be subsequently reclassified into profit or loss**				
8361	Foreign currency translation differences for foreign operations	(70,303)	(1)	(180,912)	(3)
8399	Income tax relating to components of other comprehensive income	-	-	-	-
	Total items that may be subsequently reclassified into profit or loss	(70,303)	(1)	(180,912)	(3)
	Other comprehensive income (loss), net of tax	(70,303)	(1)	(180,912)	(3)
8500	**Total comprehensive income for the year**	$ 750,395	10	777,998	13
	Profit attributable to:				
	Shareholders of the parent	$ 833,380	11	971,035	16
	Non-controlling interest	(12,682)	-	(12,125)	-
		$ 820,698	11	958,910	16
	Comprehensive income attributable to:				
	Shareholders of the parent	$ 763,082	10	791,054	13
	Non-controlling interest	(12,687)	-	(13,056)	-
		$ 750,395	10	777,998	13
9710	**Basic earnings per share (expressed in New Taiwan Dollars) (note 6(q))**	$	9.01		10.50
9810	**Diluted earnings per share (expressed in New Taiwan Dollars) (note 6(q))**	$	8.99		10.46

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Ginko International Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

(Expressed in thousands of currency)

	Equity attributable to owners of parent																					
					Retained Earnings																	
	Share capital - Common stock		Capital surplus		Legal reserve		Special reserve		Undistributed earnings		Total		Foreign currency translation differences		Treasury stocks		Equity attributable to owners of the parent		Non-controlling interest		Total equity	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	NCY	TWD
Balance at January 1, 2017	$ 192,423	926,975	695,529	3,167,374	129,069	627,703	-	-	1,213,358	5,806,029	1,342,427	6,433,732	(21,836)	(325,284)	(19,637)	(96,617)	2,188,906	10,106,180	1,925	8,888	2,190,831	10,115,068
Appropriation and distribution of retained earnings:																						
Legal reserve	-	-	-	-	34,054	151,711	-	-	(34,054)	(151,711)	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(141,114)	(628,663)	(141,114)	(628,663)	-	-	-	-	(141,114)	(628,663)	-	-	(141,114)	(628,663)
Consolidated profit for the year	-	-	-	-	-	-	-	-	215,426	971,035	215,426	971,035	-	-	-	-	215,426	971,035	(2,657)	(12,125)	212,769	958,910
Other comprehensive income, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	(13,805)	(179,981)	-	-	(13,805)	(179,981)	(181)	(931)	(13,986)	(180,912)
Total comprehensive income, net of income tax	-	-	-	-	-	-	-	-	215,426	971,035	215,426	971,035	(13,805)	(179,981)	-	-	201,621	791,054	(2,838)	(13,056)	198,783	777,998
Retirement of treasury stock	(515)	(2,470)	(19,122)	(94,147)	-	-	-	-	-	-	-	-	-	-	19,637	96,617	-	-	-	-	-	-
Balance at December 31, 2017	191,908	924,505	676,407	3,073,227	163,123	779,414	-	-	1,253,616	5,996,690	1,416,739	6,776,104	(35,641)	(505,265)	-	-	2,249,413	10,268,571	(913)	(4,168)	2,248,500	10,264,403
Appropriation and distribution of retained earnings:																						
Legal reserve	-	-	-	-	20,869	97,104	-	-	(20,869)	(97,104)	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	35,641	505,265	(35,641)	(505,265)	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(135,109)	(628,663)	(135,109)	(628,663)	-	-	-	-	(135,109)	(628,663)	-	-	(135,109)	(628,663)
Consolidated profit for the year	-	-	-	-	-	-	-	-	182,809	833,380	182,809	833,380	-	-	-	-	182,809	833,380	(2,836)	(12,682)	179,973	820,698
Other comprehensive income, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	29,137	(70,298)	-	-	29,137	(70,298)	(20)	(5)	29,117	(70,303)
Total comprehensive income, net of income tax	-	-	-	-	-	-	-	-	182,809	833,380	182,809	833,380	29,137	(70,298)	-	-	211,946	763,082	(2,856)	(12,687)	209,090	750,395
Balance at December 31, 2018	$ 191,908	924,505	676,407	3,073,227	183,992	876,518	35,641	505,265	1,244,806	5,599,038	1,464,439	6,980,821	(6,504)	(575,563)	-	-	2,326,250	10,402,990	(3,769)	(16,855)	2,322,481	10,386,135

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Ginko International Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in thousands of currency)

	2018		2017	
	CNY	TWD	CNY	TWD
Cash flows from operating activities:				
Profit before tax	$ 270,209	1,232,183	256,815	1,157,416
Adjustments:				
Adjustments to reconcile profit (loss)				
Depreciation	130,765	596,292	115,203	519,203
Amortization	2,051	9,351	4,203	18,943
Amortization of prepaid rents	433	1,975	452	2,037
Expected credit loss (gain) / Provision (reversal of provision) for doubtful accounts	(21,043)	(95,959)	(1,007)	(4,538)
Interest income	(13,938)	(63,557)	(6,536)	(29,456)
Financial cost	39,904	181,965	33,421	150,623
Loss on disposal of property, plant, and equipment	3,149	14,360	12,595	56,764
Loss (gain) on financial liabilities at fair value through profit or loss	18,898	86,175	-	-
Total adjustments to reconcile profit and loss	160,219	730,602	158,331	713,576
Change in operating assets and liabilities:				
Decrease (increase) in notes receivable	(2,749)	(11,643)	2,842	13,481
Decrease (increase) in accounts receivable	125,973	658,161	220,596	1,066,975
Decrease (increase) in accounts receivable from related parties	(3,637)	(14,091)	(1,113)	(3,924)
Decrease (increase) in other receivables	(5,221)	(22,122)	(22,566)	(100,922)
Decrease (increase) in other receivables from related parties	11,805	54,095	27,330	126,909
Decrease (increase) in inventory	(59,474)	(223,468)	(20,493)	(70,854)
Decrease (increase) in prepayments	(28,285)	(118,465)	(4,464)	(18,690)
Decrease (increase) in other financial assets	21,600	98,604	-	-
Decrease (increase) in other financial assets	(14,257)	(62,523)	(917)	(3,541)
Increase (decrease) in contract liabilities	1,641	6,143	-	-
Increase (decrease) in notes payable	9,733	43,020	4,434	20,190
Increase (decrease) in accounts payable	3,090	6,007	(10,415)	(52,457)
Increase (decrease) in other payables	(16,702)	(88,386)	33,144	144,702
Increase (decrease) in other payables to related parties	1,418	6,139	(289)	(1,446)
Increase (decrease) in provisions for liabilities	(4,348)	(21,360)	8,624	38,745
Cash provided by operating activities	471,015	2,272,896	651,859	3,030,160
Income taxes paid	(81,567)	(370,510)	(75,391)	(341,916)
Net cash flows from operating activities	389,448	1,902,386	576,468	2,688,244
Cash flows used in investing activities:				
Acquisition of property, plant and equipment	(530,751)	(2,419,952)	(373,930)	(1,685,226)
Proceeds from disposal of property, plant and equipment	33,754	153,912	-	-
Decrease (increase) in prepayments on purchase of equipment	(24,950)	(110,633)	5,300	24,193
Acquisition of intangible	-	-	(210)	(961)
Decrease (increase) in long-term account receivables	(326)	1,404	(15,029)	(67,791)
Decrease (increase) in other financial assets	(233,309)	(1,014,936)	(180,131)	(816,866)
Decrease (Increase) in other non-current assets	(11,059)	(49,456)	(21,600)	(98,604)
Interest received	13,938	63,557	6,536	29,456
Net cash flows used in investing activities	(752,703)	(3,376,104)	(579,064)	(2,615,799)
Cash flows from financing activities:				
Increase in short-term bank loans	295,885	1,323,196	220,694	961,084
Proceeds from long-term bank loans	118,515	530,000	109,530	500,000
Repayment of long-term bank loans	(19,678)	(88,000)	-	-
Cash dividends paid	(135,109)	(628,663)	(141,114)	(628,663)
Proceeds from issuance of bonds payable	(158,205)	(710,500)	-	-
Change in Non-controlling interest	-	-	(2,838)	(13,056)
Interest paid	(38,226)	(174,313)	(30,357)	(136,815)
Net cash flows from financing activities	63,182	251,720	155,915	682,550
Effect of exchange rate changes on cash and cash equivalents	37,778	(32,068)	(24,669)	(206,354)
Net increase (decrease) in cash and cash equivalents	(262,295)	(1,254,066)	128,650	548,641
Cash and cash equivalents, beginning of the year	871,845	3,979,974	743,195	3,431,333
Cash and cash equivalents, end of the year	$ 609,550	2,725,908	871,845	3,979,974

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Ginko International Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(expressed in thousands of currency unless otherwise specified)

(1) Company history

Ginko International Co., Ltd. (the "Company") was incorporated in the Cayman Islands on June 11, 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on Taipei Exchange Securities Market R.O.C. ("Taipei Exchange" TPEx) on April 27, 2012. The consolidated financial statements of the company as of and for the year ended December 31, 2018 and 2017 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is a major supplier of eye health products, including contact lenses, lens care products and medicines which engages mainly in the researching, manufacturing and selling.

(2) Approval date and procedures of the consolidated financial statements

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 11th, 2019.

(3) New accounting standards, amendments and interpretations not yet adopted

(a) Newly released or amended standards and interpretations endorsed by the IASB

The new standards, amendments and interpretations issued by the IASB that may impact the consolidated financial statements are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IAS 40 "Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 " Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

(Continued)

As a result of the adoption of IFRS 9, the Group adopts the amended IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of comprehensive income and the Group has already included the impairment of trade receivables in bad debt expenses and guarantee liability provisions. Additionally, the Group applies the amended IFRS 7 " Financial Instruments: Disclosures" to the disclosure for year 2018. The above amendments generally do not applied to comparative information.

The significant changes of accounting policies are as follows:

i) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, measured at cost, debt investments without active market and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. Please refer to note 4 (h) for how the Group classifies and measures financial assets and account for related gains and losses under IFRS 9.

The adoption of IFRS 9 did not have any significant impact on accounting policies of financial liabilities.

ii) Impairment of financial assets

IFRS 9 replaces the ' incurred loss' model in IAS 39 with the ' expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, FVOCI, except for investments in equity instruments, lease receivables, contract assets, loan commitments, and to financial guarantee contracts. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39. Please refer to note 4 (h) for details.

iii) Hedge accounting

The Group has elected to adopt the new general hedge accounting model in IFRS 9, which requires the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy, and to apply a more qualitative and forward-looking approach to assess hedge effectiveness.

(Continued)

The Group uses forward foreign exchange contracts to hedge the variability in its cash flows arising from the changes in foreign exchange rates relating to foreign currency borrowings, receivables, sales and inventory purchases. The Group designates only the change in fair value of the spot element of the forward exchange contract as the hedging instrument in cash flow hedging relationships. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity.

Under IAS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss as reclassification adjustment in the same period as the hedged expected cash flows affected the profit or loss. However, under IFRS 9, for cash flow hedges of foreign currency risk associated with forecast inventory purchases, the amounts accumulated in the cash flow hedge reserve are instead included directly in the initial cost of the inventory item when it is recognized. The same approaches also apply under IFRS 9 to the amounts accumulated in the costs of hedging reserve.

iv) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below.

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves on January 1, 2018. Accordingly, the information presented for year 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for year 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  — The determination of the business model within which a financial asset is held.

  — The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  — The designation of certain investments in equity instruments not held for trading as at FVOCI.

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk did not increase significantly since its initial recognition.

(Continued)

v) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of financial assets on January 1, 2018.

	IAS39			IFRS9		
	Measurement categories	Carrying amount CNY	Carrying amount TWD	Measurement categories	Carrying amount CNY	Carrying amount TWD
Financial assets						
Cash and cash equivalents	Loans and receivables	871,845	3,979,974	Amortized cost	871,845	3,979,974
Trade and notes receivable	Loans and receivables (Note 1)	1,022,804	4,669,103	Amortized cost	1,022,804	4,669,103
Other financial assets	Loans and receivables	284,637	1,299,369	Amortized cost	284,637	1,299,369

Note1: Trade, notes and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Group uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

i) Sales of goods

For the sale of products, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

For certain contracts that permit a customer to return an item, revenue is currently recognized when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. Otherwise, a revenue recognition is deferred until the return period lapses or a reasonable estimate of returns can be made. Under IFRS 15, revenue will be recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As a consequence, for those contracts for which the Group is unable to make a reasonable estimate of return, revenue is expected to be recognized sooner than when the return period lapses or a reasonable estimate can be made. A refund liability and an asset for recovery will be recognized for these contracts and presented separately in the statement of financial position.

(Continued)

Ginko International Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

ii) Impacts of financial statements

The following tables summarize the impacts of adopting IFRS 15 on the Group's consolidated financial statements:

Impacted line items on the consolidated balance sheet	December 31, 2018						January 1, 2018					
	Balances prior to the adoption of IFRS 15		Impact of changes in accounting polices		Balances upon adoption of IFRS 15		Balances prior to the adoption of IFRS 15		Impact of changes in accounting polices		Balances upon adoption of IFRS 15	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
Contract liabilities—current	$ -	-	14,511	64,893	14,511	64,893	-	-	12,870	58,750	12,870	58,750
Other payables	145,050	648,664	(14,511)	(64,893)	130,539	583,771	160,111	730,907	(12,870)	(58,750)	147,241	672,157
Provision for liabilities—current	16,248	72,661	(16,248)	(72,661)	-	-	20,596	94,021	(20,596)	(94,021)	-	-
Refund liabilities—current	-	-	16,248	72,661	16,248	72,661	-	-	20,596	94,021	20,596	94,021
Impact on liabilities			-	-					-	-		

(Continued)

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities (refer to note 6(w)).

