金可國際
GINKO INTERNATIONAL CO., LTD.

Stock Code: 8406

Ginko International Co., Ltd.

2018 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Annual Report Website

Market Observation Post System: http://mops.twse.com.tw

Company Website:https://www.ginkointernational.com.tw

Printing Date: May 17, 2019

The annual report is the English translation of 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 annual report, the Chinese version shall prevail.

I. Name, Title, Telephone Number and E-mail of Spokesman and Acting Spokesman

Spokesman:

Name: Terry Chang

Title: Vice President, Finance

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Title: Manager

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The Domestic Designated Agent

Name: Kuo- Chou Tsai

Title: Chairman

Tel:（04）2565-8333 E-mail: ginkointernational@ginko.com.tw

II. Address and Telephone Number of Head Office, Branch Offices and Factory

Company Name: Ginko International Co., Ltd.

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

KY1-1112, Cayman Islands, British West Indies.

Tel:（86）21-5707-6088

Subsidiaries and Branch Offices:

Subsidiary Name: Prosper Link International Limited

Address: Sea Meadow House, Blackburne Highway, （P.O. Box 116） Road Town, Tortola, British Virgin Islands

Tel:（86）21-5707-6088

Subsidiary Name: Haichang International Limited

Address: 5F-B, No.338 North Sea Center, Hennessy Road, Wanzi, Hong Kong

Tel: (852) 3707-3412

Subsidiary Name in China: Haichang Contact Lens Co., Ltd.

Address: No,1 Danfu Road, Situ Town, Danyang City, Jiangsu Province, China

Tel: (86) 511-8620-8855

Branch Office Name of Subsidiary in China: Haichang Contact Lens Co., Ltd., Shanghai Branch Office

Address: 9F, Building 2, No.1177 Husong Road, Shanghai, China

Tel:（86）21-5707-6088

Subsidiary Name in China: Jiangsu Horien Contact Lens Co., Ltd.

Address: No,88 Danfu Road, Situ Town, Danyang City, Jiangsu Province, China

Tel: （86）511-8620-8855

Subsidiary Name in China: Shanghai Horien Contact Lens Optical Co., Ltd.
Address: 9F, Building 2, No.1177 Husong Road, Songjiang District Shanghai, China
Tel:（86）21-5707-6088
Subsidiary Name in China: Shanghai Fushiyuan Contact Lens Co., Ltd.
Address: Room 1002-1, 10F, Building 2, No.1177 Husong Road, Songjiang District Shanghai, China
Tel:（86）21-5707-6088
Subsidiary Name in Taiwan: Yung Sheng Optical Co., Ltd.
Address: No. 8, Keya Second Road, Daya District, Taichung City
Tel:（04）2565-8333
Subsidiary Name: Gain Bless Management Limited
Address: Sea Meadow House, Blackburne Highway,（P.O. Box 116） Road Town, Tortola, British Virgin Islands
Tel:（86）21-5707-6088
Subsidiary Name: Horien Optic (Malaysia) Sdn. Bhd.
Address: No.18, Jalan DBP 3, Dolomite Business Park, 68100 Batu Caves, Selangor Darul Ehsan
Tel:（60）3-6186-5876
Subsidiary Name: Master Harvest Global Ltd.
Address: 201 Rogers Office Building, Edwin Wallace Rey Drive, George Hill, Anguilla, B.W.I.
Tel:（86）21-5707-6088
Subsidiary Name in Japan: Yung Sheng Japan Optical Co. Ltd.(Yung Sheng Japan)
Address: 910-0843 Fukui City Fukui City West Development 1 chome 2310
Tel:（81）0776-89-1886
Subsidiary Name in Japan: ユニビューティ株式会社 (Uni-Beauty Co., Ltd.)
Address: 1510063 1-8-3 Tomigaya Shibuya-ku Tokyo Tokyo Adachi Business Park Bi 102
Tel:（81）3-6268-8592

III. Name of The Stock Transfer Agency, Address, Website and Telephone Number
Name: SinoPac Securities Co., Ltd. Stock Agent Department
Address: 3F., No.17, Bo'ai Rd., Taipei City
Website http: //www.sinopacsecurities.com
Tel: （02）2381-6288

IV. Name, CPA Firm, Address, Website and Telephone Number of the CPAs certifying the latest financial statements:
Name: Xu Yufeng, Mei Yuanzhen
CPA Firm: Anhou Jianye United Certified Public Accountants Co., Ltd.
Address: 68F., No.7, Sec. 5, Sinyi Rd., Taipei City
Tel:（02）8101-6666
Website: http：//www.kpmg.com.tw

V. Venue for trading the Company's listed overseas securities and inquiry method for such overseas securities: N/A

VI. Company Website: http：//www.ginkointernational.com.tw

VII. Board of Directors

Title	Name (Nationality)	Experience (Education)	Positions at the Company and other companies
Chairman	New Path International Co., Ltd. (Mauritius) Representative: Kuo- Chou Tsai (R. O. C.)	Tunghai University M.B.A.	Chairman of Prosper Link International Limited Chairman of Haichang International Limited Chairman of Haichang Contact Lens Co., Ltd. Chairman of Jiangsu Horien Contact Lens Co., Ltd. Chairman of Jiangsu East Optics Co., Ltd. Chairman of New Path International Co., Ltd. Chairman of Ginko Glasses Co., Ltd. Chairman of Jie Fu Investment Co., Ltd. Chairman of Jisheng Co., Ltd. Chairman of Yung Sheng Optical Co., Ltd. Chairman of Formosa Optical Technology Co., Ltd. Chairman of Master Harvest Global Ltd. Chairman of Sunmax Biotechnology Co., Ltd.
Director	Ocean Heart International Limited (Samoa) Representative: Kuo-Yuan Tsai	Lukang High School General Manager of Haichang Contact Lens Co., Ltd., Shanghai Branch	General Manager of The Company General Manager of Prosper Link International Limited General Manager of Haichang International Limited Director and General Manager of Haichang Contact Lens Co., Ltd. Director and General Manager of Jiangsu Horien Contact Lens Co., Ltd. Director of Ginko Glasses Co., Ltd. Director of Jie Fu Investment Co., Ltd. Director of Jisheng Co., Ltd. Director of Ocean Heart International Limited Director of Hei Longjiang Haichang Biotechnology Co., Ltd. Director and General Manager of Yung Sheng Optical Co., Ltd. Director and General Manager of Shanghai Horien Contact Lens Optical Co., Ltd. Chairman of Yung Sheng Japan Optical Co. Ltd. Chairman of Shanghai Fushiyuan Contact Lens Co., Ltd. Director of Uni-Beauty Co., Ltd.
Director	Hydron International Co., Ltd.(Samoa) Representative: Johnson Chen (R. O. C.)	Master's degree From the University of Wisconsin U.S.A. Marketing Division Director of Ciba Vision Taiwan	Executive Deputy General Manager & Chief Operating Officer of Haichang Co., Helen Co., and Yung Sheng Optical Co. Director of Yung Sheng Optical Co., Ltd. Director of Uni-Beauty Co., Ltd.
dependent Director	Kai-Li Wang (R. O. C.)	Economics Sciences (PH.D.) from Utah State University U.S.A. Information Engineering (MA) from Utah State University U.S.A. Organizer of MAPECT The 3rd Supervisor of FeAT Pro. Of the Financial Department of Tunghai University Director of EMBA of Tunghai University Director of Financial Department Tunghai University Director of the School of Business Administration Financial Research and Training Center of Tunghai University	Pro. Of the Financial Department of Tunghai University Independent Director of Dyaco International Co., Ltd. Independent Director of AKER Co., Ltd.
dependent Director	Ming-Tang Lai (R. O. C.)	Department of Accounting NCHU China Industrial & Commercial Accounting Firm Partnership Accountant Public Trust United Accounting Firm Partnership Accountant Taiwan Provincial Accountant Association 24th director and Chairman, Business and Industrial Commission Taiwan High Court Taichung Branch meditation commissioner	Crowe United Accounting Firm Accountant Adjunct lecturer of National Taichung University

Title	Name (Nationality)	Experience (Education)	Positions at the Company and other companies
dependent Director	Cherng Lee (R. O. C.)	Law (PH.D.) from Tulane University USA US Federal and NY State lawyer Attorney of Lee & Tsai. Attorney at Law Director of Laws Department of Tunghai University National Taichung Nursing School committee member Taichung Cable TV public interest program review committee member	Deputy Pro. Of Laws Department of Tunghai University Delu International Trademark Law Office Advisor Taichung Cable TV System Rate Committee member Ministry of Economics Trade Investigation Committee Central District Relief Advisory Services member Director Employment counseling & Alumni contact office of Tunghai University Acting Director of Personnel Office of Tunghai University Nantou County Government Cable TV Rate Review Committee member
Director	Jing Qian (P. R. C.)	Shanghai Tongji University, School of Economics & Management MBA, Texas University at Austin USA	Deputy General Manager of Strategic Investment Department of The Company Director of Haichang Contact Lens Co., Ltd. Director of Jiangsu Horien Contact Lens Co., Ltd.

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One. Letter to Shareholders

I. 2018 annual operating report

(1) Business results

The consolidated operating revenue was $NT7,389,201 thousand in 2018, a 24.22% increase compared to NT$5,948,520 thousand for 2017. The next profit after tax declined by 14.18%, or NT$833,380 thousand, during 2018 compared to NT$971,035 thousand for 2017.

(2) Budget performance: Financial budget was not compiled for year 2018.

(3) Analyses on financial revenues and expenditure and profitability: financial condition is as attached.

(4) Performance in research and development (R&D):

Aggregated investment in R&D expanded at 12.35% to NT$139,674 thousand in 2018 from NT$124,319 thousand of the prior year, 2017. Investment in R&D focused on the development of new material and new product, the improvement on process automation technology, and the expansion on research team.

II. 2019 Business plan overview

(1)) Operation1.

1. To continue the development in on-line (e-commerce) and off-line (physical) distribution channels in order to meet the demand of Chinese market.
2. To capture greater share of Chinese market with various brands differed in market segmentation.
3. To expand into Asia from China and Taiwan.
4. To augment orders with efficient use of capacity and high-quality.

(2) Expected sales and reference

The forecast in sales of 2019 is compiled with reference to the industrial environment, market supply and demand, past data on the productivity and marketing capacity and outlook.

Volume / Item	Expected sales volume (thousand pieces, thousand bottles)
Contact lens	520,000
Care Solution	51,000

(3) Production and marketing policies:

1. Production policies:
   (1) Increase automation and economies of scale
   (2) Raise proportion of high-end MIT (made in Taiwan) products to complement production base in mainland China.
   (3) Improve core capability of production as the foundation for future revenue growth.