(iv) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Loss"

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

(b) The impact of IFRS endorsed by IASB but not yet effective

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for its operating leases of offices, warehouses, and factory facilities. The Group estimated that the right of use assets and the lease liabilities to increase both by TWD338,281 thousand on January 1, 2019. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(4) Significant accounting policies

The following significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

(a) Statement of compliance

The accompanying consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations) and IFRSs which including international accounting standards and interpretations issued by the IASB.

(b) Basis of preparation

i) Basis of measurement

The accompanying consolidated financial statements have been prepared on the basis of the historical cost except for the compound financial instruments are measured at fair value.

ii) Functional and presentation currency

The functional currency of the Company and subsidiary in Taiwan is New Taiwan Dollars and that of the subsidiaries in Mainland China is Chinese Yuan. The consolidated financial statements are presented in New Taiwan Dollars and Chinese Yuan respectively.

(Continued)

(c) Basis of consolidation

i) Principle of preparation of the consolidated financial statement

The consolidated financial statements comprise the Company and subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if it results in the non-controlling interests having a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses, are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

ii) List of subsidiaries included in the consolidated financial statement:

Subsidiary	Notes	Establishment Location and date	Shareholding ratio Direct	Indirect	Paid-in / Registered capital	Nature of business
Prosper Link International Limited (Prosper Link)		British Virgin Islands September 5, 2007	100%	-	USD4,280 thousand / USD4,280 thousand	Holding company
Yungsheng Optical Co.,Ltd. (Yungsheng Corporation)		Taiwan October 14, 1995	100%	-	TWD1,600,000 thousand/ TWD1,600,000 thousand	Manufacturing and selling contact lens and contact lens solution
Haichang International Limited (Haichang International)		Hong Kong October 9, 2007	-	100%	HKD11,000 thousand / HKD11,000 thousand	Holding company
Haichang Contact Lens Co., Ltd. (Haichang Corporation)	(a)	China November 17, 1995	-	100%	USD56,319 thousand / USD56,319 thousand	Manufacturing and selling of contact lens, contact lens solution and other eye-related appliance
Jiangsu Horien Contact Lens Co., Ltd. (Horien Corporation)	(a)	China April 11, 2005	-	100%	CNY15,000 thousand / CNY15,000 thousand	Manufacturing and selling of contact lens, contact lens solution and other eye-related appliance
Shanghai Horien Contact Lens Optical Co.,Ltd (Shanghai Horien)	(a)	China April 19, 2010	-	100%	CNY75,000 thousand / CNY75,000 thousand	Selling of contact lens and eye care solution
Gain Bless Management Ltd. (Gain Bless)		British Virgin Islands July 28, 2015	-	100%	USD1,150 thousand / USD1,150 thousand	Holding Company
Horien Optic (Malaysia) Sdn. Bhd. (Horien Malaysia)	(b)	Malaysia May 12, 2014	-	70%	MYR2,500 thousand / MYR2,500 thousand	Selling of contact lens and eye care solution

(Continued)

Subsidiary	Notes	Establishment Location and date	Shareholding ratio Direct	Indirect	Paid-in / Registered capital	Nature of business
Master Harvest Global Ltd. (Master Harvest)		Anguilla May 24, 2016	-	100%	USD5,000 thousand / USD5,000 thousand	Holding Company
Yungsheng Japan	(c)	Japan April 22,2014	-	70%	JPY90,000 thousand / JPY90,000 thousand	Selling of contact lens and eye care solution
Shanghai Fushiyuan Contact Lens Co., Ltd. (Shanghai Fushiyuan)	(a)	China September 28, 2016	-	100%	CNY25,000 thousand / CNY25,000 thousand	Selling of contact lens and eye care solution
ユニビューティ株式会社 (Uni-Beauty)		Japan January 19, 2018	-	100%	JPY90,000 thousand / JPY90,000 thousand	Selling of contact lens and eye care solution

(a)：Haichang Corporation, Horien Corporation, Shanghai Horien and Shanghai Fushiyuan were established in China and indirectly controlled by the Company.

(b)：Gain Bless acquired Horien Malaysia's full control on January 4, 2016.

(c)：Master Harvest acquired Yungsheng Japan's full control on August 1, 2016.

iii) Subsidiaries excluded from consolidation financial statements：None.

(d) Business combinations

Goodwill is measured at the consideration transferred less the amounts of the identifiable assets acquired and liabilities assumed (generally at fair value) at the acquisition date. If the amount of net assets acquired and liabilities assumed exceeds the acquisition price, the Group reassesses whether it has correctly identified all of the assets acquired and liabilities assumed, and recognizes a gain for the excess.

The Group shall measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other non-controlling interests are evaluated by their fair value or by another basis permitted by the IFRSs endorsed by the FSC.

The acquirer shall recognize the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree. The cost of the acquisition and measuring goodwill should retrospectively by adjusted when some changes in the fair value of contingent consideration that the acquirer recognizes have been made after the acquisition date. Measurement period adjustments are the results of additional information that the acquirer obtained after that date about facts and circumstances that existed at the acquisition date. The measurement period shall not exceed one year from the acquisition date. The acquirer shall account for the changes in the fair value of contingent consideration that are not measurement period adjustments. The Group's accounting treatment should be based on the classification of contingent consideration. Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity. Others shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss.

(e) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit or loss.

Non-monetary claims and liabilities in foreign currency transactions are based on exchange rates at the transaction dates; dividend is measured by the exchange rate on the declaration date; income and expenses are translated at the average exchange rates.

Foreign currency differences are recognized in other comprehensive income, and are presented in the exchange differences on translation of foreign financial statements in equity.

(f) Classification of current and non-current assets and liabilities

An asset is classified as current when:

i) It is expected to be realized the asset, or intended to be sold or consumed, during the normal operating cycle;

ii) It is held primarily for the purpose of trading;

iii) It is expected to be realized within twelve months after the reporting period; or

iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

i) It is expected to be settled during its normal operating cycle;

ii) It is held primarily for the purpose of trading;

iii) The liability is due to be settled within twelve months after the reporting period; or

iv) It does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and Certificate deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used for the purpose of meeting short-term commitments.

(Continued)

(h) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

i) Financial assets (applicable since January 1, 2018)

The Group's financial assets is classified into the following category: measured at amortized cost.

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

i. Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

ii. Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets), and contract assets.

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

(Continued)

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(Continued)

iii. Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

ii) Financial assets (applicable before January 1, 2018)

i. Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise trade receivables and other receivables. At initial recognition, these assets are recognized at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses, other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expenses.

ii. Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that a loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management' s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than the one suggested by historical trends.

For the receivables, an impairment loss is reflected in an allowance account. When it is determined a receivable is uncollectible, it is written off against the allowance account. Any subsequent recovery from the written off receivable is charged to the allowance account. Changes in the allowance accounts are recognized in profit or loss.

Impairment losses and recoveries are recognized in profit or loss, and they are included in administration expense.

(Continued)

iii. Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

iii) Financial liabilities and equity instruments

i. Classification of debt or equity instruments

Debt or equity instruments issued by the Group are classified as financial liabilities or equity instruments in accordance with the substance of the contractual agreement.

Compound financial instruments issued by the Group comprise convertible bonds payable that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

At initial recognition, the liability component of a compound financial instrument is recognized at fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially based on the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss, under non-operating income and expense. On conversion, financial liability is reclassified to equity, without recognizing any gain or loss.

ii. Financial liabilities at fair value through profit or loss

A hybrid instrument is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any interest expense, are recognized in profit or loss, and are included in "non-operating income and expenses".

iii. Other financial liabilities

Financial liabilities not classified as held-for-trading, or designated as at fair value through profit or loss, which comprise of loans and borrowings, and trade and other payables, are measured at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance cost.

iv. Derecognition of financial liabilities

A financial liability is derecognized when its contractual obligation has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in "non-operating income and expenses".

v. Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Group has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(i) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

When inventories are sold, the relevant book value of stock should be-expensed as incurred with the revenue recognized on. The Group write-off book value and related losses, loss should be recognized as an annual loss for the period. If the change of circumstances has an impact in the increase of net realizable value, the Group should revere it as the deduction of cost of good sold.

(j) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

(Continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined based on the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized in profit or loss, and is included in non-operating income and expenses.

ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

iii) Depreciation

Depreciation is calculated on the depreciable amount of an asset using the straight-line basis over its useful life. The depreciable amount of an asset is determined based on the cost less its residual value. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period is recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative years of significant items are as follows:

i.	Building	20~50 years
ii.	Leasehold improvements	Shorter of the lease term and estimated useful life (usually about 10 years)
iii.	Machinery	5~10 years
iv.	Transportation equipment	3~5 years
v.	Other equipment	2~15 years

(k) Leased assets

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

The land ownership is not transferred if the benefits and risks of the land lease are not fully transfer, and will be treated as operating leases. It is measured at cost less accumulated amortization and accumulated impairment losses. The long-term prepaid rents of land leasehold rights are recognized periodically as rent expenses on a straight-line basis.

(Continued)

(l) Intangible assets

i) Goodwill

i. Recognition

Goodwill arising from the acquisition of subsidiaries is recognized as intangible assets. Goodwill is the part of acquisition cost over the fair value of identifiable assets under the acquisition method. Goodwill is measured at its initial cost less accumulated impairment losses.

ii. Measurement

Goodwill is measured at cost less accumulated impairment losses. The carrying amount of the investment under equity method includes goodwill, so the related impairment loss is recognized as part of the carrying amount, because it can't be allocated to goodwill or other assets.

ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

iv) Amortization

Depreciable amount of intangible asset is calculated based on the cost of an asset less its residual values.

Except for goodwill and intangible assets with infinite useful lives, amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date when they are made available for use. The estimated useful lives of intangible assets for the current and comparative periods are as follows:

i.	Trademark rights	10~20 years
ii.	Patents	7~20 years
iii.	Technology know-how	10 years
iv.	License, chartered right and customer relationship	3~5 years
v.	Computer software cost	3 years

(m) Impairment—Non-derivative financial assets

Non-derivative financial assets except for inventories and deferred tax assets are assessed at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group shall estimate the recoverable amount of the asset. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such is deemed as an impairment loss, which is recognized immediately in profit or loss.

The Group assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset estimated.

An impairment loss recognized in prior periods for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset' s recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset is increased to its recoverable amount by reversing an impairment loss.

Recovery of goodwill are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. Reversal of an impairment loss for goodwill is prohibited.

(n) Borrowing costs

Borrowing costs are recognized as an expense when they occur. However, borrowing costs which directly attributable to the acquisition, construction or production that necessarily takes a substantial period of time to get ready for its intended use or sale are included in the cost of the asset (capitalization).

Borrowing costs which are parts of assets costs should be capitalized when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization should be suspended or ceased during periods in which active development is interrupted or all of the activities necessary to prepare the asset for its intended use or sale are complete.

(o) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and an outflow of economic benefits is possibly required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(p) Revenue

(i) Revenue from contracts with customers (applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

i) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group often offers volume discounts to its customers. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Revenue (policy applicable before January 1, 2018)

Revenue is recognized when it is probable that the future economic benefits attributable to the asset will flow to the entity, and the amount of revenue and cost can be measured reliably on current period. The income can be recognized as profit for the year according to the following circumstances:

i) Sales revenue-revenue of selling products should be recognized when the significant risks and rewards are transferred to the customers. The recognized amount is measured at fair value of the consideration received or receivable net of business tax, other sales tax, sales returns and discount. When recognizing sales revenue, sales costs should be measured reliably while the Company does not participate in the subsequent management of the transferred products.

ii) Distribution revenue-distribution revenue should be recognized when the distribution service is provided and the collectability could be measured reliably.

iii) Financial revenue-interest revenue is recognized at effective interest rate.

(q) Employee benefits

Wages, salaries, bonuses and employee welfare should be recognized during the employees rendering the services in the consolidated company. If the terms of payment are long, the company should recognize at a discount rate.

According to the regulations of P.R.C., R.O.C, Malaysia, and Japan pensions cost other than which is allocated to inventory costs should be recognized as expenses when it occur.

(r) Share-based payment

The Group recognizes the costs of issuing the employee stock warrants under fair value method. Accordance with the regulation of the employee stock warrants plan, the Group recognizes expenses during the vesting period, and increase the paid-in capital under equity account.

Employee stock warrants plan is estimated the fair value of warrants on the grant date under binominal option pricing model. Employees of the Group should conform to the vesting conditions of employee stock warrants so they could get the warrants unconditionally. The Group estimates the fair value and considers the probability that warrant owners get the warrants during the vesting period.

Under the vesting period, the expected implement of employee stock warrants has to inspect periodically. Any changes of fair value in prior years should be adjusted on current gains or losses and paid-in capital excluding the original cost of services which complies with assets recognition principles.