2. Marketing policies:

(1)Target on-line e-commerce and off-line physical markets with multiple distribution channels, pricing strategies and marketing segmentations.

(2) Foster brand depth through increasing proportion of high-end market segment.

(3) Establish influence in Asian market with greater shares of foreign markets

III. Future development strategy

(1) To accelerate the Company's share in Asian market as industry through simultaneous expansion into the Chinese and foreign market.
(2) To expand e-commerce and market shares in first-tier/second-tier cities through selling back diversified and high-end products to China
(3) To consolidate the advancement in the industry with sharp focus on colored-lense production and continual augmentation in technical production.

IV. Potential impacts from external competition, legal environment and macroeconomic climate.

(1) External Competition

With technological advancement, two supplementary products to contact lens that pose direct risk to the industry are laser refractive surgery and implantable contact lens (ICL). However, because of their "medically-invasive" nature, the irreversibility of laser refractive surgery and the periodic requirement of replacement surgery for ICL, they remain limited to the visually-impaired as alternatives to contact lenses. In addition, Johnson & Johnson's introduction of short-throw silicone contact lens, with its low pricing strategy, has made substantial influence to the industry globally from the US market. It has eroded the market share of hydrogel and has become the mainstream that captured 67% of the market share as pointed out by the Contact Lens Spectrum market report. However, it should be noted that silicone hydrogel lenses will not become the mainstream in the short run due to the different consumption preference in China and other major Asian countries and the low penetration rate of contact lenses in China.

(2) Impact of regulatory environment

China has formulated various regulations in the medical device industry, inccluding: the Regulation on the Supervision and Administration of Medical Devices", the "Implementation of the Measures for Supervision and Administration fo Medical Device Production", the "Measures for the Administration of Registration of Medical Devices", the "Measures for the Administration of Permits for Medical Device Operation Enterprises", the "Measures for the Administration of Disinfection" and the "Disinfection Products Production Enterprise Health Standards". Enterprises are required to apply for numerous valid license and permit, including but not limited to medical equipment management firm license or production license, in order to legitimately operate in China in the relevant business field. The acquisition of relevant certificates and licenses for medical devices has a significant impact on the business

operation of the Company. However, as of the date of publication of the annual report, the Company has not obtained or renewed any license or permit for business or operation. The wide opening of e-commerce related laws and regulations will have an impact on the lower unit price of the industry.

(3) Impact of Macroeconomics

UBS forecasts China's GDP growth to be 6.1% in 2019 from 6.5% in 2018. Considering that a large proportion of our revenue was still generated from China at present, the success of our operation is closely correlated to the Chinese economy and the demand of Chinese consumers. The operation of our company may be adversely affected, given the volatility of Chinese economy. Two measures put forwarded to the challenges ahead include: (1) Contact lenses can be less affected by the business cycle, given their nature of anti-boom medical devices. Moreover, the penetration rate of contact lenses in China is only 10%, hence the market potential is still expectable. (2) The Company has started to divert the possible macroeconomic risk in Chinese market by replicating its successful business model in China to other Asian countries.

On behalf of all my colleagues, I would like to express my most sincere appreciation to the support and guidance in the past year, and to be continued in the future, of all the customers, suppliers, shareholders and employees. We will continue to serve with the utmost pragmatism, innovation, integrity, wisdom and modesty management doctrine in our very core business.

.

Chairman: Kuo-Chou Tsai Manager: Kuo-Yuan Tsai Accounting: Terry Chang

Two. Company Profile

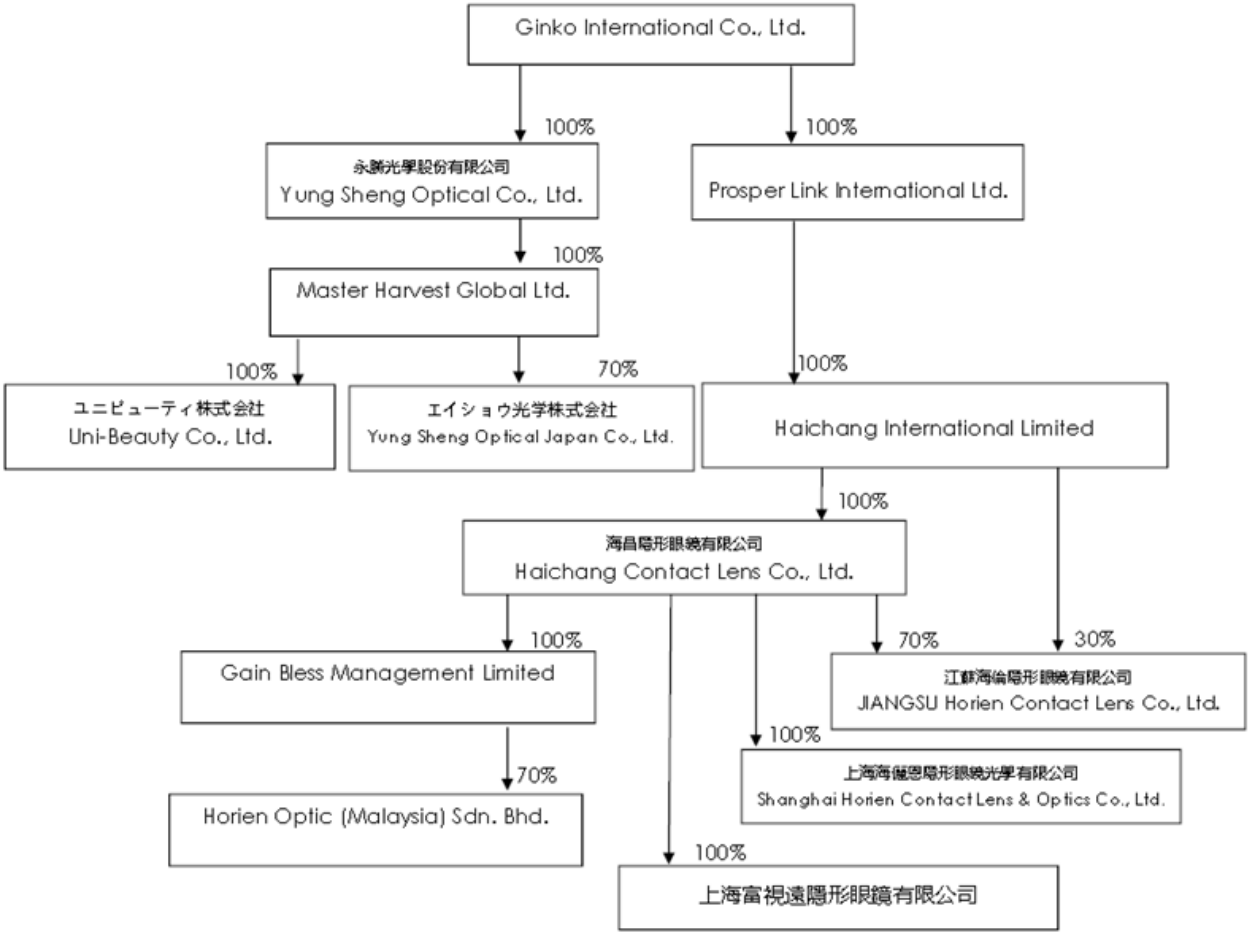
I. Date of Establishment and Group Profile:

Ginko International Co., Ltd was established on June 11, 2007.

The main operating entities of Ginko International Co., Ltd. are: Haichang Contact Lens Co., Ltd., Jiangsu Horien Contact Lens Co., Ltd., and Yung Sheng Optical Co., Ltd. Marketing company headquarters is in Shanghai, and production base is situated in the home of Chinese glasses, Danyang and Taichung Science Park in Taiwan.

Ginko International Co., Ltd. acquired the brand of "Hydron" contact lens from the USA in 1995 and then got entry into the market in China, becoming the first contact lens brand in China and consolidating R&D, marketing, production and sales in one entity. Since 1998, Ginko International with the internationalizing vision has successfully realized the development of the overseas market, selling in"HORIEN"brand to various areas in the world and adopting the strategy of dual brands (海昌 HYDRON、海俪恩 HORIEN) in the China market. So far "Haichang" has become the number one marketing brand in China, a household name profoundly trusted and beloved in China.

II. Group Structure and Risk Item:



Company Name	Group position and business policy
Ginko International Co., Ltd.	The group is positioned as responsible for investment holding.
Prosper Link International Ltd.	The group is positioned as responsible for investment holding and reinvestment business.
Haichang International Ltd.	The group is positioned as responsible for investing, holding & the marketing of contact lens and contact lens solution
Haichang Contact Lens Co., Ltd.	The group is positioned as responsible for the production and

Company Name	Group position and business policy
	marketing of contact lens, contact lens solution, and other eye-related medical devices.
Shanghai Horien Contact Lens Optical Co., Ltd.	The group is positioned as responsible for the marketing of contact lens and care solution.
Jiangsu Horien Contact Lens Co., Ltd.	The group is positioned as responsible for the production and marketing of contact lens, contact lens solution, and other eye-related medical devices.
Shanghai Fushiyuan Contact Lens Co., Ltd.	The group is positioned as responsible for the marketing of care solution and lubricant solution.
Yung Sheng Optical Co., Ltd.	The group is positioned as responsible for the marketing of care solution and lubricant solution.
Master Harvest Global Ltd.	The group is positioned as responsible for investment holding and reinvestment business.
Yung Sheng Optical Japan Co. Ltd.	The group is positioned as responsible for the marketing of care solution and lubricant solution.
Gain Bless Management Ltd.	The group is positioned as responsible for investment holding and reinvestment business.
Horien Optic (Malaysia) Sdn Bhd.	The group is positioned as responsible for the marketing of contact lens and care solution.
Uni-Beauty Co., Ltd.	The group is positioned as responsible for e-business marketing of care solution and lubricant solution.

Risk Item:
In the most recent year, single overseas business post or subsidiary that complies with the standard should add up the risk matter statement of that overseas post or subsidiary.
There are six in the group that comply with the so-called important subsidiary certified standard as follows: Prosper Link International Ltd., Haichang International Ltd., Haichang Contact Lens Co., Ltd., Shanghai Horien Contact Lens Optical Co., Ltd. Jiangsu Horien Contact Lens Co., Ltd., Yung Sheng Optical Co., Ltd., as for risk item related local overall economy, political and environmental and foreign exchange change, please refer to the evaluation in Chapter 7-6 of this annual report.