Subsequent information shows that the Group should amend the estimated amount if there is a difference between the expected vesting amount and estimated amount. Except for unfulfilling vesting conditions and waiving the right due to the market value, the Group should adjust the recognized expenses and paid-in capital to reflect the final amount of equity instruments.

(s) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Share Transactions; Losses on disposal of treasury shares should be offset against the existing capital reserves arising from similar types of treasury shares. If there are any insufficient capital reserves to be offset, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under the existing capital reserves arising from similar types of treasury shares; Losses on cancellation of treasury shares should be offset against the existing capital reserves arising from similar types of treasury shares. If there are any insufficient capital reserves to be offset, then such losses should be accounted for under retained earnings.

(t) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

(Continued)

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

i) Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following: Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transaction.

ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

iii) Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

i) the entity has the legal right to settle tax assets and liabilities on a net basis; and

ii) the taxing of deferred tax assets and liabilities fulfills one of the below scenarios:

  i. levied by the same taxing authority; or

  ii. levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also revaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(u) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Company. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible notes and employee stock options.

(Continued)

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

(5) Major sources of accounting assumptions, judgments, and estimation uncertainty

The preparation of the consolidated financial statements requires the Group to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continued to monitor the accounting assumptions, estimates and judgments. Management recognized the changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next period.

Information on critical judgments in applying accounting policies that have the most significant effect to the amounts recognized in the consolidated financial statements is as follows:

(a) Revenue Recognition

Based on agreement contract, historical experiences, marketing and economic conditions and other reasons, which might also happened in sales' return and allowance, the Group marked the sales of product as revenues' deduction and periodic inspection of estimates' reasonableness. Because of competition in marketing prices and development of producing skills, these might cause majority change in prices. For more details of revenues' return and allowance, please refer to consolidated financial report of Notes 6(c), (l), (m), (r) and (s).

(b) Impairment loss of accounts receivable

Based on historical experiences, market and economic conditions, and other reasons, which might happened in impairment loss of account receivable, the Group periodic inspection of estimates' reasonableness. For more details of impairment loss of account receivable, please refer to consolidated financial report of Notes 6(c).

(6) Description of Significant Accounts

(a) Cash and cash equivalents

		December 31, 2018		December 31, 2017	
		CNY	TWD	CNY	TWD
Cash on hand	$	12,003	53,679	865	3,950
Check deposits		-	-	142	648
Demand deposits		482,044	2,155,701	608,048	2,775,740
Certificate deposits		115,503	516,528	262,790	1,199,636
Total	$	609,550	2,725,908	871,845	3,979,974

(Continued)

(b) Other financial assets

Item		December 31, 2018 CNY	December 31, 2018 TWD	December 31, 2017 CNY	December 31, 2017 TWD
Restricted deposits	$	299,304	1,338,487	284,637	1,299,369
Time deposits－maturity more than three-month		213,550	954,996	-	-
Total	$	512,854	2,293,483	284,637	1,299,369

The restricted deposits were the certificate of deposits pledged by using the bank loans of the Group.

(c) Notes receivable and accounts receivable

i) The details were as follows:

		December 31, 2018 CNY	December 31, 2018 TWD	December 31, 2017 CNY	December 31, 2017 TWD
Notes receivable	$	9,724	43,485	6,975	31,842
Accounts receivable		858,023	3,837,079	1,014,270	4,630,143
Accounts receivable from related parties		27,007	120,777	23,370	106,686
Long-term receivables		66,556	297,637	83,956	383,258
		961,310	4,298,978	1,128,571	5,151,929
Less: allowance for uncollectible accounts		63,634	284,572	84,964	387,861
allowance for sales returns		-	-	48,000	219,120
	$	897,676	4,014,406	995,607	4,544,948

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31,2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision in Mainland China and Malaysia as of December 31,2018 was determined as follows:

		Gross carrying amount CNY	Gross carrying amount TWD	Weight-average loss rate	Loss allowance provision CNY	Loss allowance provision TWD
Current	$	541,340	2,420,867	1%	5,410	24,195
1 to 30 days past due		37,916	169,562	2%	758	3,391
31 to 90 days past due		63,863	285,597	4%	2,555	11,424
91 to 180 days past due		62,348	278,821	8%	4,988	22,306
181 to 360 days past due		67,220	300,606	16%	10,755	48,097
More than 1year over due		66,899	299,174	57%	38,110	170,428
	$	839,586	3,754,627		62,576	279,841

(Continued)

Ginko International Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

The loss allowance provision in Taiwan and Japan as of December 31,2018 was determined as follows:

		Gross carrying amount CNY	Gross carrying amount TWD	Weight-average loss rate	Loss allowance provision CNY	Loss allowance provision TWD
Current	$	113,615	508,087	0%	-	-
1 to 30 days past due		2,956	13,221	0%	1	6
91 to 180 days past due		1,795	8,025	1%	17	75
181 to 360 days past due		2,290	10,241	8%	177	791
More than 1 year over due		1,068	4,777	81%	863	3,859
	$	121,724	544,351		1,058	4,731

The aging analysis of notes and trade receivable which were past due but not impaired was as follows:

		December 31, 2017 CNY	December 31, 2017 TWD
Past due less than 30 days	$	46,078	210,346
Past due 31 - 90 days		74,407	339,669
Past due 91 - 180 days		211,460	965,315
Past due 181 - 365 days		95,604	436,434
Past due more than 1 year		10,562	48,213
	$	438,111	1,999,977

The movement in the allowance for notes and trade receivable was as follows:

		2018		2017 Individually assessed impairment		2017 Collectively assessed impairment		2017 Total	
		CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
Balance on January 1,2018 and 2017 per IAS 39	$	84,964	387,861	15,184	70,105	70,787	326,823	85,971	396,928
Adjustment on initial application of IFRS 9		-	-						
Balance on January 1, 2018 per IFRS 9		84,964	387,861						
Impairment loss reversed		(21,043)	(95,959)	(447)	(2,015)	(560)	(2,523)	(1,007)	(4,538)
Foreig exchange gains (losses)		(287)	(7,330)	-	(816)	-	(3,713)	-	(4,529)
Balance on December 31, 2018 and 2017	$	63,634	284,572	14,737	67,274	70,227	320,587	84,964	387,861

(Continued)

(d) Inventories

i) The details were as follows:

		December 31, 2018		December 31, 2017	
		CNY	TWD	CNY	TWD
Finished goods	$	278,720	1,246,437	245,719	1,121,707
Work in process		181,380	811,131	164,302	750,039
Raw materials		43,833	196,021	38,156	174,183
Low value consumables		12,525	56,012	8,807	40,204
	$	516,458	2,309,601	456,984	2,086,133

ii) Cost of goods sold recognized in 2018 and 2017 was as follows:

		2018		2017	
		CNY	TWD	CNY	TWD
Cost of inventories sold	$	660,201	3,010,582	538,094	2,425,081
Allowance for inventory abandonment loss		77,947	355,446	43,940	198,029
Allowance for inventory obsolescence loss		16,393	74,754	14,610	65,844
Inefficient yield loss		8,193	37,361	7,723	34,806
	$	762,734	3,478,143	604,367	2,723,760

(e) Prepayments

		December 31, 2018		December 31, 2017	
		CNY	TWD	CNY	TWD
Value added tax	$	79,809	356,905	64,388	293,934
Other prepaid expenses		23,543	105,284	5,172	23,609
Prepaid purchases		2,578	11,529	6,436	29,383
Prepaid advertisement		728	3,256	728	3,323
Prepaid insurance		559	2,502	456	2,083
Other prepayments		7,434	33,244	9,186	41,923
	$	114,651	512,720	86,366	394,255

Other prepayments mainly are project fee and endorsement fee.

(f) Property, plant and equipment

2018

	Beginning balance CNY	Beginning balance TWD	Additions CNY	Additions TWD	Disposals CNY	Disposals TWD	Reclassification and exchange rate difference CNY	Reclassification and exchange rate difference TWD	Ending balance CNY	Ending balance TWD
Cost:										
Building	$ 385,825	1,761,292	28,524	130,074	(397)	(1,812)	38,160	132,291	452,112	2,021,845
Leasehold improvements	80,035	365,359	5,245	23,588	(6,450)	(29,412)	609	(4,284)	79,439	355,251
Machinery	1,084,572	4,951,084	229,213	1,045,235	(75,867)	(345,960)	212,962	837,976	1,450,880	6,488,335
Transportation equipment	11,471	52,363	900	4,105	(974)	(4,440)	46	(855)	11,443	51,173
Other equipment	28,010	127,864	3,510	16,006	(1,197)	(5,458)	1,098	2,103	31,421	140,515
Construction in process	230,078	1,050,308	263,359	1,200,944	-	-	(151,868)	(723,755)	341,569	1,527,497
Subtotal	1,819,991	8,308,270	530,751	2,419,952	(84,885)	(387,082)	101,007	243,476	2,366,864	10,584,616
Accumulated depreciation:										
Building	87,569	399,749	18,262	83,274	(280)	(1,279)	1,097	(4,814)	106,648	476,930
Leasehold improvements	24,740	112,941	5,194	23,684	(3,358)	(15,314)	774	998	27,350	122,309
Machinery	401,014	1,830,631	103,363	471,343	(42,438)	(193,524)	45,087	158,970	507,026	2,267,420
Transportation equipment	8,372	38,215	849	3,869	(1,719)	(7,841)	4	(676)	7,506	33,567
Other equipment	18,565	84,760	3,097	14,122	(187)	(852)	(286)	(3,272)	21,189	94,758
Subtotal	540,260	2,466,296	130,765	596,292	(47,982)	(218,810)	46,676	151,206	669,719	2,994,984
Property, plant and equipment, net	$ 1,279,731	5,841,974	399,986	1,823,660	(36,903)	(168,272)	54,331	92,270	1,697,145	7,589,632

2017

	Beginning balance CNY	Beginning balance TWD	Additions CNY	Additions TWD	Disposals CNY	Disposals TWD	Reclassification and exchange rate difference CNY	Reclassification and exchange rate difference TWD	Ending balance CNY	Ending balance TWD
Cost:										
Building	$ 362,661	1,674,407	20,801	93,746	(119)	(536)	2,482	(6,325)	385,825	1,761,292
Leasehold improvements	79,814	368,502	3,693	16,642	(3,950)	(17,803)	478	(1,982)	80,035	365,359
Machinery	898,953	4,150,477	198,907	896,435	(21,142)	(95,281)	7,854	(547)	1,084,572	4,951,084
Transportation equipment	11,719	54,103	-	-	(267)	(1,202)	19	(538)	11,471	52,363
Other equipment	26,112	120,554	2,105	9,487	(331)	(1,490)	124	(687)	28,010	127,864
Construction in process	47,047	217,215	148,424	668,916	(4,315)	(19,446)	38,922	183,623	230,078	1,050,308
Subtotal	1,426,306	6,585,258	373,930	1,685,226	(30,124)	(135,758)	49,879	173,544	1,819,991	8,308,270
Accumulated depreciation:										
Building	70,337	324,745	17,025	76,728	(23)	(105)	230	(1,619)	87,569	399,749
Leasehold improvements	18,885	87,192	5,791	26,101	-	-	64	(352)	24,740	112,941
Machinery	329,207	1,519,952	87,801	395,703	(16,537)	(74,530)	543	(10,494)	401,014	1,830,631
Transportation equipment	7,550	34,855	1,056	4,760	(240)	(1,081)	6	(319)	8,372	38,215
Other equipment	15,703	72,504	3,530	15,911	(729)	(3,278)	61	(377)	18,565	84,760
Subtotal	441,682	2,039,248	115,203	519,203	(17,529)	(78,994)	904	(13,161)	540,260	2,466,296
Property, plant and equipment, net	$ 984,624	4,546,010	258,727	1,166,023	(12,595)	(56,764)	48,975	186,705	1,279,731	5,841,974

During 2018, the Group' s interest expense is CNY44,474 thousand (TWD202,807 thousand). Included in this amount are capitalized borrowing costs related to the equipment purchases and the construction in process of CNY6,248 thousand (TWD28,494 thousand), calculated using a capitalization rate of 1.7748% .During 2017, the group had no capitalization of interest, please refer to consolidated financial report of Notes 6(u).

Situations about the Group provided collateral and pledge guarantee of property, plant and equipment please refer to consolidated financial report of note 8.

(g) Intangible assets

i) Goodwill

	December 31, 2018 CNY	December 31, 2018 TWD	December 31, 2017 CNY	December 31, 2017 TWD
Beginning balance	$ 7,831	35,749	7,831	36,156
Effect of change in exchange rates	-	(729)	-	(407)
	$ 7,831	35,020	7,831	35,749

The goodwill was generated 100% equity shares from the acquisition of Shanghai Horien Corporation and Yung Sheng Corporation on April 1, 2013 and September 1, 2010, respectively.

ii) Others

	December 31, 2018 CNY	December 31, 2018 TWD	December 31, 2017 CNY	December 31, 2017 TWD
Original cost	$ 26,485	136,535	26,275	135,574
Plus: Additions	-	-	210	961
Less: Disposals	(48)	(212)	-	-
Less: Accumulated amortization	(22,540)	(100,799)	(20,535)	(93,742)
Effect of change in exchange rates	6	(18,070)	198	(14,730)
	$ 3,903	17,454	6,148	28,063

The accumulated amortization in 2018 and 2017 was as follows:

	December 31, 2018 CNY	December 31, 2018 TWD	December 31, 2017 CNY	December 31, 2017 TWD
Beginning balance	$ 20,535	93,742	16,332	75,405
Plus: Amortization for the year	2,051	9,351	4,203	18,943
Less: Disposals	(46)	(212)	-	-
Effect of change in exchange rates	-	(2,082)	-	(606)
	$ 22,540	100,799	20,535	93,742

The amortization expense of the trademark, patent, technology-know-how, concession, licence, franchise and customer relationship were booked as general and administrative expenses.