III. Company History

Year	Item
1985	Allergan, Inc. (short for American Haichang) was the first to get entry into the Chinese market, setting up factories in Shanghai, Wuhan, and Xi'an, becoming the first foreign enterprise of soft contact lens professional production in China.
1995	Cai’s family obtained the craft and equipment of contact lens centrifugal casting from Haichang Co. (located in Texas Waco City), established Jiangsu Xishilang Eye Care and Maintenance Production Co., Ltd. engaging in the marketing business of contact lens, metal glasses frames and accessories or optical products, investing a capital of US$ 2.35 million.
1996	The production base in Danyang was formally initiated, turning out the first contact lens.
1997	Jiangsu Xishilang Eye Care and Maintenance Production Co., Ltd. Was changed its name to Haichang Contact Lens Co., Ltd.
1998	Passed CE EU quality certification.
	The developed overseas market in “HORIEN” brand, and internationalized products.

Year	Item
2002	Passed ISO 13485 medical device quality management system certification.
	The first large scale reformation of production equipment and technique.
	Successfully invited Wu Chenjun as image endorsement.
2003	Setting up a care solution production line, turning out the first bottle of contact lens care solution.
2005	Haichang Contact Lens Co., Ltd., Cash increase US$ 1 million and earnings to capital increase US$ 2.7682 million.
	Danyang Helen Contact Lens Co., Ltd. Reinvested to establish setting up capital RMB$ 510,000.
	Haichang and Nanjing Southeast University cooperated to established "Southeast University-Haichang R & D center".
	Invited popular singer SAYA as the spokesperson.
2006	Danyang Helen Contact Lens Co., Ltd. handled cash increase of RMB$ 14,490,000.
	Haichang Contact Lens Co., Ltd., handles cash increase of US$ 6,741,700 and a surplus of US$ 4,490,100.
	Invited most well-known idol group S.H.E as Haichang new product spokesman.
2007	Setting up the first listed company at over-the-counter market Ginko International Co., Ltd.
	Haichang Contact Lens Co., Ltd., handles the earnings to capital increase US$ 4,968,900.
	The company controlled Haichang Contact Lens Co. Ltd., and Danyang Helen Contact Lens Co., Ltd., directly or indirectly through Prosper Link International Limited and Haichang International Limited.
	Completion of new Haichang factory building and new office building in Danyang, and introduction of new molding lens production line as well as the production line of Italian care solution high-speed filling.
2008	Danyang Horien Contact Lens Co., Ltd., changed the name to Jiangsu Horien Contact Lens Co., Ltd.
	Haichang elected the first most popular top brand of the university students in China.
	Haichang Contact Lens Co., Ltd., handles the earnings to capital increase US$ 2million.
	Passed ISO14001 certificate of international environmental management system.
	Passed OHSAS1800 certificate of international professional health safety.
2009	Sold centrifugal equipment to Jiangsu Horien Contact Lens Co., Ltd.
	Decided to return to the list in Taiwan market and to commission SinoPac Securities Corporation to guide for the planning matters of listing in Taiwan.
	Elected two Independent Directors.
2010	Invited popular singer Jolin Tsai as the spokesperson.
	Invited most well-known idol group S.H.E as Haichang new product spokesperson.
	Acquired Yung Sheng Optical Co., Ltd., and formally initiated plan return to Taiwan for the establishment of a factory in the Taichung Science Park in Taiwan.
2011	Became the agent of Sauflon in China.
	Elected one Independent Director.
	Invited popular singer Luo Zhixiang as the spokesperson.

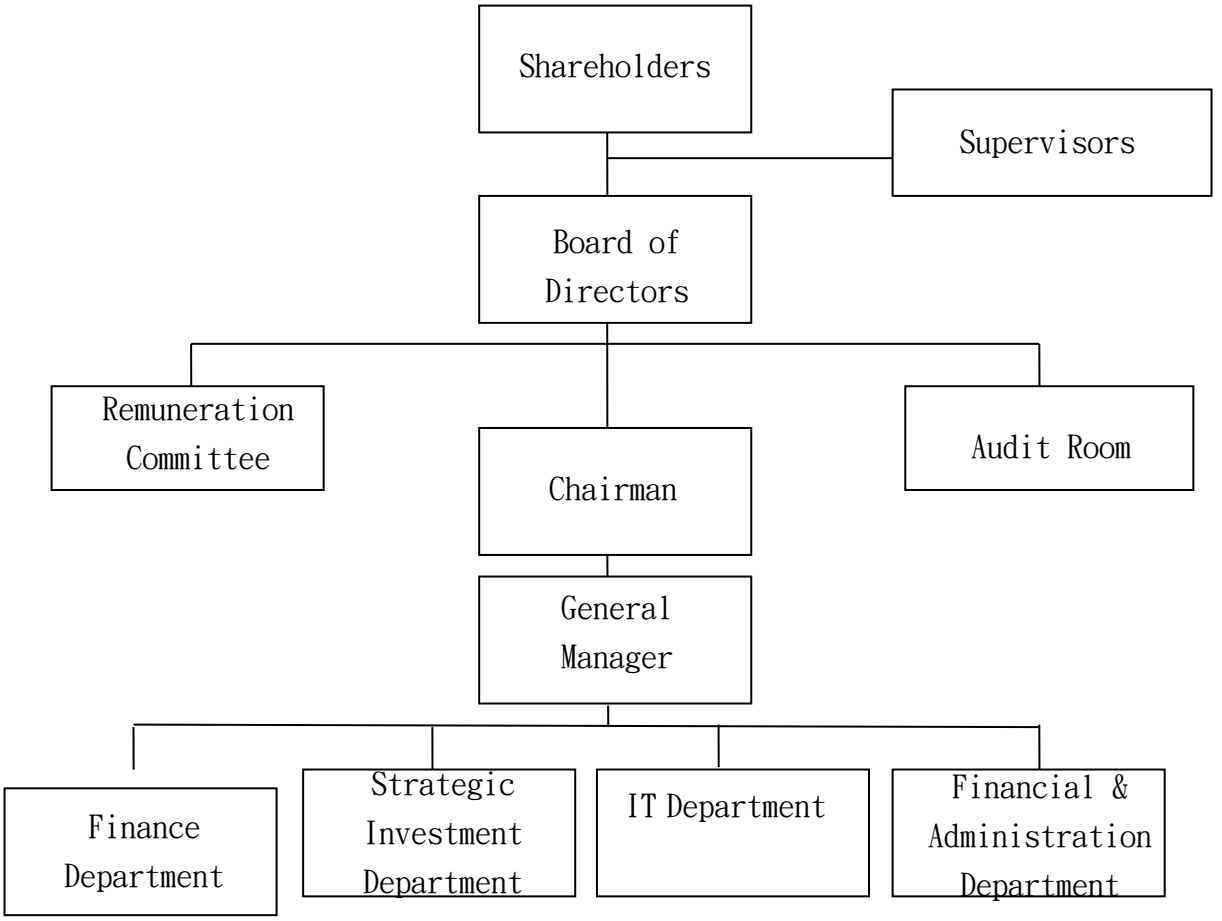
Year	Item
2012	The application of the company to have the stock listed over the counter approved by the Board of Directors of Taipei Exchange and formally listed for trading on 4, 2012.
	Became the sole agent of Eyesight China.
	Passed the certification of Japan Ministry of Health and Welfare for the medical manufactory.
2013	Acquired Shanghai Horien Contact Lens Optical Co., Ltd.
	Haichang Contact Lens Co., Ltd., handles the earnings to capital increase US$ 22million.
	Issued first unsecured convertible company bonds in the Republic of China.
	Yung Sheng Optical Co. Ltd. applied for cash increase of NT$ 2 billion.
	Haichang contact lens won the well-known brand over all mainland China.
	Passed US certification of FDA.
2014	Haichang Contact Lens Co., Ltd., handles the earnings to capital increase US$ 10 million.
2015	Yung Sheng Optical Obtained fixed assets of factory buildings.
2016	Acquired Yung Sheng Japan Optical Co. Ltd., (Yung Sheng Japan)
	Invested to establish Shanghai Fushiyuan Contact Lens Co., Ltd.
2018	Invested in establish ユニビューティ株式会社 (Uni-Beauty Co., Ltd.)

Three. The Company Governance Report

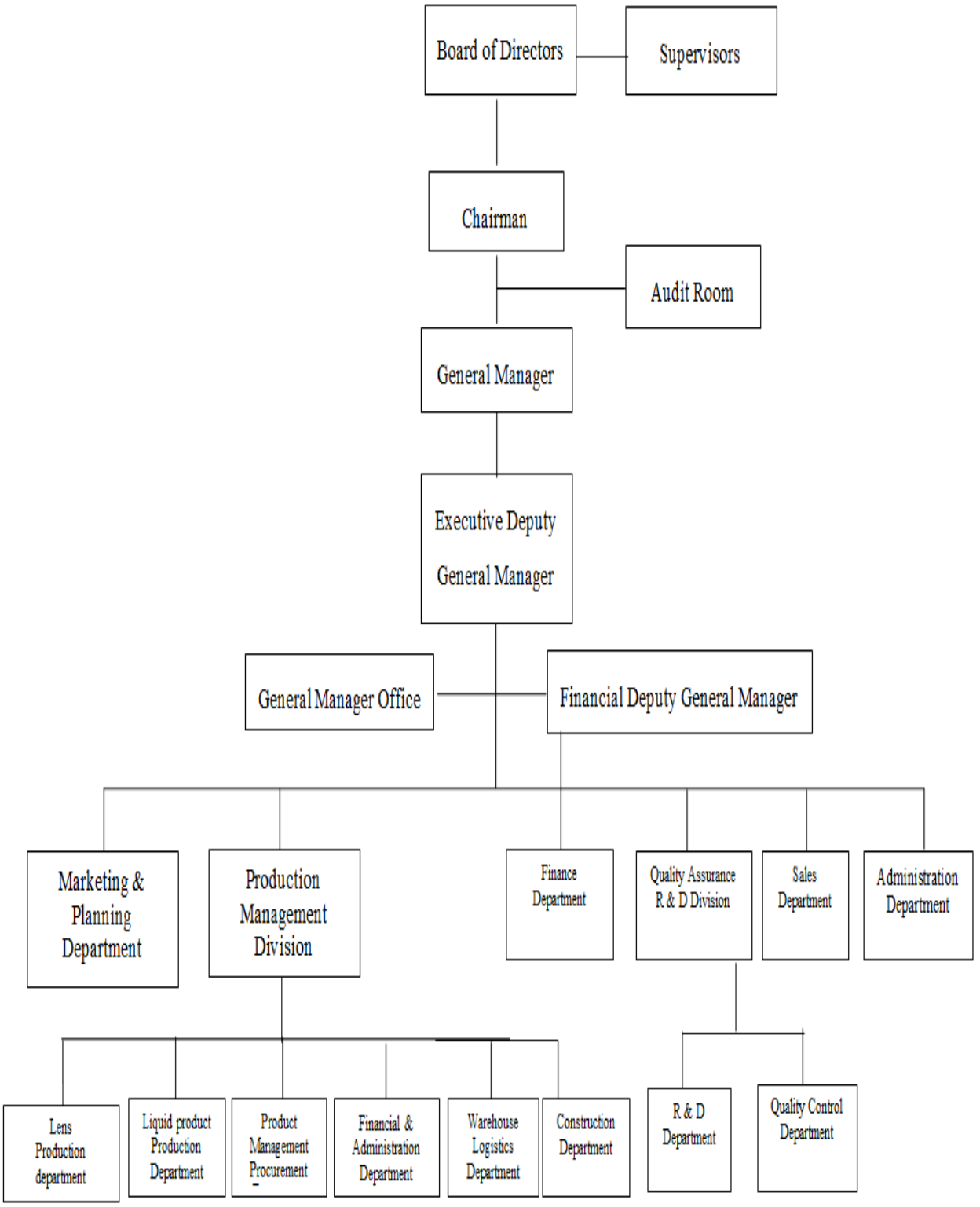
I. Organization system

(1) Organizational system: The organizational structure of the holding company and its major operating subsidiaries and the businesses of the major departments.

1. The Company



2. The company's main operating company (Haichang Contact Lens Co., Ltd.)



3. Responsibilities of Major Departments

Department	Responsibilities
General Manager Department	1. To draft the fiscal management policies, objectives, and management strategies. 2. To establish, supervise and manage the operation and system of various departments in the organization. 3. To make plans for the short, middle and long-term management strategies.
Audit Room	1. To draft, plan and execute the control and auditing system. 2. To present an audit report and follow up improvement performance. 3. To follow up and audit regularly the status of deficiency improvement.
Marketing & Planning Department	1. To set the strategies of product, market, price, and channel. 2. To collect and judge customer and market information. 3. To make and execute an advertising budget. 4. To manage project customers. 5. To plan and execute channel promotion.
Sales Department	1. To establish and maintain main customer relation and strategy partnership and manage the domestic and overseas marketing channels and distributors. 2. To set company business objectives and execution plan. 3. To develop, sell and service market and customers. 4. To develop overseas markets.
Administration Department	1. General administrative affairs. 2. Fixed assets management and disposal matters. 3. Purchase matters of general affairs supplies and general consumable materials. 4. Development, management, and maintenance of the information system. 5. Matters of organizational structure, job positions and division of authorities and responsibilities. 6. Planning and setting manpower requirements and planning human resources development. 7. Maintaining and promoting matters of labor relations. 8. Execution of recruitment, remuneration criteria, and performance appraisal. 9. Execution, assessment, and review of employee educational training.
Finance Department	1. Dealing with accounting and calculation and analysis of production cost. 2. Preparation and analysis of various financial, accounting and cost reports. 3. Preparation and execution analysis of the annual budget. 4. Matters of dealing with various tax declarations and tax credit of investment. 5. Management of financing and scheduling operational capital. 6. Stock processing and public company agenda.
Productive Department	1. Production plan execution and control of production progress and material status. 2. Coordination of production and sales, delivery control and reasonable stock control. 3. Training and management of production personnel, enhancing production efficiency and lowering production cost. 4. Maintaining work safety of production site and environment requirements. 5. Control and improvement of production progress and product quality. 6. Planning and execution of the standard operation formula of product production procedures.
Quality Control Department	1. Guide the quality certification of ISO13485, ISO14001 and effective maintenance of operation standard. 2. Establishment of various inspection standards and enhancement of production program quality by means of statistical analysis. 3. Execution of quality control operation and tracing the effect of the corrective measures. 4. Assessment of the quality system operation and the implementation effect of execution and monitor of production program standardization. 5. Dealing and analysis of customer defective products.
R & D Department	1. To formulate procedures and progress of development plan and research and develop a new product. 2. To collect patent and trademark information and review and analyze the legality of product patent. 3. To assist test and introduction of new products for the production department.

II. Data of Directors, Supervisors, General Managers, Deputy General Managers, Associates, Managers of Each Departments and Subsidiary:

(1) Data of the Directors and Supervisors

April 30, 2019 Unit: Share

Title	Name (Nationality)	Date First Elected	Gender	Date Elected	Term	Shareholding when Elected		Current Shareholding		Spouse & Minor Children Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions at the Company and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Share	% Ratio	Share	% Ratio	Share	% Ratio	Share	% Ratio			Title	Name	Relationship

Title	Name (Nationality)	Date First Elected	Gender	Date Elected	Term	Shareholding when Elected		Current Shareholding		Spouse & Minor Children Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions at the Company and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Share	% Ratio	Share	% Ratio	Share	% Ratio	Share	% Ratio			Title	Name	Relationship
Chairman	New Path International Co., Ltd.(Mauritius) Representative: Kuo-Chou Tsai (R. O. C.)	2009/09/09	Male	2018/06/21	3 years	17,003,238	18.39	17,003,238	18.39	—	—	—	—	MBA of Tunghai University	Chairman of Prosper Link International Limited Chairman of Haichang International Limited Chairman of Haichang Contact Lens Co., Ltd. Chairman of Jiangsu Horien Contact Lens Co., Ltd. Chairman of Jiangsu East Optics Co., Ltd. Chairman of New Path International Co., Ltd. Chairman of Ginko Glasses Co., Ltd. Chairman of Jie Fu Investment Co., Ltd. Chairman of Jisheng Co., Ltd. Chairman of Yung Sheng Optical Co., Ltd. Chairman of Formosa Optical Technology Co., Ltd. Chairman of Master Harvest Global Ltd. Chairman of Sunmax Biotechnology Co., Ltd.	Director and General Manager Director & Deputy General Manager of Strategic Investment Department	Kuo-Yuan Tsai Jing Qian	Brother In-laws

Title	Name (Nationality)	Date First Elected	Gender	Date Elected	Term	Shareholding when Elected		Current Shareholding		Spouse & Minor Children Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions at the Company and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Share	% Ratio	Share	% Ratio	Share	% Ratio	Share	% Ratio			Title	Name	Relationship
Director	Ocean Heart International Limited (Samoa) Representative: Kuo-Yuan Tsai (R. O. C.)	2009/09/09	Male	2018/06/21	3 years	2,394,048	2.59	2,394,048	2.59	—	—	—	—	Lukang High School General Manager of Haichang Contact Lens Co., Ltd.	General Manager of The Company General Manager of Prosper Link International Limited General Manager of Haichang International Limited Director and General Manager of Haichang / Jiangsu Horien Contact Lens Co., Ltd. Director of Ginko Glasses Co., Ltd. Director of Jie Fu Investment Co., Ltd. Director of Jisheng Co., Ltd. Director of Ocean Heart International Limited Director and General Manager of Yung Sheng Optical Co., Ltd. Director and General Manager of Shanghai Horien Contact Lens Optical Co., Ltd. Director of Hei Longjiang Haichang Biotechnology Co., Ltd. Chairman of Yung Sheng Japan Optical Co. Ltd. Chairman of Shanghai Fushiyuan Contact Lens Co., Ltd. Director of Uni-Beauty Co., Ltd.	Director Director & Deputy General Manager of Strategic Investment Department	Kuo-Chou Tsai Jing Qian	Brother In-laws

Title	Name (Nationality)	Date First Elected	Gender	Date Elected	Term	Shareholding when Elected		Current Shareholding		Spouse & Minor Children Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions at the Company and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Share	% Ratio	Share	% Ratio	Share	% Ratio	Share	% Ratio			Title	Name	Relationship
Director	Hydron International Co., Ltd.(Samoa) Representative: Johnson Chen (R. O. C.)	2013/10/23	Male	2018/06/21	3 years	26,299,633	28.45	26,299,633	28.45	—	—	—	—	Master's degree From University of Wisconsin U.S.A. Marketing Division Director of Ciba Vision Taiwan	Executive Deputy General Manager & Chief Operating Officer of Haichang Co., Helen Co., and Yung Sheng Optical Co. Director of Yung Sheng Optical Co., Ltd. Director of Uni-Beauty Co., Ltd.	—	—	—
Director	Jing Qian (P. R. C.)	2014/06/28	Female	2018/06/21	3 years	32,000	0.03	32,000	0.03	10,000	0.01	—	—	Shanghai Tongji University, School of Economics & Management MBA, Texas University at Austin USA	Deputy General Manager of Strategic Investment Department of The Company Director of Haichang Contact Lens Co., Ltd. Director of Jiangsu Horien Contact Lens Co., Ltd.	Director Director and General Manager	Kuo-Chou Tsai Kuo-Yuan Tsai	In-laws

Title	Name (Nationality)	Date First Elected	Gender	Date Elected	Term	Shareholding when Elected		Current Shareholding		Spouse & Minor Children Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions at the Company and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Share	% Ratio	Share	% Ratio	Share	% Ratio	Share	% Ratio			Title	Name	Relationship
Independent Director	Kai-Li Wang (R. O. C.)	2011/07/25	Male	2018/06/21	3 years	—	—	—	—	—	—	—	—	Economics Sciences (PH.D.) from Utah State University U.S.A. Master of Science at Utah State University U.S.A. Organizer of MAPECT The 3rd Supervisor of FeAT Pro. Of the Financial Department of Tunghai University Director of EMBA of Tunghai University Director of Financial Department Tunghai University Director of the School of Business Administration Financial Research and Training Center of Tunghai University	Pro. Of the Financial Department of Tunghai University Independent Director of Dyaco International Co., Ltd. Independent Director of AKER Co., Ltd.	—	—	—
Independent Director	Ming-Tang Lai (R. O. C.)	2009/09/09	Male	2018/06/21	3 years	—	—	—	—	—	—	—	—	Department of Accounting NCHU China Industrial & Commercial Accounting Firm Partnership Accountant Public Trust United Accounting Firm Partnership Accountant Taiwan Provincial Accountant Association 24th director and Chairman, Business and Industrial Commission Taiwan High Court Taichung Branch meditation commissioner	Crowe United Accounting Firm Accountant Adjunct lecturer of National Taichung University	—	—	—