(h) Other non-current assets

i) Lease payment

	December 31, 2018 CNY	December 31, 2018 TWD	December 31, 2017 CNY	December 31, 2017 TWD
Beginning balance	$ 17,256	78,773	17,708	81,760
Less: Amortization for the year	(433)	(1,975)	(452)	(2,037)
Effect of change in exchange rates	-	(1,566)	-	(950)
	$ 16,823	75,232	17,256	78,773

(Continued)

Lease prepayments represent the payments for the land use rights of four pieces of land in Mainland China. The lease terms of the land use rights above are between 42 years and 50 years.

Please refer to note 8 for the situation about the Group took its land use right as collateral and pledge guarantee.

ii) Right to the return goods-non current

	December 31, 2018		December 31, 2017	
	CNY	TWD	CNY	TWD
Right to the return goods	$ -	-	21,600	98,604

The Group estimates the return ratio based on reasonable estimation, and recognizes the return of product rights and allowance from its estimation ratio.

Please refer to note 6(c) and (l) for the refundable liabilities and allowance for sales returns.

iii) Other financial assets—non-current

	December 31, 2018		December 31, 2017	
	CNY	TWD	CNY	TWD
Restricted deposits	$ 4,656	20,822	-	-
Non-current deposite	436	1,950	-	-
Long-term deferred expenses	11,059	49,456	-	-
Total	$ 16,151	72,228	-	-

(i) Bank loans

	December 31, 2018		December 31, 2017	
	CNY	TWD	CNY	TWD
Current:				
Secured loans	$ 779,352	3,485,261	560,312	2,557,827
Long-term loans within a year	457,962	2,048,006	552,437	2,521,873
Long-term liabilities, current portion	97,496	436,000	-	-
Subtotal	1,334,810	5,969,267	1,112,749	5,079,700
Non-current:				
Secured loans	542,487	2,426,000	343,921	1,570,000
Unsecured loans	22,361	100,000	-	-
Subtotal	564,848	2,526,000	343,921	1,570,000
Total	$ 1,899,658	8,495,267	1,456,670	6,649,700
Interest rates		1.40%~4.35%		1.38%~4.35%

Please refer to note 8 for the Group's pledged assets as collateral for bank loans as of December 31, 2018 and 2017.

As of June 17, 2016, the Group signed a credit contract with Chang Hwa Commercial Bank, which is the leading bank of the syndicated loan; the total amount of loan commitments is to be used for the expansion of its factories and purchase of its machines and other relatives equipment. The remaining amount of loan is to be used for the liquidity of its working capital.

Based on the agreement, Yungsheng Corporation will have to cancel its previous contract regarding its properties located at No. 163-1, No. 246, No. 171, No. 171-1, and No. 171-2, Hengshen Road, Daya District, Taichung City, which were being pledged as collaterals, and allow Changhwa Bank to have the priority of rights for their mortgage.

The Group needed to ensure the participating banks that its ratio of investment in Yungsheng Corporation, Haichang Corporation, Horien Corporation, Shanghai Horien should not be less than 75% and it should have substantial control over the subsidiaries above. The Group cannot pledge its subsidiaries' collaterals and other liabilities to any third parties.

Upon the first withdrawal of its bank loans, Yungsheng Corp. should remit to Chunghwa Bank, every 3 months, an amount of no less than TWD200,000 thousand or its equivalent in foreign currency from its sales revenue.

Based on the agreement, the reimbursement date should be 5 years after the Group's first withdrawal from its bank loan.

The Group also has to comply with the financial covenants with Yungsheng Corporation based on its audited annual and semi-annual financial statements as follows: (If the Group should immediately repay the bank loan that has been used, if it breaches the above contract.)

i) Current ratio (current assets / current liabilities) should be higher than or equal to 100%;

ii) Liabilities ratio (total liabilities / tangible net value) should be less than or equal to 150%.

iii) Times interest earned [(profit before income tax+ interest expense + depreciation + amortization) / interest expense] should not be less than 3.

iv) Tangible net assets (total equity - intangible assets) should not be less than TWD2.2 billion.

The banks of participating loan would check the financial ratios above in accordance with the semiannual financial report of Yungsheng Corporation. After calculating the current ratio, the portion of outstanding debt, which exceeds one year, has to be transferred to long-term bank loan, with due of less than one year, and recognized as current liability.

As of December 31, 2018 and 2017. the Group used its secured loan of CNY505,814 thousand (TWD2,262,000 thousand) and CNY442,497 thousand (TWD2,020,000 thousand), respectively, for its capital expenditures, as well as compensation.

As of December 31, 2018 and 2017, the Group did not have any financial ratio against the criteria mentioned above.

(Continued)

(j) Bonds payable

i) The Group's unsecured convertible bonds were as follows:

	December 31, 2018		December 31, 2017	
	CNY	TWD	CNY	TWD
Convertible bonds issued	$ -	-	421,363	2,000,000
Unamortized discounted on bonds payable	-	-	(1,676)	(7,652)
Cumulative converted amount and redeemed amount	-	-	(253,355)	(1,289,500)
Effect of change in exchange rates	-	-	(12,367)	-
	-	-	153,965	702,848
Less: due less than 1 year	-	-	153,965	702,848
	$ -	-	-	-
Equity portion –conversion options, included in additional paid in capital	$ -	-	11,312	60,155

	2018		2017	
	CNY	TWD	CNY	TWD
Financial expenses	$ 1,678	7,652	3,064	13,808

ii) On July 17, 2013 the Group issued the unsecured convertible bonds of TWD2,000,000 thousand for broadening factory buildings, purchasing machinery and equipment, redeeming bank loans and enriching working capital. The major terms and conditions were as follows:

i. Issued period: 5 years, commencing from July 17, 2013 and maturing on July 17, 2018.

ii. Issued amount and denomination: The total issued amount was 20 thousand shares, with a par value of TWD100 thousand each unit, and issued at 100% of par value.

iii. Coupon rate: 0%

iv. Conversion right and target: As the rule, the Holders could request the company for converting the bonds to common shares based on the conversion price on the conversion date. The Group has the duty to issue new shares.

v. Conversion period: Holders will have the right to convert their bonds at any time during the conversion period commencing August 18, 2013 (the next day following a month after the Closing Date) and ending at the close of business on July 7, 2018 (the 10th day prior to the Maturity Date).

vi. Conversion price and adjustment:

1) Conversion price was TWD501 per share upon issuance.

2) The Group should adjust the conversion price using the formula of issue method if the share capital increases after the issuance. The Group adjusted the conversion price per share on July 26, 2017, July 25, 2016, August 22, 2015, July 23, 2014, and July 23, 2013 (ex-dividend based date) to TWD455.9, TWD469.4, TWD479.1, TWD489.9, and TWD496.2, respectively.

vii. Redemption of bonds:

1) Redemption at the option of the Group :

The Group would redeem the bonds in accordance with the conversion rules if the stock closing price in Taipei Exchange Securities Market during the period of 30 consecutive trading dates exceeds 30% of the conversion price, or if the outstanding amounts of bonds are less than the 10% of the total issued amounts during the period commencing August 18, 2013 (the next day following a month after the Closing Date) and ending at the close of business on June 6, 2018 (the 40th day prior to the Maturity Date).

2) Redemption at mature date:

Unless the bonds have been previously redeemed or converted, the bonds will be redeemed by the Group on the Maturity Date at an amount equal to the principal amount of the bonds.

3) Redemption at the option of the Holders:

Each share holder has the right to require the Group to redeem the principal amount of bonds on July 17th of 2015 and 2016, at a redemption price equals to the principal amount of the bonds, with a yield-to-maturity of 0.5% per annum. If the bonds expire in two years, the interest payable refund from the bond conversion would be 1.00% of the par value of the bond. If they expire in three years, the interest payable refund from the bond conversion would be 1.51% of the par value of the bond.

The Group issued the unsecured convertible bonds mature in July 17th of 2018, and there were 7,105 shares that has not been redeemed or converted. As a result, the Group redeemed the unsecured convertible bonds by CNY158,205 thousand (TWD710,500 thousand).

(k) Other payables

		December 31, 2018		December 31, 2017	
		CNY	TWD	CNY	TWD
Accrued expense and others	$	73,572	329,014	89,093	406,713
Accrued salary and reward		43,071	192,613	33,720	153,932
Advances from customers		-	-	12,870	58,750
Tax payable		13,896	62,144	24,428	111,512
	$	130,539	583,771	160,111	730,907

Payables as mentioned above were expected to redeem within 1 year.

(l) Refundable liabilities-current

i) Allowance for sales discount

		Allowance for sales discount	
		CNY	TWD
Balance at January 1, 2018	$	20,596	94,021
Allowance made during the year		209,508	955,379
Allowance used during the year		(214,158)	(976,583)
Effect of changes in foreign exchange rate		302	(156)
Balance at December 31, 2018 (current)	$	16,248	72,661

The Group's allowance for sales discount for the year ended December 31, 2017, please refer to note 6(m) of the consolidated financial report.

ii) Allowance for sales return

		Allowance for sales return	
		CNY	TWD
Balance at January 1, 2018	$	48,000	219,120
Allowance used during the year		(48,000)	(218,885)
Effect of changes in foreign exchange rate		-	(235)
Balance at December 31, 2018 (current)	$	-	-

(m) Provisions

		Allowance for sales discount	
		CNY	TWD
Balance on January 1, 2017	$	11,972	55,276
Provisions made during the period		176,061	793,471
Provisions used during the period		(170,780)	(769,670)
Effect of change in exchange rates		3,343	14,944
Balance on December 31, 2017 (current)	$	20,596	94,021

The Group's allowance for sales discount for the year ended December 31, 2018, please refer to the consolidated financial report of note 6(l).

(n) Employee benefit

The defined contribution plan recognized by the Group as employee benefit expense in the employee' s labor service period is determined as follows:

		2018		2017	
		CNY	TWD	CNY	TWD
Pension expense	$	19,161	87,377	13,713	61,806

(Continued)

(o) Income taxes

i) Income tax expense

The income tax expense for the years ended December 31, 2018 and 2017, were as follows:

		2018		2017	
		CNY	TWD	CNY	TWD
Current income tax expense					
Currently incurred	$	84,142	383,691	56,201	253,288
Adjustment to prior year's income tax charged to current income tax		3,843	17,527	1,811	8,163
		87,985	401,218	58,012	261,451
Deferred tax expense					
The origination and reversal of temporary differences unrecognized tax losses		2,251	10,267	(13,966)	(62,945)
Income tax expenses	$	90,236	411,485	44,046	198,506

Ginko, Prosper Link, Gain Bless, and Master Harvest are incorporated in no tax areas, so they had no tax in 2018 and 2017.

There were no income from sources by Haichang International (Hong Kong) in 2017. Therefore, it need not pay any income tax for the said year. However, according to the Income tax Act of Hong Kong, a tax rate of 16.5% will have to applied if there is any income from sources.

According to the Income Tax Act of the People's Republic of China, the tax rate for Haichang Corporation, Horien Corporation, Shanghai Horien, and Shanghai Fushiyuan would be 25% if without tax incentive.

Haichang Corporation was qualified for the tax benefit on November 28, 2018, with the effective term of 3 years; therefore, the tax rate remains at 15%.

Horien Corporation was qualified for the tax benefit on November 30 ,2016, with the effective term of 3 years; therefore, the tax rate remains at 15%.

Effective January 2008, all foreign investors have to pay 10% withholding tax because of the dividends declaration of companies in domestic China according to the tax law of the People's Republic of China. However, some specific foreign investors would qualify a decrease in tax of up to 5% according to Letter No.601 [2009] of the State Administration of Taxation on October 27, 2009. Since April 1, 2018 the letter No. 601[2009] has been replace by Letter No.9 [2018] of the State Administration of Taxation

According to the Income Tax Act of the Republic of China, the tax rate for Yungsheng Corporation is 17%. Besides, Yungsheng Corporation should pay 10% surtax on unappropriated earnings of prior year. The basic tax amount calculated in accordance with the Income Basic Tax Act.

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. The Company has reflected the full impact of the changes on deferred income tax when estimating the effective annual tax rate.

The tax return of Yungsheng Corporation have been examined and approved by the tax authority for the year through 2016.

The equity of Horien (Malaysia) did not exceed the amount of MYR2,500 thousand; therefore, a tax rate of 18% will have to be applied according to the Income tax Act of Malaysia.

The equity of Yungsheng (Japan) and Uni-Beauty did not exceed the amount of JPY100,000 thousand. Therefore, a tax rate of 22% will be applied for the portion of income with the amount of less than JPY8,000 thousand, and for that which exceeds JPY8,000 thousand, a tax rate of 30% is applied according to the Income tax Act of Japan.