Title	Name (Nationality)	Date First Elected	Gender	Date Elected	Term	Shareholding when Elected		Current Shareholding		Spouse & Minor Children Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions at the Company and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Share	% Ratio	Share	% Ratio	Share	% Ratio	Share	% Ratio			Title	Name	Relationship
Independent Director	Cherng Lee (R. O. C.)	2009/09/09	Male	2018/06/21	3 years	—	—	—	—	—	—	—	—	Law (PH.D.) from Tulane University USA US Federal and NY State lawyer Attorney of Lee & Tsai. Attorney at Law Director of Laws Department of Tunghai University National Taichung Nursing School committee member Taichung Cable TV public interest program review committee member	Deputy Pro. Of Laws Department of Tunghai University Delu International Trademark Law Office Advisor Taichung Cable TV System Rate Committee member Ministry of Economics Trade Investigation Committee Central District Relief Advisory Services member Director Employment counseling & Alumni contact office of Tunghai University Acting Director of Personnel Office of Tunghai University Nantou County Government Cable TV Rate Review Committee member	—	—	—
Supervisors	Wei-Lun Lo (R. O. C.)	2011/10/20	Male	2018/06/21	3 years	1,000	—	2,000	—	—	—	—	—	Graduated from Taichung Medical College, Dentistry Department Licensed dentist at a Dental Clinic Changhua County Dentist Association director and supervisor Changhua Central District Rotary Club Secretary of Changhua Central District Rotary Club	Secretary of The Republic of China Dentist Association National Federation General Supervisor of Yung Sheng Optical Co., Ltd. Supervisor of Haichang Contact Lens Co., Ltd. Supervisor of Jiangsu Horien Contact Lens Co., Ltd.	—	—	—

Title	Name (Nationality)	Date First Elected	Gender	Date Elected	Term	Shareholding when Elected		Current Shareholding		Spouse & Minor Children Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions at the Company and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Share	% Ratio	Share	% Ratio	Share	% Ratio	Share	% Ratio			Title	Name	Relationship
Supervisors	Chih-Kai Hu (R. O. C.)	2014/06/18	Male	2018/06/21	3 years	—	—	—	—	—	—	—	—	MBA of National Changhua Normal University Chairman of Lukang Eastern District Rotary Club Deputy Chairman of Jin Yu CO., Ltd.	Chairman of Sunder Biotech CO., Ltd. Supervisor of Ever Rich Co., Ltd. Supervisor of Changhua CO., Ltd.	—	—	—
Supervisor	Bo-Sheng Chiu (R. O. C.)	2015/06/25	Male	2018/06/21	3 Years	—	—	—	—	1,000	—	—	—	Graduated from Taipei Medical University Pharmacy Department Division Director of business of Wyeth Pharmacy Division Director of Oncology product line of Phzer	Deputy General Manager of Hui Trade Co. Ltd.	—	—	—

1.Major shareholders of the institutional shareholders

April 30, 2019

Name of Institutional Shareholder	Major shareholder of Institutional Shareholder
Hydron International Co., Ltd.	Li Lingling (40%), Qiu Lifang (30%), Cai Guoping (30%)
New Path International Co., Ltd.	Formosa Optical Technology Co., Ltd., (100%)
Ocean Heart International Limited	Zhang Aiping (100%)
Merci Investments Ltd.	Wang Laihao (100%)
Advanced Energy Global Limited.	Huang Shuzhen(100%)

2.Major shareholders of the major shareholders who are Institutional shareholders

Name of Institutional Shareholder	The major shareholders of Institutional Shareholder
Formosa Optical Technology Co., Ltd. (Remark)	Jie Fu Investment Co., Ltd., (17.95%), Jisheng Co., Ltd.(9.56%), Fidelity in custody for JPMorgan Chase Bank China Special Situation Company Investment Account (9.00%), Fidelity in custody for Standard Chartered North Star Fund (6.20%), Chen Zhiyong (5.33%), Chen Liuhuiyu (3.99%), Zhang Chenmalian (2.95%), Fidelity in custody for Standard Chartered Puritan Trust: Fidelity Low-priced fund (2.26%), Kuo- Chou Tsai (2.22%), Zhiwei Investment Co., Ltd.(2.16%)

Remark: It is the shareholder's list of information on stop transfer day April 23, 2019, of Formosa Optical Technology Co. Ltd.

Data of the Directors and Supervisors (2)

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Remark)										No. of other listed companies working as Independent Director
	Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related departments	Judge, Prosecutor, Attorney, CPA or National Certified Professionals	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7	8	9	10	
New Path International Co., Ltd. Representative: Kuo- Chou Tsai			✓			✓				✓		✓		—
Ocean Heart International Limited Representative: Kuo-Yuan Tsai			✓			✓				✓		✓		—
Hydron International Co., Ltd. Representative: Johnson Chen			✓			✓				✓	✓	✓		—
Jing Qian			✓			✓				✓	✓	✓	✓	—
Ming-Tang Lai		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Cherng Lee	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Kai-Li Wang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Wei-Lun Lo			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	—
Chih-Kai Hu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Bo-Sheng Chiu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—

Remark: Please "✓" the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. (but excluding the independent directors of the company or its head company set up according to the law or the local decrees).

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.

（6）Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.

（7）Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the “Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx“.

（8）Not having a marital relationship or a relative within the second degree of kinship to any other director of the Company.

（9）Not being a person of any conditions defined in Article 30 of the Company Law.

（10）Not a governmental, juridical person or it's representative as defined in Article 27 of the Company Law.

(2) Data of General Managers, Deputy General Managers, Associates, Managers of Each Departments and Subsidiary

April 30, 2019 Unit: Share

Title	Name (Nationality)	Gender	Date Effective	Shareholding		Spouse & Minor Children Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			The status of the manager obtaining the employee bonus stock options.
				Share	%	Share	%	Share	%			Title	Name	Relationship	
General Manager	Kuo-Yuan Tsai (R. O. C.)	Male	2007/06/11	72,000	0.08%	108,000	0.12%	—	—	Lukang High School General Manager of Haichang Contact Lens Co., Ltd.	Director of Ginko International Co., Ltd. General Manager of Prosper Link International Limited General Manager of Haichang International Limited Director and General Manager of Haichang Contact Lens Co., Ltd. Director and General Manager of Jiangsu Horien Contact Lens Co., Ltd. Director and General Manager of Yung Sheng Optical Co., Ltd. Director of Ginko Glasses Co., Ltd. Director of Jie Fu Investment Co., Ltd. Director of Jisheng Co., Ltd. Director of Ocean Heart International Limited Director of Hei Longjiang Haichang Biotechnology Co., Ltd. Director and General Manager of Shanghai Horien Contact Lens Optical Co., Ltd. Chairman of Yung Sheng Japan Optical Co. Ltd. Chairman of Shanghai Fushiyuan Contact Lens Co., Ltd. Director of Uni-Beauty Co., Ltd.	Deputy General Manager of Strategic Investment Department	Jing Qian	In-laws	166,000
Chief Operating Officer & Executive Deputy General Manager	Johnson Chen (R. O. C.)	Male	2006/03/01	88,000	0.09%	—	—	—	—	Master's degree From the University of Wisconsin U.S.A. Marketing Division Director of Ciba Vision Taiwan	Executive Deputy General Manager & Chief Operating Officer of Haichang Co., Helen Co., and Yung Sheng Optical Co. Director of Yung Sheng Optical Co., Ltd. Director of Uni-Beauty Co., Ltd.	—	—	—	

Title	Name (Nationality)	Gender	Date Effective	Shareholding		Spouse & Minor Children Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			The status of the manager obtaining the employee bonus stock options.
				Share	%	Share	%	Share	%			Title	Name	Relationship	
Deputy General Manager of Strategic Investment Department	Jing Qian (P. R. C.)	Female	2009/11/17	32,000	0.03%	10,000	0.01%	—	—	Shanghai Tongji University, School of Economics & Management MBA, Texas University at Austin USA Haichang Contact Lens Co., Ltd. Overseas Business Division	Director of Ginko International Co., Ltd. Director of Haichang Contact Lens Co., Ltd. Director of Jiangsu Horien Contact Lens Co., Ltd. Director of Hydron International Co., Ltd.	General Manager	Kuo-Yuan Tsai	In-laws	
Audit Associate	Chen Youren (R. O. C.)	Male	2012/06/07	—	—	—	—	—	—	Department of Accounting, Tamkang University	N/A	—	—	—	
Financial Deputy General Manager	Zhang Tairong (R. O. C.)	Male	2017/02/28	—	—	—	—	—	—	M.B.A.of EMBA of Chenhchi University Anhou Jianye United Certified Public Accountants Co., Ltd. Associate Deputy General Manager of Tradetool Auto Co., Ltd.	Financial Officer of Subsidiaries of the Group	—	—	—	
Information Associate (Remark 1)	Lin Changli (R. O. C.)	Male	2018/01/01	12,000	0.01%	—	—	—	—	Department of Computer Science & Engineering of Yuan Ze University Associate of IT Department of Ginko Group	The Manager of the Information Department of the Group and Subsidiaries	—	—	—	

Remark 1: Appointed on January 1, 2018

(3). Remunerations of Directors, Supervisors, General Manager and Deputy General Manager for the most recent year:

(1) Remunerations of the Directors and Supervisors

1. Remunerations of the Directors (including Independent Directors)

December 31, 2018 / Unit: NT$ 1,000：share

Title	Name	Director Remuneration										Employee Remuneration												The sum of A,B C, D, E, F and G as a percentage of after-tax net profit		Remuneration from re-invested businesses other than subsidiaries
		Remuneration (A) (Remark 1)		Pension (B)		Director Remuneration (C) (Remark 2)		Business execution expenses (D) (Remark 3)		The sum of A, B, C and D as a percentage of after-tax net profit		Remuneration, bonus and special fees (E) (Remark 4)		Pension (F)		Employee remuneration (G) (Remark 5)				The number of employee bonus stock option subscribed. (H)		Obtained the number of Restricted Stock Awards. (I)				
																The Company		Companies in the consolidated financial report								
		The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	Cash	Stock	Cash	Stock	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	
Chairman	New Path International Co., Ltd. Representative: Kuo- Chou Tsai	288	288	—	—	5,986	5,986	276	276	0.79%	0.80%	16,018	16,018	—	—	6,040	—	6,040	—	—	—	—	—	3.43%	3.49%	N/A
Director	Ocean Heart International Ltd. Representative: Kuo-Yuan Tsai																									
Director	Hydron International Co., Ltd. Representative: Johnson Chen																									
Director	Jing Qian																									
Independent Director	Ming-Tang Lai																									
Independent Director	Cherng Lee																									

Independent Director	Kai-Li Wang																									

Range of Remuneration

Range of Remuneration	Name of Directors			
	The total amount of the first four remunerations (A+B+C+D)		The total amount of the first seven remunerations (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report
Lower than NT$ 2,000,000	Kuo-Yuan Tsai,Jing Qian, Johnson Chen Ming-Tang Lai, Cherng Lee, Kai-Li Wang	Kuo-Yuan Tsai,Jing Qian, Johnson Chen Ming-Tang Lai, Cherng Lee, Kai-Li Wang	Ming-Tang Lai, Cherng Lee, Kai-Li Wang	Ming-Tang Lai, Cherng Lee, Kai-Li Wang
NT$2,000,000 (inclusive)-NT$5,000,000 (exclusive)	Kuo- Chou Tsai	Kuo- Chou Tsai	Kuo- Chou Tsai	Kuo- Chou Tsai
NT$5,000,000 (inclusive)-NT$10,000,000 (exclusive)	—	—	Jing Qian, Johnson Chen	Jing Qian, Johnson Chen
NT$10,000,000 (inclusive)-NT$15,000,000 (exclusive)	—	—	Kuo-Yuan Tsai	Kuo-Yuan Tsai
NT$15,000,000 (inclusive)-NT$30,000,000 (exclusive)	—	—	—	—
NT$30,000,000 (inclusive)-NT$50,000,000 (exclusive)	—	—	—	—
NT$50,000,000 (inclusive)-NT$100,000,000 (exclusive)	—	—	—	—
NT$100,000,000 or more	—	—	—	—
Total	7 People	7 People	7 People	7 People

Remark 1: In 2018 the Director's remuneration.
Remark 2: In 2018 amount of Director's remuneration as passed by the board of directors.
Remark 3: In 2018 business execution expenses of the Directors.
Remark 4: In 2018, the salary, job allowances, severance payment, various bonuses, incentives, car expenses, special expenses, various subsidies, etc., for the Director's other jobs.
Remark 5：In 2018 if a Director receives employee remuneration (including stock and cash) on his/her other job (s) in the latest year, please disclose the amount of employee remuneration as passed by the board of directors in the latest year.

2. Remunerations of Supervisors

December 31, 2018 / Unit: NT$1,000

Title	Name	Supervisors Remuneration						The total amount of the first three remunerations (A+B+C)		Remuneration from re-invested businesses other than subsidiaries
		Remuneration (Remark 1)		Bonus (B) (Remark 2)		Business execution expenses (C) (Remark 3)				
		The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	
Supervisor	Wei-Lun Lo	—	—	1,410	1,410	114	114	0.18%	0.19%	N/A
Supervisor	Chih-Kai Hu									
Supervisor	Bo-Sheng Chiu									

Range of Remuneration

Range of Remuneration	Name of Supervisors	
	The total amount of the first three remunerations (A+B+C)	
	The Company	Companies in the consolidated financial report
Lower than NT$ 2,000,000	Wei-Lun Lo, Chih-Kai Hu, Bo-Sheng Chiu	Wei-Lun Lo, Chih-Kai Hu, Bo-Sheng Chiu
NT$2,000,000 (inclusive)-NT$5,000,000 (exclusive)	-	-
NT$5,000,000 (inclusive)-NT$10,000,000 (exclusive)	-	-
NT$10,000,000 (inclusive)-NT$15,000,000 (exclusive)	-	-
NT$15,000,000 (inclusive)-NT$30,000,000 (exclusive)	-	-
NT$30,000,000 (inclusive)-NT$50,000,000 (exclusive)	-	-
NT$50,000,000 (inclusive)-NT$100,000,000 (exclusive)	-	-
NT$100,000,000 or more	-	-
Total	3 people	3 people

Remark 1: In 2018 the Supervisor's remuneration.
Remark 2: In 2018 amount of Supervisor's remuneration as passed by the board of directors.
Remark 3: In 2018 business execution expenses of the Supervisor.

(2).Remuneration of General Manager and Deputy General Manager

December 31, 2018 / Unit: NT$ 1,000；share

Title	Name	Remuneration (A) (Remark 1)		Pension (B)		Bonus and special fee (C) (Remark 2)		Employee bonus stock (in thousand shares) (D) (Remark 3)				The sum of A, B, C and D as a percentage of after-tax net profit（%）		The number of employee bonus stock option obtained. (Remark 4)		Obtained the number of Restricted Stock Awards.		Remuneration from re-invested businesses other than subsidiaries
		The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company		Companies in the consolidated financial report (Remark 6）		The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	The Company	Companies in the consolidated financial report	
								Cash -	Stock -	Cash -	Stock -							
General Manager	Kuo-Yuan Tsai	21,188	21,188	—	—	—	—	7,570	—	7,570	—	3.45%	3.50%	—	—	—	—	N/A
Deputy General Manager Manager	Johnson Chen																	
Deputy General Manager Manager	Jing Qian																	
Deputy General Manager Manager	Terry Chang (Remark 1)																	

Range of Remuneration

Range of Remuneration	(2).Remuneration of General Manager and Deputy General Manager	
	The Company	Companies in the consolidated financial report
Lower than NT$ 2,000,000	-	-
NT$2,000,000 (inclusive)-NT$5,000,000 (exclusive)	-	-
NT$5,000,000 (inclusive)-NT$10,000,000 (exclusive)	Johnson Chen, Jing Qian, Terry Chang	Johnson Chen, Jing Qian, Terry Chang
NT$10,000,000 (inclusive)-NT$15,000,000 (exclusive)	Kuo-Yuan Tsai	Kuo-Yuan Tsai
NT$15,000,000 (inclusive)-NT$30,000,000 (exclusive)	-	-
NT$30,000,000 (inclusive)-NT$50,000,000 (exclusive)	-	-
NT$50,000,000 (inclusive)-NT$100,000,000 (exclusive)	-	-
NT$100,000,000 or more	-	-
Total	4 people	4 people

Remark 1: In 2018, the latest amount of the General Manager's and the Deputy General Manager's remunerations including salary, job allowances, and severance payment.
Remark 2: In 2018, various bonus, bonus, transportation costs, special expenses, various subsidies, dormitory expenses, car expenses and other physical provisions for General Manager and Deputy General Manager.
Remark 3: In 2018 amount of Manager and Deputy General Manager's remuneration as passed by the board of Directors (including stock and cash)
Remark 4: Means the number of the employee bonus stock option obtained.by the manages and the deputy general manager up to the date of the financial report. (Not including the parts already executed).

(3)Managers with Employee Remuneration Distribution

December 31, 2018 / Unit: NT$1,000

Item	Title	Name	Stock	Cash	Total	The ratio of the total amount to net profit after-tax%
Manager	General Manager	Kuo-Yuan Tsai	—	8,500	8,500	1.04%
	Deputy General Manager	Johnson Chen				
	Deputy General Manager	Jing Qian				
	Deputy General Manager	Terry Chang				
	Associate	Chen Youren				
	Associate	Lin Changli				

(4) Compare and explain the analysis of the ratio of total remuneration paid to the Directors, Supervisors, General Manager and Deputy General Managers of the Company and all the companies on the consolidated statements in the last two years to net profit after tax and the correlation among the remuneration payment policy, standards and combinations, the procedures for setting the remuneration and the business performance

1. Analysis of the ratio of total remuneration (paid to the Directors, Supervisors, General Manager and Deputy General Manager in the last two years) to net profit after tax

Unit: NT$ 1,000

Year	Total Remuneration of Directors, Supervisors, General Manager, and Deputy General Manager	The ratio of total amount to net profit after-tax
2017	47,004	4.90%
2018	36,832	4.49%

In the most recent two years, the total remuneration amount that the company paid to Directors, Supervisors, General Managers, and the Deputy General Managers takes the ratio of net after-tax respectively 4.90% and 4.49%.

2. The correlation among the remuneration payment policy, standards, and combinations, the procedures for setting the remuneration, the business performance and risks in the future.

(I) Remuneration of directors

In accordance with Article 89 of the company article of association, the remuneration of directors should be decided when the directors are elected at the shareholders meeting and not be subsequently confirmed. Directors may depend on the situation for the company to pay for communication, boarding and other reasonable expenses or that of a fixed amount, when the board of directors appoints to attend the director, shareholders meetings or others that are related to the company business, or in a combination of the two forms of payments mentioned above.

Article 90 of the Articles of Association also states clearly that in addition to the general remuneration, shareholders may pass the motion to give the directors special remuneration for carrying out special business or service or carrying out special missions for the company at the stockholders' meeting through an ordinary resolution. At the same time, the directors who serve as advisors, salesmen or other professional jobs, in addition to the remuneration as directors, the directors may also receive extra remuneration for the aforementioned jobs. Since the directors' remuneration is passed in the shareholders meeting resolution, it is not possible to cause risks to the company in the future.

(2) The remuneration of general managers and vice general managers is in accordance with position, contribution to the company and in reference to the industry standard. Since the remuneration of the general managers and the vice general managers are in reference to the contribution to the company and to the industry standard, it is not possible to cause risk to the company in the future.

III. Corporate Governance Status:

(1) Implementation status of the board of Directors

Seven (A) board meetings were held in 2018, and the attendance of Directors is as follows:

Title	Name	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual attendance rate (%) [B/A]	Remark
Chairman	New Path International Co., Ltd. Representative: Kuo- Chou Tsai	7	0	100.00	
Director	Ocean Heart International Limited Representative: Kuo-Yuan Tsai	6	1	85.71	
Director	Hydron International Co., Ltd. Representative: Johnson Chen	6	1	85.71	
Director	Jing Qian	7	0	100.00	
Independent Director	Ming-Tang Lai	7	0	100.00	
Independent Director	Cherng Lee	6	1	85.71	
Independent Director	Kai-Li Wang	7	0	100.00	

Other matters to be recorded:

I. If any of the following circumstances occurs in the operation of the board meeting, please indicate the date of the board meeting, the session number, the contents of the motion, the opinions of all independent directors and the Company's handling of the opinions of the Independent Directors:

(1) Matters listed in Article 14-3 of the Securities Exchange Act.

Board of Directors Date	Meeting content	The opinions of all the independent directors	How the compa opinions of the
March 7, 2018	Passed the individual remuneration amount case of company directors and supervisors in 2017.	All independent directors passed without objections.	N/A
March 7, 2018	Passed the case to cooperate with internal rotation of the certified accounting firms and intended to replace certified accountant.	All independent directors passed without objections.	N/A
May 8, 2018	Passed the case of the company intending to revise some article text of [The operation procedure of endorsement guarantee].	All independent directors passed without objections.	N/A
December 28, 2018	Passed the case of public fee of certified accountant and accounting in 2019.	All independent directors passed without objections.	N/A
December 28, 2018	Passed the case of the company intending to revise [Obtaining and disposing of assets dealing procedure].	All independent directors passed without objections.	N/A
December 28, 2018	Passed the case of the company intending to regulate [Corporate Governance Best Practice Principles and Behavior Guide].	All independent directors passed without objections.	N/A
December 28, 2018	Passed the case of allocation rate of remuneration for the company directors, supervisors and employees in 2018.	All independent directors passed without objections.	N/A
May 9, 2019	Passed the case of the company intending to revise some article text of [Capital loan and operating procedure].	All independent directors passed without objections.	N/A

Title	Name	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual attendance rate (%) [B/A]	Remark

(2) In addition to the above-mentioned items, other resolution items objected by independent directors or reserved opinion and recorded or in a written statement of the board of directors: After reviewing all the board of directors meeting minutes 2018 and up to the issue of the 2019 annual report, all proposals are passed without objection by independent directors.