The Group's reconciliations of tax expenses and profit before tax in 2018 and 2017 were as follows:

		2018		2017	
		CNY	TWD	CNY	TWD
Profit before tax	$	270,209	1,232,183	256,815	1,157,416
Computing tax using the Group's domestic tax rate	$	58,545	266,973	49,970	225,206
Effect of tax rate in foreign jurisdiction		23,200	105,793	11,245	50,680
Tax-exempt income		(22,214)	(101,296)	(23,402)	(105,469)
Prior years income tax adjustment		3,843	17,527	1,811	8,163
China's subsidiaries' projected surplus' withholding tax		17,600	80,258	(3,844)	(17,325)
Non-deductible expenses		570	2,600	28	128
Other temporary differences		7,189	32,774	8,238	37,123
Others		1,503	6,856	-	-
Total	$	90,236	411,485	44,046	198,506

ii) Deferred tax assets and liabilities

The changes of deferred tax assets and liabilities in 2018 and 2017 were as follows:

Deferred tax assets:

		Allowance for doubtful account		Loss carryforward		Others		Total	
		CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD
January 1, 2018	$	20,750	94,724	-	-	19,323	88,207	40,073	182,931
Recognized in profit (loss)		(8,934)	(40,740)	-	-	3,283	14,969	(5,651)	(25,771)
Effect of change in exchange rates		-	(1,143)	-	-	75	(1,748)	75	(2,891)
December 31, 2018	$	11,816	52,841	-	-	22,681	101,428	34,497	154,269
January 1, 2017	$	15,403	71,117	4,149	19,155	14,683	67,790	34,235	158,062
Recognized in profit (loss)		5,347	24,098	(4,250)	(19,155)	4,636	20,894	5,733	25,837
Effect of change in exchange rates		-	(491)	101	-	4	(477)	105	(968)
December 31, 2017	$	20,750	94,724	-	-	19,323	88,207	40,073	182,931

(Continued)

Deferred tax liabilities:

	Customer relationship		Tax of earnings distributed		Total	
	CNY	TWD	CNY	TWD	CNY	TWD
January 1, 2018	$ -	-	3,400	15,521	3,400	15,521
Recognized in loss (profit)	-	-	(3,400)	(15,504)	(3,400)	(15,504)
Effect of change in exchange rates	-	-	-	(17)	-	(17)
December 31, 2018	$ -	-	-	-	-	-
January 1, 2017	$ 545	2,517	7,244	33,446	7,789	35,963
Recognized in loss (profit)	(545)	(2,456)	(3,844)	(17,324)	(4,389)	(19,780)
Effect of change in exchange rates	-	(61)	-	(601)	-	(662)
December 31, 2017	$ -	-	3,400	15,521	3,400	15,521

(p) Capital and other equity interest

i) Share capital

As of December 31, 2018 and 2017, the Company issued same common shares amounting to TWD924,505 thousand (CNY191,908 thousand), with par value of TWD10 per share.

ii) Nature and purposes of capital surplus

i. Share premium

According to the Cayman Islands Companies Law, the share premium issued could redeem the debts and maintain normal operating after dividend payments.

ii. Paid-in capital

Paid-in capital on consolidated financial statements consists of paid-in capital from equity restructuring, share premium, and share options of convertible bonds.

iii) Cumulative translation adjustment

Cumulative translation adjustment is the difference arising from the different conversion rates used in the financial statements of each subsidiary.

iv) Appropriations of retained earnings from subsidiaries which is the actual operating entity—PRC statutory reserve

According to the regulations of PRC and the Article of Incorporation of the subsidiaries registered in China, the subsidiaries should allocate retained earnings to statutory reserve fund permitted by the board of directors.

Statutory reserve fund may be used to offset a deficit (if any), or increase capital; however, the increased capital could not be less than 25% of registered capital.

According to the accounting regulations and rules of PRC, each subsidiary which is 100% held by the parent company in PRC has to allocate 10% of net income to general reserve fund before distributing dividends to shareholders, until the balance of reserve fund is up to 50% of registered capital.

v) Earnings distribution

According to the Article of Incorporation of the Company, the net profit of the Company for each financial year shall be allocated or used in the following order and proposed by the Directors in the Shareholders' meeting for approval:

i. To settle the applicable amount of income tax;

ii. To cover the losses of previous years, where applicable;

iii. To set aside ten percent (10%) as Legal Reserve unless the accumulated amount of such Legal Reserve equals the total paid-up capital of the Company;

iv. To set aside an amount as Special Reserve Pursuant to the Applicable Law;

v. With respect to the earnings available for distribution (i.e. the net profit after deducting the items (i) to (vi) above, plus, previously unappropriated Retained Earnings), the Board may present a proposal to distribute the Shareholders' dividends at an annual general meeting for approval pursuant to the Applicable Law, provided such dividends may not be less than thirty percent (30%) of the difference between the net profit of the relevant financial year and the amounts in sub-paragraphs (i) to (vi) of this Article. Shareholders' dividends may be paid in the form of cash and/or bonus shares, provided that the portion of cash dividends shall not be less than thirty percent (30%) of the total dividends payable to the shareholders.

Earnings distribution for 2017 and 2016 was decided via the general meeting of shareholders held on June 21, 2018 and June 22, 2017, respectively. The relevant dividend distributions to shareholders were as follows:

	2017		2016	
	Share distribution rate (in new Taiwan dollars)	**TWD**	**Share distribution rate (in new Taiwan dollars)**	**TWD**
Dividends attributable to ordinary shareholders:				
Cash	$ 6.80	628,663	6.80	628,663

In accordance with Ruling No. 1010012865 issued by the FSC, the Group reclassified special reserve of TWD505,265 via the board of directors on August 8, 2018, and the 2017 revised dividend distribution will be subsequently recognize via the next general meeting of shareholders.

vi) Treasury stock

For the year ended December 31, 2017 the Group repurchased 247 thousand of its treasury shares for its employees, which had been cancelled on Octobeer 25, 2017. The gains on cancelation of treasury shares of CNY19,122 thousand (TWD94,174 thousand) were recognized under existing capital reserves.

In 2018 and 2017, a total of 0 shares were not yet cancelled.

(Continued)

In accordance with the requirements under section 28(2) of the Securities Exchange Act requirements as stated above, the number of shares repurchase should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves.

In accordance with the Securities and Exchange Act requirements, the treasury shares held by the Company should not be pledged, and the shareholders do not have their rights before the shares are transferred.

vii) Capital management

The purpose of capital management for the Group is to sustain future development of business and to maintain investors creditor and market confidence.

The Group monitors and manages the capital structure periodically in order to strike a balance between investing high-rewards with heavy loans and maintaining stable and safe capital. It adjusts the capital structure based on economic environment.

In order to comply with operating activities, the Group takes liabilities to capital ratio as means of monitoring capital structure. The Group defines liabilities that total liabilities minus cash and cash equivalent, restricted deposits and time deposits. The Group's strategy is to keep liabilities to capital ratio within 100%.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

	December 31, 2018		December 31, 2017	
	CNY	TWD	CNY	TWD
Current liabilities:				
—Short-term loans	$ 1,237,314	5,533,267	1,112,749	5,079,700
—Contract liabilities	14,511	64,893	-	-
—Notes payable	15,195	67,953	5,462	24,933
—Accounts payable	87,113	389,570	84,023	383,563
—Other payables(including from related parties)	134,111	599,744	162,265	740,741
—Current tax liabilities	22,433	100,321	16,034	73,195
—Provisions - current	-	-	20,596	94,021
—Long-term loans due within a year	97,496	436,000	153,965	702,848
—Refundable liabilities - current	16,248	72,661	-	-
Non-current liabilities:				
—Long-term loans	564,848	2,526,000	343,921	1,570,000
—Deferred income tax liabilities	-	-	3,400	15,521
Total liabilities	2,189,269	9,790,409	1,902,415	8,684,522
Less: Restricted deposits	(517,946)	(2,316,255)	(284,637)	(1,299,369)
Cash and cash equivalents	(609,550)	(2,725,908)	(871,845)	(3,979,974)
Net liabilities	$ 1,061,773	4,748,246	745,933	3,405,179
Equity	$ 2,322,481	10,386,135	2,248,500	10,264,403
Debt to adjusted capital ratio	46 %	46 %	33 %	33 %

The Group did not change the policies of capital management in 2018 and 2017.

(Continued)

The Group did not been requested for other capital regulation.

(q) Earnings per share

Shares : thousand

	2018		2017	
	CNY	TWD	CNY	TWD
Basic EPS:				
Profit	$ 182,809	833,380	215,426	971,035
Weighted-average number of ordinary shares	92,450	92,450	92,450	92,450
Basic EPS (in Chinese Yuan and New Taiwan Dollars)	$ 1.98	9.01	2.33	10.50
Diluted EPS:				
Profit	$ 182,809	833,380	215,426	971,035
Effect of potentially dilutive ordinary shares				
—Conversion of convertible bonds	-	-	3,064	13,808
Profit (diluted)	$ 182,809	833,380	218,490	984,843
Weighted-average number of ordinary shares	92,450	92,450	92,450	92,450
Effect of potentially dilutive ordinary shares				
—Conversion of convertible bonds	-	-	1,558	1,558
—Employee stock bonuses	266	266	170	170
Weighted-average number of ordinary shares outstanding (diluted)	92,716	92,716	94,178	94,178
Diluted EPS (in Chinese Yuan and New Taiwan Dollars)	$ 1.97	8.99	2.32	10.46

(r) Revenue from contract with customers

i) Details of revenue

	2018	
	CNY	TWD
Primary geographical markets:		
Mainland China	$ 1,148,351	5,236,597
Taiwan	311,312	1,419,614
North-east Asia	95,688	436,347
Europe	60,582	276,260
South-east Asia	3,286	14,984
Other countries	1,184	5,399
	$ 1,620,403	7,389,201

(Continued)

	2018 CNY	2018 TWD
Major product:		
Contact lens	$ 1,276,373	5,820,389
Contact lens care solution	344,030	1,568,812
	$ 1,620,403	7,389,201

For details on revenue for the year ended December 31, 2017, please refer to note 6(s).

ii) Contract balance

	December 31, 2018 CNY	December 31, 2018 TWD	January 1, 2018 CNY	January 1, 2018 TWD
Notes and account receivable	$ 961,310	4,298,978	1,128,571	5,151,929
Allowance for impairment	(63,634)	(284,572)	(84,964)	(387,861)
Total	$ 897,676	4,014,406	1,043,607	4,764,068

	December 31, 2018 CNY	December 31, 2018 TWD	January 1, 2018 CNY	January 1, 2018 TWD
Contract liabilities	$ 14,511	64,893	12,870	58,750

For details on notes receivable, account receivables and allowance for impairment, please refer to the note 6(c) of consolidated financial report.

The contract liabilities primarily relate to the difference between the point at which the goods or services are delivered to the customer (performance obligation is fulfilled), but the bill has not yet be paid.

(s) Operating revenues

The Group's operating revenues in 2017 was as follows:

	2017 CNY	2017 TWD
Sales of manufactured goods:		
Contact lenses	$ 1,205,930	5,434,884
Contact lens care solution	361,854	1,630,804
	1,567,784	7,065,688
Less: sales discount and allowance	247,885	1,117,168
	$ 1,319,899	5,948,520

For details of operating revenue in 2018, please refer to note 6(r).

(Continued)

(t) Compensation to employees, directors and supervisors

According to the Articles of Incorporation of the Company in the event that the Company's annual income before tax results in a profit after taking into account the accumulated losses, it shall, upon the approval of a majority of the Directors present at a meeting of the Directors attended by two-thirds (2/3) or more of the Directors, set aside 1.5~10% as employee bonuses; and shall, upon the approval of a majority of the Directors present at a meeting of the Directors attended by two-thirds (2/3) or more of the Directors, set aside 3% as Directors and Supervisors bonuses.

For the year ended December 31, 2018 and 2017, the employee bonuses amounted to TWD44,063 thousand (CNY9,663 thousand) and TWD58,888 thousand (CNY13,067 thousand) ; and the remuneration to directors and supervisors amounted to TWD7,554 thousand (CNY1,657 thousand) and TWD6,286 thousand (CNY1,395 thousand). According to the Articles of Incorporation, the amounts stated above were calculated using the profit before tax, multiplied by the distribution percentages of employee bonuses and compensation to directors and supervisors, and are recognized as operating costs or operating expenses for each period.

In 2017, the Group actual paid in employee bonuses and the remuneration to directors and supervisors amounted were TWD64,797 thousand (CNY14,378 thousand) and TWD7,336 thousand (CNY1,628 thousand), respectively. The acutal paid for employee bonuses and the remuneration to directors and supervisors in financial report are higher, the difference is TWD6,959 thousand (CNY1,500 thousand) identified as the change of estimated, which account to the loss of financial statement. Please refer to the Market Observation Post System for more information.