II. The execution status of the proposal that the directors avoid should state directors' names, proposal content, the reason of interest to avoid and the status of taking part in the resolution.

On December 28, 2018, when the board of directors' meeting was reviewing the case of performance reward amount in 2018 and fixed remuneration for managers in 2019, General Manager Kuo-Yuan Tsai, Vice General Manager Johnson Chen, and Vice General Manager Jing Qian might have contrast of interest and therefore were asked to leave the seats to avoid taking part in the discussion and resolution. That case was passed without objections by the rest of the directors present.

III. The objective of strengthening the capability of the board of directors in the current year and the most recent years (such as setting reviewing committee, enhancing information transparency ,etc.) and evaluation of execution status:

The company has regulated [Discussion rules of the board of directors] in accordance with the [Discussion rules of the listed company board of director.] and in accordance to [The procedure to handle the directors' requests] established on 2019/5/9, so as to follow and uploaded the status of directors attending the board of directors to the public on the information observatory site.

The company has also formed a remuneration committee consisting of three independent directors on August 31, 2011, responsible for implementing the recommendations, evaluate and supervise the company's overall compensation policy, general manager and manager compensation levels, employee dividend plans or other employee incentive programs.

In order to encourage directors to pursue further studies, the company arranges lecturers to conduct talks at the company every year, which not only meets the requirements of the directors ' refresher hours but also achieves better interactive benefits.

(2) The implementation status of the supervisor's participation in the board of directors and the audit committee

1. Implementation status of the supervisors in the board of directors

Seven (A) board meetings were held in 2018, and the attendance of Supervisors is as follows:

Title	Name	Actual no. of meetings attended (B)	Actual attendance rate (%) (B/A)	Remark
Supervisor	Wei-Lun Lo	7	100.00	
Supervisor	Chih-Kai Hu	7	100.00	
Supervisor	Bo-Sheng Chiu	5	71.43	

Other matters to be recorded:

I. The composition and duties of the supervisors

(1) The status of communication between the supervisors, the company's employees and the shareholders (e.g. communication channels, methods, etc.): The company's supervisors attend the board meeting to understand the status of the company operation. The Company shall notify the supervisor when the shareholders' meeting is held, so that the shareholders may communicate with the supervisor regarding relevant opinions at the shareholders ' meeting. The company has appointed a dedicated spokesman as a conduit for external communication, so that if employees and shareholders require communication with the supervisor, they may inform the supervisor via the spokesman.

(2) The communication between the supervisor, the internal audit manager and the accountant (for example, the matters, methods, and results of communication on the financial and business status of the company): The audit unit of the company submits the audit report according to the audit plan and the audit improvement report to the supervisor. After executing the audit, the accountant sends the relevant report to the supervisor for review, and the accountant is invited to communicate with the Directors and the supervisors after the board meeting and make relevant statements on 2018/3/7, 2018/5/8, 2018/8/8 and 2018/11/7.

Date	Personnel of discussion	Content of discussion	Result of discussion
2018/3/7	Independent Directors /Supervisors	1. Status of the implementation of the internal audit operation plan for the 4th quarter of 2017. 2. Upgraded its own financial report capacity plan. 3. The return of accounts receivable for the 4th quarter of 2017. 4. The status of the evaluation on the efficiency of the company's board of directors committee in 2017. 5. Report on the possible impact of the introduction of IFRS No. 16 "Leasing" on the results of the preliminary assessment. 6. The 2017 annual financial statement and Business Report of the company 7. The 2017 annual internal control statement. 8. The case of internal rotation of the certified accounting firms and intended replacement of a certified accountant. 9. Certifying accountant independence and capricious evaluation. 10. Revision of the company's "Articles of association" case.	After reporting to and communicate with the independent directors and supervisors, the independent directors and supervisors have no opinions.
	Accountant, Independent Directors /Supervisors	1. The auditor's responsibility for auditing financial statements. 2. The range of audit. 3. The finding of the audit. 4. Other notes. 5. Independent. 6. Important updates of accounting standards or explanatory letters, securities regulations, and tax laws and regulations.	
2018/5/8	Independent Directors /Supervisors	1. The return of accounts receivable for the 1st quarter of 2018. 2. Status of the implementation of the internal audit operation plan for the 1st quarter of 2018. 3. The consolidated 2018 Financial statements for the 1st quarter and the consolidated financial report approved by the accountant. 4. Amend the provisions of the "Articles of association" section. 5. Passed the case of the company intending to revise some article text of [The operation procedure of endorsement guarantee].	After reporting to and communicate with the independent directors and supervisors, the independent directors and supervisors have no opinions.
	Accountant, Independent Directors /Supervisors	1. The responsibility of the auditing personnel for the review of interim financial reports. 2. The range of audit. 3. The finding of the audit. 4. Other notes. 5. Independent 6. Important updates of accounting standards or explanatory letters, securities regulations, and tax laws and regulations.	
2018/8/8	Independent Directors /Supervisors	1. The return of accounts receivable for the 2nd quarter of 2018. 2. Status of the implementation of the internal audit operation plan for the 2nd quarter of 2018. 3. To revise profit distribution proposal for 2017. 4. The consolidated 2018 Financial statements for the 2nd quarter and the consolidated financial report approved by the accountant.	After reporting to and communicate with the independent directors and supervisors, the independent directors and supervisors have no opinions.
	Accountant, Independent Directors /Supervisors	1. The responsibility of the auditing personnel for the review of interim financial reports. 2. The range of audit. 3. The finding of the audit. 4. Other notes. 5. Independent 6. Important updates of accounting standards or explanatory letters, securities regulations, and tax laws and regulations.	
2018/11/7	Independent Directors /Supervisors	1. The return of accounts receivable for the 3rd quarter of 2018. 2. Status of the implementation of the internal audit operation plan for the 3rd quarter of 2018. 3. The consolidated 2018 Financial statements for the 3rd quarter and the consolidated financial report approved by the accountant. 4. The company formulates the 2019 annual audit plan case.	After reporting to and communicate with the independent directors and supervisors, the independent directors and supervisors have no opinions.
	Accountant, Independent Directors /Supervisors	1. The responsibility of the auditing personnel for the review of interim financial reports. 2. The range of audit. 3. The finding of the audit. 4. Other notes. 5. Independent 6. Annual audit planning. 7. Important updates of accounting standards or explanatory letters, securities regulations, and tax laws and regulations.	

2018/12/28	Independent Directors /Supervisors	1. In 2019 the company had purchased directors and supervisors' liability insurance for all directors and supervisors. 2. Amend the [Obtaining and disposing assets dealing procedure] case. 3. Establish the [Corporate Governance Best Practice Principles and Behavior Guide] case.	After reporting to and communicate with the independent directors and supervisors, the independent directors and supervisors have no opinions.
2019/3/11	Accountant, Independent Directors /Supervisors	1. The auditor's responsibility for auditing financial statements. 2. The range of audit. 3. The finding of the audit. 4. Other notes. 5. Independent 6. Important updates of accounting standards or explanatory letters, securities regulations, and tax laws and regulations.	After reporting to and communicate with the independent directors and supervisors, the independent directors and supervisors have no opinions.
2019/5/9	Accountant, Independent Directors /Supervisors	1. The auditor's responsibility for auditing mid-term financial statements. The range of audit. 3. The finding of the audit. 4. Other notes. 5. Independent 6. Important updates of accounting standards or explanatory letters, securities regulations, and tax laws and regulations.	After reporting to and communicate with the independent directors and supervisors, the independent directors and supervisors have no opinions.

II. If the supervisor is present at the board and he/she has opinions to express, he/she shall state the date, period, content of the board meeting, the outcome of the board's resolution and the company's handling of the supervisor's opinions: None.

2. Audit committee implementation status: N/A
The company has not yet appointed an audit committee.

(3) Corporate governance status, differences with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Abstract Illustration	
I. Does the company follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and has the company established and disclosed its own corporate governance best practice principles?	✓		The company regulated Corporate Governance Best Practice Principles on March 8, 2017, and disclosed information to the public observatory site.	No major difference.

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Abstract Illustration	
II. The company's shareholding structure and shareholders' equity (1) Has the company set up internal operating procedures to handle shareholder proposals, doubts, disputes, and litigation matters and following the procedures? (2) Does the company have a list of its major shareholders and the ultimate controllers of the major shareholders? (3) Has the company established and Risk management of the affiliated company firewall mechanisms with its affiliates? (4) Has the company set up an internal standard to prohibit the insiders' use of private information to trade securities?	✓ ✓ ✓ ✓		(1) The company has regulated [Corporate Governance Best Practice Principles] and set up a communication system, for a spokesman and a full-time stock affairs personnel to deal with the aforementioned problems. (2) The company is in control of the main shareholders and the final controller of the main shareholders according to the shareholder's list provided by the stock affairs agency list. (3) The company has relative rules regulated to control the trade, endorsement guarantee and capital loan with an interested person between the company and the affiliated company. (4) The company has a [Moral code of conduct] and [Corporate Governance Best Practice Principles] to prohibit company insiders from using the undisclosed market information to buy and sell securities.	No major difference.
III. The composition and duties of the Board of Directors (1) Has the board of directors formulated a diversified approach based on the composition of its members and implemented it? (2) Has the company set up other types of functional committees voluntarily in addition to the remuneration committee and the audit committee according to law? (3) Has the company set up a performance appraisal method and an assessment method for the board of directors, and conducted performance appraisal on a regular basis every year? (4)Does the company regularly evaluate the independence of its certifying accountants?	✓ ✓ ✓	✓	(1) The company has regulated [Directors and supervisors election rules], the contents of which request the board of directors overall needs to be equipped with various abilities as the multi-element policy. (2) The company has at present set up salary remuneration committee but no other functional committees. In the future, the company will decide depending on the evaluation of the requirement. (3) The company has regulated [Performance assessment form and self-assessment form of the board of directors and salary remuneration committee] of the board of directors and salary remuneration committee] and regularly carries out performance assessment every year so as to enhance company governance efficiency. (4) The company appoints Anhou Jianye United Certified Public Accountants Co., Ltd., accountant Xu Yufeng Mei Yuanzhen, to regularly audit the company financial status and internal control. Recently, on March 7, 2018, the company presented to the board of directors	No major difference.