(u) Non-operating revenues and expenses

i) Other revenues

		2018		2017	
		CNY	TWD	CNY	TWD
Interest income from bank deposits	$	13,938	63,557	6,536	29,456
Subsidy income from government		1,386	6,318	2,780	12,529
Others		4,509	20,563	3,197	14,410
	$	19,833	90,438	12,513	56,395

Subsidy income from the governments was the unconditional subsidy given from Mainland China government for rewarding the contribution to local economic development during the period of report.

ii) Other gains or losses

		2018		2017	
		CNY	TWD	CNY	TWD
Foreign exchange gains or losses	$	(16,824)	(76,718)	37,051	166,981
Losses on disposal of property, plant, and equipment		(3,149)	(14,360)	(12,595)	(56,764)
Bank fees		(1,396)	(6,365)	(2,285)	(10,298)
Donation contributions		(1,013)	(4,620)	(237)	(1,068)
Others		(123)	(561)	2,241	10,101
	$	(22,505)	(102,624)	24,175	108,952

(Continued)

iii) Finance costs

	2018		2017	
	CNY	TWD	CNY	TWD
Interest expenses of bank loans	$ 44,474	202,807	30,357	136,815
Less: capitalized interest	(6,248)	(28,494)	-	-
Interest expenses of bonds payable	1,678	7,652	3,064	13,808
	$ 39,904	181,965	33,421	150,623

(v) Financial risk management and fair value

i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group' s receivables from customers and investments in debt securities. The Group' s credit risk was mainly from accounts receivable and other receivable. The management had established policies and monitored the confronting risk continuously.

The Group aimed at the customer whose accounts receivable exceeded the credit limit, and proceeded with credit valuation. This valuation emphasized the customer's paying history, debt-paying abilities and relevant information.

Each customer has different payment term ranging from 90~300 days according to each credit grade. If needed, the Group will request customer to provide collateral to reduce the risk of financial loss due to uncollectible accounts receivable. The Group should redeem its overdue receivables before giving extra credits to customers. It will need additional approval when unexpected incident occurs.

Please refer to Note 6(c) for the disclosure of the Group' s maximum amount of credit risk exposure in accounts receivable and other receivables.

The Group's credit risk is mainly influenced by individual customer not by the integral economic environment of customer' s industry because material credit risk is arising from material transactions between the Group and customers.

The Group's top 5 customer consists were less than 10% and 30% of its accounts receivable as of December 31, 2018 and 2017.

Because the Group deposited restricted deposits, cash and cash equivalents in huge banks in Taiwan and China and considered that quality of credit was great, and therefore there was no material credit risk.

The largest credit risk of each financial asset was the balance of deducting allowance for impairment. The Group didn't have any credit risk due to guarantee.

(Continued)

ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the financial obligation. Each subsidiary had the responsibility for each cash management including the demand of bank loans approved by each board of directors' meeting. The Group's policies were to check for current and expected liquidity standard periodically, to ensure to have sufficient cash to reimburse short-term and long-term liabilities.

	December 31, 2018							
	Carrying amount		**Nominal principal**		**Within 1 year**		**Long-term**	
	CNY	**TWD**	**CNY**	**TWD**	**CNY**	**TWD**	**CNY**	**TWD**
Secured loans	$ 779,352	3,485,261	800,300	3,578,942	800,300	3,578,942	-	-
Unsecured loans	457,962	2,048,006	483,089	2,160,376	483,089	2,160,376	-	-
Accounts payable and other payables (excluding advances from customers)	236,419	1,057,267	236,419	1,057,267	236,419	1,057,267	-	-
Contract liabilities - current	14,511	64,893	14,511	64,893	14,511	64,893	-	-
Long-term loans due within a year	97,496	436,000	102,208	457,075	102,208	457,075	-	-
Long-term loans	564,848	2,526,000	587,827	2,628,762	-	-	587,827	2,628,762
Total	$ 2,150,588	9,617,427	2,224,354	9,947,315	1,636,527	7,318,553	587,827	2,628,762

	December 31, 2017							
	Carrying amount		**Nominal principal**		**Within 1 year**		**Long-term**	
	CNY	**TWD**	**CNY**	**TWD**	**CNY**	**TWD**	**CNY**	**TWD**
Secured loans	$ 560,312	2,557,827	535,079	2,442,637	535,079	2,442,637	-	-
Unsecured loans	552,437	2,521,873	591,308	2,699,321	591,308	2,699,321	-	-
Accounts payable and other payables (excluding advances from customers)	238,880	1,090,487	238,880	1,090,487	238,880	1,090,487	-	-
Long-term loans due within a year	153,965	702,848	155,641	710,500	155,641	710,500	-	-
Long-term loans	343,921	1,570,000	368,775	1,683,458			368,775	1,683,458
Total	$ 1,849,515	8,443,035	1,889,683	8,626,403	1,520,908	6,942,945	368,775	1,683,458

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

iii) Interest rate risk

i. Interest rate table

		December 31, 2018		
		CNY	TWD	Average interest rate (%)
Fixed interest rate:				
Time deposits (booked as cash and cash equivalents)	$	115,503	516,528	1.52
Restricted deposits (booked as other current assets)		517,946	2,316,255	1.98
Bank loans		(1,393,843)	(6,233,267)	3.09
	$	(760,394)	(3,400,484)	
Variable interest rate:				
Cash and cash equivalents	$	482,044	2,155,701	0.31
Bank loans		(505,815)	(2,262,000)	1.89
	$	(23,771)	(106,299)	

		December 31, 2017		
		CNY	TWD	Average interest rate (%)
Fixed interest rate:				
Time deposits (booked as other current assets)	$	262,790	1,199,636	1.43
Restricted deposits (booked as other current assets)		284,637	1,299,369	2.06
Bank loans		(858,831)	(3,920,564)	3.98
	$	(311,404)	(1,421,559)	
Variable interest rate:				
Cash and cash equivalents	$	608,048	2,775,740	0.25
Bank loans		(597,839)	(2,729,136)	2.16
	$	10,209	46,604	

ii. Sensitivity Analysis

The Group is exposed to interest risk arising from changes in interest rates that would affect the future cash flows and the fair value. Assuming the amount of the floating interest rate of the bank loans at the end of the reporting period had been outstanding for the entire period and all other variables were held constant, a hypothetical increase/ decrease in interest rates of 1% (100 basis point) would have resulted in an increase/ decrease in the interest expense, net of tax, by approximately CNY2,619 thousand (TWD11,711 thousand) and CNY2,507 thousand (TWD11,444 thousand) for the years ended December 31, 2018 and 2017, respectively.

(Continued)

To manage its exposure on the fair value fluctuations of the financial instruments, the assumption stated above is used as the basis for evaluation on the reporting date.

iv) Foreign exchange risk

The related information on the financial assets and liabilities that are expose to foreign exchange risk is as follows:

	Amounts	Rate	CNY	TWD
December 31, 2018				
Financial assets				
USD	$ 21,489	6.8683	147,593	660,036
JYP	1,074,979	0.0622	66,864	299,016
MYR	1,546	1.5903	2,459	10,997
HKD	8,870	0.8768	7,777	34,779
GBP	1,331	8.6941	11,572	51,750
Financial liabilities				
USD	113,159	6.8683	777,211	3,475,687
MYR	8,342	1.5903	13,266	59,327
JPY	419,618	0.0622	26,100	116,740

	Amounts	Rate	CNY	TWD
December 31, 2017				
Financial assets				
USD	$ 11,265	6.5192	73,439	335,249
JYP	1,444,003	0.0579	83,608	381,671
MYR	1,397	1.5492	2,164	9,879
HKD	10,431	0.8340	8,699	39,711
Financial liabilities				
USD	95,911	6.5192	625,263	2,854,326
MYR	7,132	1.5492	11,049	50,439
JPY	104,240	0.0579	6,035	27,550

(Continued)

The related information on the foreign exchange risk at the reporting date that affects the net income and retained earnings is as follows:

		Increase(decrease) in net income and retained earnings			
		December 31, 2018		December 31, 2017	
		CNY	TWD	CNY	TWD
USD					
—CNY appreciation 5%	$	25,185	112,627	22,972	104,867
—CNY depreciation 5%		(25,185)	(112,627)	(22,972)	(104,867)
JPY					
—CNY appreciation 5%		(1,631)	(7,293)	(3,228)	(14,736)
—CNY depreciation 5%		1,631	7,293	3,228	14,736
Other					
—CNY appreciation 5%		121	542	8	37
—CNY depreciation 5%		(121)	(542)	(8)	(37)

The exchange rate risk is the change in foreign currency rate that leads to the risk of the fluctuation of financial derivative instruments' fair value or the fluctuation in cash flows. The Group's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, restricted deposits, loans, accounts receivables and other receivables, accounts payables and other payables. If other variables remains unchanged, a weakening or strengthening 5% of appreciation or depreciation of CNY and TWD against USD, JPY and other currencies would occur. In 2018 and 2017, the Group would have increased or decreased the net profit by CNY23,675 thousand (TWD105,876 thousand) and CNY19,752 thousand (TWD90,168 thousand), respectively.

The analysis is performed on the same basis for both periods, and the analysis excludes the difference arising from the different conversion rates used in the financial statements of each subsidiary.

v) Fair value information

Except for the followings, carrying amount of the Group's financial assets and liabilities are valuated approximately to their fair value, and are not based on observable market date and the value measurements which are not reliable. No additional fair value disclosure is required in accordance with the regulations.

i. Categories and fair value of financial instruments.

The table below analyze the financial instruments to their fair value according to the valuation method.

Ginko International Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

Currency: CNY

	December 31, 2018				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial Assets at amortized cost:					
Cash and cash equivalents	$ 609,550	-	-	-	-
Accounts receivable, notes receivable and other receivable (including- related parties)	897,676	-	-	-	-
Other receivables (including- related parties)	20,613	-	-	-	-
Other financial assets	517,946	-	-	-	-
Total	$ 2,045,785	-	-	-	-
Financial liabilities at amortized cost:					
Short-term loans	$ 1,237,314	-	-	-	-
Contract liabilities - current	14,511	-	-	-	-
Accounts payable, notes payable, and other payable	236,419	-	-	-	-
Long-term loans due within a year	97,496	-	-	-	-
Long-term loans	564,848	-	-	-	-
Total	$ 2,150,588	-	-	-	-

	December 31, 2017				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Loans and receivables:					
Cash and cash equivalents	$ 871,845	-	-	-	-
Accounts receivable, notes receivable and other receivable (including- related parties)	1,022,804	-	-	-	-
Other financial assets	284,637	-	-	-	-
Total	$ 2,179,286	-	-	-	-
Financial liabilities at amortized cost:					
Short-term loans	1,112,749	-	-	-	-
Accounts payable, notes payable, and other payable (not including prepayments)	238,880	-	-	-	-
Long-term loans due within a year	153,965	-	-	-	-
Long-term loans	343,921	-	-	-	-
Total	$ 1,849,515	-	-	-	-

(Continued)

Ginko International Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

Currency: TWD

	December 31, 2018				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial Assets at amortized cost:					
Cash and cash equivalents	$ 2,725,908	-	-	-	-
Accounts receivable, notes receivable and other receivable (including- related parties)	4,014,406	-	-	-	-
Other receivables (including- related parties)	92,182	-	-	-	-
Other financial assets	2,316,255	-	-	-	-
Total	$ 9,148,751	-	-	-	-
Financial liabilities at amortized cost:					
Short-term loans	$ 5,533,267	-	-	-	-
Contract liabilities - current	64,893	-	-	-	-
Accounts payable, notes payable, and other payable (not including prepayments)	1,057,267	-	-	-	-
Long-term loans due within a year	436,000	-	-	-	-
Long-term loans	2,526,000	-	-	-	-
Total	$ 9,617,427	-	-	-	-

	December 31, 2017				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Loans and receivables:					
Cash and cash equivalents	$ 3,979,974	-	-	-	-
Accounts receivable, notes receivable and other receivable (including- related parties)	4,669,103	-	-	-	-
Other financial assets	1,299,369	-	-	-	-
Total	$ 9,948,446	-	-	-	-
Financial liabilities at amortized cost:					
Short-term loans	5,079,700	-	-	-	-
Accounts payable, notes payable, and other payable (not including prepayments)	1,090,487	-	-	-	-
Long- term loans due within a year	702,848	-	-	-	-
Long-term loans	1,570,000	-	-	-	-
Total	$ 8,443,035	-	-	-	-

ii The fair value of conversion options issued by the Group were computed by the Binominal Option Pricing Model.

iii Fair value hierarchy

The table below shows the financial instruments carried at fair value by the levels in the fair value hierarchy. The different level have been defined as follows:

1) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

2) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

3) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

iv Transfer between level 1 and level 2's financial instrument.

There was no significant transfer from level 2 to level 1 in the fair value hierarchy in 2018 and 2017.

(w) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities

Currency: CNY

			Non-cash changes		
	January 1, 2018	Cash flow	Reclassify	Exchange rate movement	December 31, 2018
Long-term borrowings (include due within a year)	$ 343,921	98,837	212,433	7,153	662,344
Short-term borrowings	1,112,749	295,885	(212,433)	41,113	1,237,314
Total liabilities from financing activities	$ 1,456,670	394,722	-	48,266	1,899,658

Currency: NTD

			Non-cash changes		
	January 1, 2018	Cash flow	Reclassify	Exchange rate movement	December 31, 2018
Long-term borro (include due within a year)wings	$ 1,570,000	442,000	950,000	-	2,962,000
Short-term borrowings	5,079,700	1,323,196	(950,000)	80,371	5,533,267
Total liabilities from financing activities	$ 6,649,700	1,765,196	-	80,371	8,495,267

(7) **Related party transactions**

(a) The ultimate parent company

The Company is the ultimate controlling party of the Group.

(b) Names and relationship with related parties

Names of the related parties	Relationships between its parent company
FOROSA Optical Technology Co., Ltd.(FOROSA)	Has significant influence to the Group
Pao Optical C., Ltd. (Pao Lien)	Other related parties
Kabayashi Optical Co., Ltd. (Kobayashi)	Other related parties
GRACE WAY ENTERPRISE Co., Ltd. (GRACE WAY)	Other related parties
Jiangsu East Optics Co., Ltd. (Jiangsu East)	Other related parties
Shanghai Jusheng Optics Co., Ltd. (Jusheng)	Other related parties
Sunder Biomedical Tech Co., Ltd. (Sunder)	Other related parties
JIANGSU SUNDEX BIO-TECH Co., Ltd. (SUNDEX)	Other related parties
Lian Chan Precision Co., Ltd. (Lian Chan)	Other related parties

(c) Significant transactions with related parties

i) Revenue

The amounts of significant selling transactions between the Group and related parties were as follows:

	2018		2017	
	CNY	TWD	CNY	TWD
Other related parties - Pao Lien	$ 130,469	594,952	110,332	497,245
Other related parties - Kobayashi	21,544	98,241	14,976	67,495
	$ 152,013	693,193	125,308	564,740

There is no significant difference in terms and conditions of the sales to associates between those provided to third parties. The price is determined by the regional economic environment and the market competition.

ii) Purchases from related parties

	2018		2017	
	CNY	TWD	CNY	TWD
Other related parties-Lian Chan	$ 5,442	24,817	2,499	11,264

There is no significant difference in terms and conditions of the transactions to associates between those provided to third parties.

(Continued)

iii) Lease from related parties

i. Rental expense

		2018		2017	
		CNY	TWD	CNY	TWD
Entity with significant influence over the Group-FOROSA	$	1,150	5,143	1,127	5,143
Other related parties-GRACE WAY		5,953	27,146	5,495	24,765
	$	7,103	32,289	6,622	29,908

Please see the following of contract and supplemental agreement of leases deposit and refundable deposit (other receivables to related parties).

ii. Refundable deposits

The Group does not engage in such transactions with other vendors and no comparable information is available.

		December 31, 2018		December 31, 2017	
		CNY	TWD	CNY	TWD
Entity with significant influence over the Group-FOROSA	$	157	700	154	700

iv) Receivables from related parties

The receivables from related parties of the Group were as follows:

			December 31, 2018		December 31, 2017	
Account	Classification of related parties		CNY	TWD	CNY	TWD
Accounts receivable	Other related parties-Pao Lien	$	21,684	96,969	18,413	84,055
	Other related parties-Kobayashi		5,027	22,482	4,661	21,278
	Other related parties-SUNDEX		296	1,326	296	1,353
		$	27,007	120,777	23,370	106,686

Ginko International Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements

Account	Classification of related parties		December 31, 2018 CNY	December 31, 2018 TWD	December 31, 2017 CNY	December 31, 2017 TWD
Other receivables	Entity with significant influence over the Group-FOROSA	$	157	700	154	700
	Other related parties-GRACE WAY		1,071	4,791	9,193	41,967
	Other related parties-Jusheng		-	-	3,700	16,891
	Other related parties-SUNDEX		931	4,162	931	4,249
	Other related parties-Sunder		29	130	15	71
		$	2,188	9,783	13,993	63,878

The other receivables- related parties above are primary composed of prepaid lease payment and property costs, lease deposit, disbursement of advertising and activity costs and service expense for delivery.

v) Payables to related parties

The payables to related parties of the Group were as follows:

Account	Classification of related parties		December 31, 2018 CNY	December 31, 2018 TWD	December 31, 2017 CNY	December 31, 2017 TWD
Accounts payable	Other related parties-Lian Chan	$	2,572	11,502	1,095	5,000

Account	Classification of related parties		December 31, 2018 CNY	December 31, 2018 TWD	December 31, 2017 CNY	December 31, 2017 TWD
Other payables	Other related parties-Pao Lien	$	-	-	42	190
	Other related parties		3,572	15,973	2,112	9,644
		$	3,572	15,973	2,154	9,834

The other receivables- related parties are primary composed of rent payable, support advertising payable, and shareholder accounts.

(d) Compensation of key management personnel

The compensation to the key management personnel was as follows:

		2018 CNY	2018 TWD	2017 CNY	2017 TWD
Short-term employee benefits	$	9,227	42,075	10,430	47,004

(8) Pledged assets

The carrying values of pledged assets were as follows:

Name of pledged assets	Subject of pledged assets	December 31, 2018 CNY	December 31, 2018 TWD	December 31, 2017 CNY	December 31, 2017 TWD
Other financial asset:					
Certificate deposits	Short-term loan	$ 299,304	1,338,487	284,210	1,297,420
Certificate deposits	Public utility guarantee	-	-	427	1,949
Property, plant, and equipment:					
Building	Long-term and Short-term loans	151,750	678,626	155,313	709,004
Machinery	Short-term loans	1,197	5,353	64,581	294,812
Other non-current asset:					
Land use right	Short-term loans	16,823	75,232	12,195	55,670
Certificate deposits	Long-term loans	4,656	20,822	-	-
Certificate deposits	Public utility guarantee	436	1,950	-	-
		$ 474,166	2,120,470	516,726	2,358,855

(9) Commitments and contingencies

(a) Capital expenditure:

i) Unrecognized contractual commitments are as follows:

	December 31, 2018 CNY	December 31, 2018 TWD	December 31, 2017 CNY	December 31, 2017 TWD
Signed contracts	$ 201,810	920,274	222,460	999,268

(b) Commitment of operating lease:

i) The Group signed two land leases from the Central Taiwan Science Park, which one of them is for 15 years (from February, 2016 to December 2030) and another one is for 20 years (from June, 2011 to June, 2031). The rents for each month is TWD677 thousand, and its adjusted every month by the lessor's announcement (price per square meter).

ii) The non-cancellable future lease payments under the operating leases in December 31, 2018 and 2017, were as follows：

	December 31, 2018 CNY	December 31, 2018 TWD	December 31, 2017 CNY	December 31, 2017 TWD
Less than 1 year	$ 4,905	22,367	4,344	19,513
Between 1 and 5 years	12,160	55,451	8,245	37,036
More than 5 years	13,633	62,168	1,893	8,503
	$ 30,698	139,986	14,482	65,052

(Continued)

iii) Expenses recognized in profit or loss in respect of operating leases were as follows:

	2018		2017	
	CNY	TWD	CNY	TWD
	$ 11,686	53,289	15,568	69,930

(10) Losses due to major disasters: None.

(11) Subsequent events

(a) On March 11, 2019, the board of directors approved to increase capital USD5,000 thousand (approximately TWD150,000 thousand) into Master Harvest for increase the business development in Japan.

(b) On March 11, 2019, the board of directors approved to increase capital by cash HKD10,000 thousand (approximately TWD39,210 thousand) into Prosper Link for enrich the operating fund of Haichang International. The capital increase application is proposed by Prosper Lnk and 100% subscribe by the Group, then reinvest to Haichang International by Prosper Link.

(12) Others

(a) The employee benefits, depreciation, depletion and amortization expenses categorized by function, were as follows:

Currency : CNY thousand

Function / Account	2018 Operating Costs	2018 Operating Expenses	2018 Total	2017 Operating Costs	2017 Operating Expenses	2017 Total
Employee benefit						
Salary	182,151	79,801	261,952	147,480	68,085	215,565
Health and labor insurance	16,881	6,010	22,891	17,228	5,666	22,894
Pension	11,997	7,164	19,161	7,186	6,527	13,713
Remuneration of directors	-	1,357	1,357	-	1,917	1,917
Others	24,491	9,868	34,359	21,737	7,911	29,648
Depreciation	114,113	16,652	130,765	97,727	17,478	115,205
Amortization	-	2,051	2,051	-	4,203	4,203

Currency : TWD thousand

Function / Account	2018 Operating Costs	2018 Operating Expenses	2018 Total	2017 Operating Costs	2017 Operating Expenses	2017 Total
Employee benefit						
Salary	830,627	363,901	1,194,528	664,665	306,844	971,509
Health and labor insurance	76,979	27,406	104,385	77,642	25,536	103,178
Pension	54,708	32,669	87,377	32,388	29,418	61,806
Remuneration of directors	-	6,190	6,190	-	8,641	8,641
Others	111,681	44,999	156,680	97,965	35,653	133,618
Depreciation	520,367	75,925	596,292	440,436	78,770	519,206
Amortization	-	9,351	9,351	-	18,943	18,943

(13) Other disclosures

(a) Related information of material transaction

According to Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Group should disclose related information of material transaction on December 31, 2018 was as follows:

i) Loan to others：

Unit: TWD thousand

Number	Company	Loan objects	Accounts	Related party	The highest balance this period	Ending alance (Note 4)	Actual used balance this period	Interest rate period	Property (Note 3)	Transaction amounts	Necessary reason for short-term finance	Allowance for doubtful accounts	Pledged		The limit of each loan object (Note 1)	The limit of total loan objects (Note 2)
													name	value		
0	Ginko International Ltd.	Horien Optic (Malaysia) Sdn Bhd.	Other receivable from related parties	Y	43,922	43,922	-	1.035 %	2	-	Operation turnover	-		-	4,161,196	4,161,196
1	Haichang Contact Lens Co., Ltd.	Prosper Link International Ltd.	Other receivable from related parties	Y	536,640 (CNY120,000)	536,640 (CNY120,000)	201,240 (CNY45,000)	1.500 %	2	-	Operation turnover	-		-	3,507,548	3,507,548
3	Yung Sheng Optical Co., Ltd.	Ginko International Co., Ltd.	Other receivable from related parties	Y	200,000	200,000	-	1.035 %	2	-	Operation turnover	-		-	1,253,911	1,253,911
3	Yung Sheng Optical Co., Ltd.	Proper Link International Ltd.	Other receivable from related parties	Y	201,240 (JPY45,000)	-	-	1.500 %	2	-	Operation turnover	-		-	1,253,911	1,253,911
5	Master Harvest Global Ltd.	エイショウ光學株式會社	Other receivable from related parties	Y	32,911 (USD118,300)	32,911 (USD118,300)	32,911 (USD118,300)	1.800 %	2	-	Operation turnover	-		-	27,388	27,388
6	Haichang International Limited	Prosper Link International Limited	Other receivable from related parties	Y	3,019	3,019	3,019	1.500 %	2	-	Operation turnover	-		-	5,182,040	5,182,040

Note 1：According to the loan operating procedure, if the counterparty is a 100% owned overseas subsidiary, directly or indirectly, by the Group, the loan is not limited to 40% of the net equity of the Group.

Note 2：The total loan limit to all parties of the Group should not be over 40% of total equity.

Note 3：Nature of financial activities is as follows:
According to the table 5-1 of Regulations Governing the Preparation of Financial Reports by Securities Issuers and rule of Market Observation Post System, 1 means that it is necessary to transaction "2"means that it is necessary to loan to other parties.

Note 4：The transactions within the Group are eliminated in the consolidated financial statements.

(Continued)

ii) Guarantee for others：

Unit: TWD thousand

Number	Guarantee company	Guaranteed objects Company	Relation (Note 3)	The limit of endorsement to single company (Note 1)	The highest balance of endorsement this period	Balance of endorsement at the end	Actual used amounts	Amounts of endorsement with pledged assets	Accumulated guarantee deposit of endorsement to net value of recent financial statement ratio	The highest amount of endorsement (Note 2)	Parent-to-subsidiary endorsement	Subsidiary–to-parent endorsement	Endorsement to China area
0	Ginko International Co., Ltd.	Yung Sheng Optical Co., Ltd	2	10,402,990	2,750,000	2,450,000	2,300,000	-	23.55 %	10,402,990	Y	N	N
0	Ginko International Co., Ltd.	Haichang Contact Lens Co., Ltd.	3	10,402,990	1,228,600 (USD40,000)	1,228,600 (USD40,000)	254,730 (USD8,293)	-	11.81 %	10,402,990	Y	N	Y
1	Haichang Contact Lens Co., Ltd.	Shanghai Horien Contact Lens Optical Co., Ltd.	3	8,768,870	255,668 (CNY40,000) (USD2,500)	67,080 (CNY15,000)	-	-	0.76 %	8,768,870	Y	N	Y
1	Haichang Contact Lens Co., Ltd.	Ginko International Co., Ltd	4	8,768,870	614,300 (USD20,000	614,300 (CNY20,000)	-	-	7.01 %	8,768,870	N	Y	N
2	Jiangsu Horien Contact Lens Co., Ltd.	Haichang Contact Lens Co., Ltd.	4	3,792,670	1,073,280 (CNY240,000)	670,800 (CNY150,000)	670,800 (CNY150,000)	-	17.69 %	3,792,670	N	Y	Y

Note 1：According to the guarantee operating procedure, the total guarantee provided to outside parties is limited to 50% of the net equity of the Group. The guarantee provided to a single entity is limited to 20% of the net equity. However, if the counterparty is a 100% owned subsidiary, directly or indirectly, by the Group, the guarantee provided is limited to 50% of the net equity of the Group.

Note 2：The aggregate amount of guarantee is limited to fifty-percent of the Group's total equity.

Note 3：Relationship with guaranteed objects:
According to the table 5-2 of Regulations Governing the Preparation of Financial Reports by Securities Issuers and rule of Market Observation Post System, "2" is for direct holding more than 50% of investee. "3" is for holding more than 50% of investee by parent and subsidiaries. "4" is for holding more than 50% of parent directly by the company or indirectly by the subsidiaries.

Note 4：According to the guarantee operating procedure, the Group and subsidiaries' guarantee of aggregate amount is limited to one-percent of the Group's total equity.

iii) Condition of holding securities in ending period(excluded investment in subsidiary, investment in associates and part of joint control): None.

iv) The accumulated buying or selling amounts of the same security are up toTWD 300 millions or more than 20% capital: None.

v) The amounts of acquiring properties are up to TWD300 millions or more than 20% capital: None.

vi) The amounts of disposal of properties are up toTWD 300 millions or more than 20% capital: None.

(Continued)

vii) The amounts of merchandising and sell from related party are up toTWD 100 millions or more than 20% capital：

Unit: TWD thousand

Company	Transaction object	Relationship	Condition of transaction				The reason and condition of difference between condition and normal transaction		Accounts and Notes receivable(payable)		Note
			(Merchandise (sell)	Amounts	To total merchandise (sell) ratio%	Credit period	Price per unit	Credit period	Balance (Note 2)	To total accounts and notes receivable (payable) ratio%	
Haichang Contact Lens Co., Ltd.	Shanghai Horien Contact Lens Optical Co.,Ltd	Subsidiary	(sell)	1,073,902	14.53 %	300 days	-	Note 1	1,756,332	40.85 %	
Jiangsu Horien Contact Lens Co., Ltd.	Haichang Contact Lens Co., Ltd.	Subsidiary	(sell)	943,436	12.77 %	300 days	-	Note 1	2,311,738	53.77 %	
Yung Sheng Optical Co.,Ltd.	Haichang Contact Lens Co., Ltd.	Subsidiary	(sell)	342,042	4.63 %	60 days	-	Note 1	166	- %	
Yung Sheng Optical Co.,Ltd.	Jiangsu Horien Contact Lens Co., Ltd.	Subsidiary	(sell)	143,623	1.94 %	60 days	-	Note 1	143,623	3.34 %	
Yung Sheng Optical Co.,Ltd.	Shanghai Fushiyuan Contact Lens Co., Ltd.	Subsidiary	(sell)	187,368	2.54 %	40 days	-	Note 1	132,041	3.07 %	
Yung Sheng Optical Co.,Ltd.	Pao Lien Optical Co., Ltd.	Affiliated company	(sell)	594,952	8.05 %	40 days	-	Note 1	96,969	2.26 %	

Note 1：The payment is adjusted according to capital management.
Note 2：The transactions within the Group are eliminated in the consolidated financial statements.

viii) The amounts of accounts receivable from related party are up to TWD100 millions or more than 20% capital：

Unit: TWD thousand

Company	Transaction objects	Relationship	Balance of accounts receivable from related parties (Note 3)	Turnover rate	Overdue accounts receivable from related parties		Recover of Accounts receivable from related parties after the period	Recognize allowance for doubtful accounts
					Amounts	Way of handle		
Haichang Contact Lens Co., Ltd.	Shanghai Horien Contact Lens Optical Co.,Ltd	Subsidiary	1,756,332 (CNY392,740)	0.51	1,345,497 (CNY300,872)	Note 1	250,432 (CNY56,000)	Note 2
Jiangsu Horien Contact Lens Co., Ltd.	Haichang Contact Lens Co., Ltd.	Subsidiary	2,311,738 (CNY516,936)	0.42	612,979 (CNY137,070)	Note 1	259,376 (CNY58,000)	Note 2
Yung Sheng Optical Co.,Ltd.	Jiangsu Horien Contact Lens Co., Ltd.	Subsidiary	124,241 (CNY27,782)	2.31	-	Note 1	79,493 (CNY17,776)	Note 2
Yung Sheng Optical Co.,Ltd.	Shanghai Fushiyuan Contact Lens Co., Ltd.	Subsidiary	132,041 (CNY29,526)	1.84	-		51,358 (CNY11,484)	Note 2
Yung Sheng Optical Co.,Ltd.	エイショウ光學株式會社	Subsidiary	103,360 (CNY372,752) (USD75)	1.17	-		-	Note 2

Note 1：The payment is adjusted according to capital management.
Note 2：No impairment loss is recognized.
Note 3：The transactions within the Group are eliminated in the consolidated financial statements.

ix) Derivative: None.

x) The condition of business relationship and of material transaction between parent and subsidiaries:

Unit: TWD thousand

Number	Name	Objects	Relationship with trader (Note 2)	Condition of transaction in 2016			
				Accounts	Amounts	Transaction condition	To total revenue or to total assets ratio
1	Haichang Contact Lens Co., Ltd.	Jiangsu Horien Contact Lens Co., Ltd.	3	Sales	3,303	Note 1	0.04 %
1	Haichang Contact Lens Co., Ltd.	Shanghai Horien Contact Lens Optical Co.,Ltd	3	Sales	1,073,902	Note 2	14.53 %
1	Haichang Contact Lens Co., Ltd.	Shanghai Horien Contact Lens Optical Co.,Ltd	3	Account receivables	1,756,332	Note 2	8.70 %
2	Jiangsu Horien Contact Lens Co., Ltd.	Haichang International Ltd.	3	Sales	943,436	Note 1	12.77 %
2	Jiangsu Horien Contact Lens Co., Ltd.	Haichang Contact Lens Co., Ltd.	3	Accounts receivables	2,311,738	Note 1	11.46 %
3	Yung Sheng Optical Co., Ltd.	Haichang Contact Lens Co., Ltd.	3	Sales	342,042	Note 1	4.63 %
3	Yung Sheng Optical Co., Ltd.	Haichang Contact Lens Co., Ltd.	3	Accounts receivables	166	Note 1	- %
3	Yung Sheng Optical Co., Ltd.	Jiangsu Horien Contact Lens Co., Ltd.	3	Sales	143,623	Note 1	1.94 %
3	Yung Sheng Optical Co., Ltd.	Jiangsu Horien Contact Lens Co., Ltd.	3	Accounts receivables	124,241	Note 1	0.62 %
3	Yung Sheng Optical Co.,Ltd.	Haichang International Ltd.	3	Sales	26,036	Note 1	0.35 %
3	Yung Sheng Optical Co., Ltd.	Haichang International Ltd.	3	Accounts receivables	26,036	Note 1	0.13 %
3	Yung Sheng Optical Co., Ltd.	Shanghai Fushiyuan Contact Lens Co., Ltd.	3	Sales	187,368	Note 2	2.54 %
3	Yung Sheng Optical Co., Ltd.	Shanghai Fushiyuan Contact Lens Co., Ltd.	3	Account receivables	132,041	Note 2	0.65 %
3	Yung Sheng Optical Co., Ltd.	エイショウ光學株式會社	1	Sales	76,386	Note 2	1.03 %
3	Yung Sheng Optical Co., Ltd.	エイショウ光學株式會社	1	Accounts receivables	103,360	Note 2	0.51 %
3	Yung Sheng Optical Co., Ltd.	Horien Optic (Malaysia) Sdn. Bhd.	3	Sales	5,535	Note 2	0.07 %
3	Yung Sheng Optical Co., Ltd.	Horien Optic (Malaysia) Sdn. Bhd.	3	Accounts receivables	48,802	Note 2	0.24 %
3	Yung Sheng Optical Co., Ltd.	Ginko International Co., Ltd.	2	Other receivables	6,885	Note 1	0.03 %
5	Master Harvest Global Ltd.	エイショウ光學株式會社	1	Other receivables	32,911	Note 1	0.16 %

Note 1：The Group does not have similar transaction with normal customers, and therefore there is no comparable information. The transactions within the Group are eliminated in the consolidated financial statements.
Note 2：The number represents the following:
1.Parent to subsidiary
2. Subsidiary to parent
3. Subsidiary to subsidiary

(b) Related information of reinvestment：

The Group's information on investees (excluded investees in Mainland China) for the years ended in 2018 was as follows:

Unit: TWD thousand/thousand shares

Investor	Investee	Location	Main operation	Original investment amounts		Holding in ending period			Investee's net income or losses	Recognized investment gain or losses	Note
				Ending this year	Ending last year	shares	rate	carrying amount			
Ginko International Co., Ltd.	Prosper Link International Ltd.	British Virgin Islands	Investment control	44,275 (USD1,480)	44,275 (USD1,480)	4,280	100.00 %	12,740,599	1,515,975	1,515,975	
〃	Yung Sheng Optical Co., Ltd.	Taiwan	Merchandise and sale of contact lenses and care solution	1,600,000	1,560,000	160,000	100.00 %	3,134,778	394,071	373,380	
Prosper Link International Ltd.	Haichang International Ltd.	Hong Kong	Investment control	38,080 (HKD11,000)	38,080 (HKD11,000)	1,100	100.00 %	12,955,099	1,533,209	1,533,209	
Haichang Contact Lens Co., Ltd.	Gain Bless Management Ltd.	British Virgin Islands	Investment control	37,449 (USD1,150)	37,449 (USD1,150)	1,150	100.00 %	17,012	(5,010)	(5,010)	
Gain Bless Management Ltd.	Horien Optic (Malaysia) Sdn. Bhd.	Malaysia	Sale of contact lenses and care solution	32,053 (USD971)	32,053 (USD971)	1,750	70.00 %	11,865	(4,965)	(4,965)	
Yung Sheng Optical Co., Ltd.	Master Harvest Global Ltd.	Anguilla	Investment control	154,607 (USD5,000)	154,607 (USD5,000)	5,000	100.00 %	68,470	(47,855)	(47,855)	
Master Harvest Global Ltd.	Yungsheng Japan	Japan	Sale of contact lenses and care solution	20,192 (JPY63,700)	20,192 (JPY63,700)	6,300	70.00 %	(35,166)	(42,176)	(29,524)	
Master Harvest Global Ltd.	ユニビューティ株式會社	Janpan	Sale of contact lenses and care solution	23,472 (USD90,000)	-	9,000	100.00 %	5,752	(17,720)	(17,720)	

(c) Information of China investment：

i) The names of investees in Mainland China, the main businesses and products, and other information：

Unit:TWD thousand

Investee in China	Main operation items	Capital	Investment way	Beginning accumulate invest-remitting amount from Taiwan this period	Remittance or withdraw investment during the period		Ending accumulate invest-remitting amount from Taiwan this period	Investee's net income	The Company 's holding ratio of direct or indirect investment	Recognized gain or losses	Ending carrying amount	Investment gain remitted back as of the end
					Remittance	Withdraw						
Haichang Contact Lens Co., Ltd	Merchandise and sale of contact lenses and care solution	1,688,079 (CNY56,319)	(Note 1)	111,152	-	-	111,152	448,603	100.00 %	448,603	8,768,870	1,457,901
Jiangsu Horien Contact Lens Co., Ltd.	Merchandise and sale of contact lenses and care solution	72,090 (CNY15,000)	(Note 1) (Note 2)	9,610	-	-	9,610	351,069	100.00 %	351,069	3,792,670	-
Shanghai Horien Contact Lens Optical Co., Ltd	Merchandise and sale of contact lenses and care solution	380,020 (CNY75,000)	(Note 2)	-	-	-	-	(50,660)	100.00 %	(50,660)	436,603	-
Shanghai Fushiyuan Contact Lens Co., Ltd.	Merchandise and sale of contact lenses and care solution	113,620 (CNY25,000)	(Note 2)	-	-	-	-	59,350	100.00 %	59,350	238,008	-

Note 1：Remittance from Ginko International Co., Ltd. through Prosper Link International Ltd. and Haichang International Ltd..
Note 2：Remittance from Haichang Contact Lens Co., Ltd. with its own equity.
Note 3：Investment incomes or losses were recognized under equity method and based on the financial report audited by international accounting firms cooperating with ROC accounting firms.

ii) Investment limit for China：

Unit: TWD thousand

Ending accumulated amounts of China investment from Taiwan this period	Investment amounts approved by Investment Commission, MOEA	China investment limit according to Investment Commission, MOEA
120,762	120,762	Note 1

Note 1：For the foreign issuer listed in TPEx in Taiwan, the investment in China is not subject to the limitation by the Investment Commission, MOEA.

iii) Please refer to Note 13(a) x for material transaction between subsidiary in China.

(14) Segment Information

General information

The Group managed operation by operation segment. This segment is mainly involved in the manufacturing, developing and selling of contact lenses and contact lens care solution. The operating segment accounting policies are the same to those described in note 4 "significant accounting policies". The profit and loss of operating segment is measured by pre-tax operating profit and loss, and it has been used as the basis for assessing performance. The Group's segment revenue, profit and loss, and total asset information has no difference with consolidated financial report. For relevant information, please refer to the consoldiated balance sheets and the consolidated statements of comprehensive income.

(15) Total difference illustration between IFRS and the IFRS approved by Financial Supervisory Commission R.O.C

There are some difference between IFRS and the IFRS approved by Financial Supervisory Commission R.O.C on specific aspect and the differences have no material effect on the Group's consolidated balance sheet on December 31, 2018 and 2017 and consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flow for the years ended 2018 and 2017.