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Abstract Illustration	
			to assess the independence and competency and obtained the independence declaration by the accounting firm confirming the provision of accounting professional declaration of accountant independence, service of the certified accountant.	
IV. Has the TWSE/GTSM listed company set up a dedicated (or concurrent) corporate governance unit or appointed personnel responsible for corporate governance-related matters (including but not limited to providing the directors and supervisors with required information to carry out their business, handling corporate registration and change of corporate registration related matters and taking the minutes of board meetings and shareholders' meetings)?	✓		The company has appointed financial personnel concurrently dealing with the related affairs of company governance.	No major difference
V. Has the company established a communication channel with interested parties (including but not limited to shareholders, employees, customers, and suppliers), set up an interesting party page on the company's website, and responded appropriately to interested parties concerning important corporate social responsibility issues?	✓		The channels for the company to disclose contacts and email addresses of the personnel and dedicated unit on the website is open and clear and sets up a dedicated zone for people of interest.	No major difference.
VI. Does the company appoint a professional stock agency to handle shareholders' meeting related affairs?	✓		The company has appointed professional stock agency [SinoPac Stock Agency] to deal with the shareholders meeting affairs.	No major difference.
VII. Information disclosure (1) Has the company set up a website to disclose financial and corporate governance information? (2) Does the company adopt other information disclosure methods (such as setting up an English website, appointing a dedicated person responsible for the collection and disclosure	✓ ✓		(1) The company has set up the company website and disclosed financial business and company governance information on the company website and public information observatory site. (2) The company has set up an English website and has full-time personnel responsible for information collection and disclosure. The company has the spokesman set up and implements spokesman system. The company has disclosed legal person briefing	No major difference.

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Abstract Illustration	
of company information, implementing the spokesman system, and posting the company's corporate briefing process on the website, etc.)?			information on the company website.	

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Abstract Illustration	
VIII. Does the Company have any other important information (including but not limited to employees' rights, employee care, investor relations, supplier relationship, rights and interests of interested parties, training for directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company's purchase of liability insurance for directors and supervisors, etc.)?	✓		1. Employee rights and interests and employee care: In addition to the relative decrees, the company values much the harmony of labor relation and also the employee welfare, advanced study, and training, while employees may also directly reflect personal opinion through opinion box or proper channel. 2. Investor relation: The company has spokesman, acting spokesman, and service special personnel set up to deal with shareholder suggestions. To hold an investor conference and strengthen the friendly relationship with investors. 3. Supplier relation: The company operates in accordance with various regulations, and cooperation firms perform as agreed in the contracts to maintain the legal equity of both parties. 4. The right of the interested person: The company has set up [Investor relation] zone on the company website and on [public information observatory station] disclosed financial and business relative information for the reference of the interested. In addition, the company stock agency [SinoPac Stock Agency] also assists to deal with relative problems and suggestions of the interested person. If legal problems are involved, professional lawyers or legal persons will be appointed to intervene so as to protect the rights of the interested person. 5. Training for the directors and supervisors (Remark 1): In 2018 the company arranged directors and supervisors to take part in the further study courses of [Corporate Legal Person Taiwan Corporate Governance Association]. 6. Implementation of risk management policies and risk measurement standards: The company regulates the internal control system and relative management rules and also carries out in accordance with the rules. 7. Implementation of customer policy: The company has set up a customer service department and actively dealt with a complaint so as to maintain customer rights. 8. The status of purchasing the liability insurance for directors and supervisors :	No major difference.

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Abstract Illustration	

Insured person	Insurance Company	Amount of Insurance	Policy Period
All Directors & Supervisors	Mingtai Insurance	USD 3 million	Valid from: February 12, 2018 Ends on: February 12, 2019
All Directors & Supervisors	Shinkong Insurance	USD 3 million	Valid from: February 12, 2019 Ends on: February 12, 2020

IX. Please explain the status of the improvement of the company governance assessment announced in the most recent years by the company governance center of the Taiwan Stock Exchange Co. Ltd. and present in priority the items and measures required to be strengthened.

1. To strengthen the company information disclosures: Upload the notes and the proceeding manual and relative information from the shareholders' meeting 2019 to enhance proceeding efficiency.

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Abstract Illustration	

(Remark 1) The status of the director and supervisor further study

Title	Name	Date	Organizers	Course Name	Hours
Chairman	Kuo-Chou Tsai	August 8, 2018	Taiwan Corporate Governance Association	The company decree compliance and the director monitor obligation	3
Director	Kuo-Yuan Tsai				3
Director	Jing Qian				3
Director	Johnson Chen				3
Independent Director	Kai-Li Wang				3
Independent Director	Cherng Lee				3
Independent Director	Ming-Tang Lai				3
Supervisor	Chih-Kai Hu				3
Supervisor	Wei-Lun Lo				3
Supervisor	Bo-Sheng Chiu	August 29, 2018	Accounting Research and Development Foundation	Corporate Governance Best-Practice Principles: The latest amended content and principles of implementation of [Corporate Laws]	3
Chairman	Kuo-Chou Tsai	November 7, 2018	Taiwan Corporate Governance Association	The latest amended trend and analysis of Corporate Laws.	3
Director	Kuo-Yuan Tsai				3
Director	Jing				3

Evaluation Item		Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and reasons
		Yes	No	Abstract Illustration	
	Qian				
Director	Johnson Chen				3
Independent Director	Kai-Li Wang				3
Independent Director	Cherng Lee				3
Independent Director	Ming-Tang Lai				3
Supervisor	Chih-Kai Hu				3
Supervisor	Wei-Lun Lo				3
Supervisor	Bo-Sheng Chiu				3

(4) Remuneration Committee

The company set up salary and remuneration committee passed by the board of directors meeting on August 31, 2011, consisting of three independent directors, Ming-Tang Lai, Cherng Lee and Kai-Li Wang as members and passed [Salary and remuneration organizational procedure] the job responsibility and operation of which are in accordance with [salary and remuneration committee organization procedure] of the Article 14-6 and stock listed companies trading in the Securities Firm's Business Office

1. Remuneration Committee Member Information

Identity (Remark 1)	Criteria	Meet one of the following professional qualification requirements, together with at least five years' work experience	Independence Criteria (Remark 1)	No. of other listed	Remark

	Name	Business, Legal Affairs, Finance, Accounting, Lecturer or above in Colleges in Related departments	Judge, Prosecutor, Attorney, CPA or National Certified Professionals	Business, Legal Affairs, Finance, Accounting or Related Work Experience	1	2	3	4	5	6	7	8	companies working as a remuneration committee member for	
Independent Director	Ming-Tang Lai		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	-
Independent Director	Cherng Lee	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	-
Independent Director	Kai-Li Wang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-

Remark 1: Please "✓" the corresponding boxes that apply to the individual members during the two years prior to being elected or during the term of office.

（1） Not an employee of the Company or any of its affiliated company

（2） Not a Director or Supervisor of the Company or any of its affiliated company. except in the case of an independent director of the Company or its parent company or subsidiary set up under this Act or a local law

（3） not a top ten shareholder or as hare holder who holds more than one percent of the total issued shares of the Company by him/herself or through his/her spouse, minor children or other persons

（4） Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

（5） Not a director, supervisor or employee of a corporate shareholder who directly holds more than 5% of the total issued shares of the Company, or a director, supervisor or employee of a top-five corporate shareholder.

（6） Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.

（7） Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

（8） Not being a person of any conditions defined in Article 30 of the Company Law.

2. Remuneration committee operation status

(1) The company's remuneration committee is composed of three people.

(2) Current member's tenure: From June 21, 2018, to June 20, 2021. In 2019 the Remuneration Committee held two meetings (A), and the member qualifications and attendance areas fellow:

Title	Name	Actual no. of meetings attended (B)	No. of meetings with entrusted attendance	Actual attendance rate (%) （B/A）（Remark）	Remark
Convener	Ming-Tang Lai	2	-	100.00	N/A
Member	Cherng Lee	2	-	100.00	N/A
Member	Kai-Li Wang	2	-	100.00	N/A

Other matters to be recorded:

I. If the board of directors did not adopt or amend the suggestion of the remuneration committee, please indicate the date and session number of the board meeting, the contents of the motion, the result of the resolution and the company's handling of the suggestion of the remuneration committee (if the remuneration passed by the board is better than the suggestion of the remuneration committee, please state the difference and the reasons): N/A

II. If any member had objections or reservations about the resolution of the remuneration committee and there is a record or a written statement, please indicate the date and session number of the remuneration committee meeting, the contents of the motion, all the opinions of the members and how the opinions were handled: N/A

(5) Corporate Social Responsibility (CSR):

Evaluation Item	Implementation Status			Differences with [Corporate governance best practice principles for TWSE/GTSM listed companies] and reasons.
	Yes	No	Abstract Illustration	
I. Implementation of corporate governance				
(1) Has the company set up a corporate social responsibility policy or system and a review of the implementation effectiveness?	✓		(1) On June 10, 2011, the company has already passed the motion to establish the corporate [Social responsibility policy] at a board meeting and it is now implementing the guidance of the social responsibility to the local enterprises.	No major difference.
(2) Does the company regularly conduct social responsibility education and training?		✓	(2) The company has not yet begun to conduct regular social responsibility education and training for the employees; However, the employees have all been strictly asked to comply with the relevant regulations and ethics, in order to achieve the goal of implementation of the corporate social responsibility.	No major difference.
(3) Has the company set up a dedicated (or concurrent) corporate social responsibility promotion unit which is authorized by the board of directors to be managed by the high-level management and reports to the board of directors?	✓		(3) The company will establish a dedicated (or concurrent) corporate social responsibility unit in the future depending on the actual situation, however, at present, the relevant units will handle related matters in accordance with their responsibilities.	No major difference.
(4) Has the company formulated a reasonable remuneration policy and combined the staff performance appraisal system with the corporate social responsibility policy, and set up a clear and effective reward and punishment system?			(4) The company has employee appraisal rules set up giving employee reasonable salary and remuneration. The company promotes various regulations to be abided by and publishes names of reward and punishment.	

Evaluation Item	Implementation Status			Differences with [Corporate governance best practice principles for TWSE/GTSM listed companies] and reasons.
	Yes	No	Abstract Illustration	
2. Development of a sustainable environment (1) Is the company committed to improving the efficiency in the use of resources, and the use of recycled materials with low environmental impact? (2) Has the company established an appropriate environmental management system according to its industrial characteristics? (3) Is the company aware of the impact of climate change on its operations, and has it implemented greenhouse gas checking and developed a strategy for reduction of energy consumption and carbon emission as well as greenhouse gas reduction?	✓ ✓ ✓		(1) The company uses the world leading, fully computerized ultra-pure water system, and its supporting wastewater recovery system, so that every drop of water does not go wasted, in order to achieve the concept of environmental protection of the Earth. (2) The company and the holding company will continue to establish an environmental management system in line with the characteristics of the industry. (3) Introduce energy saving and environmental protection concept and the perfect temperature control system to office buildings, trying their best to save energy consumption. Conforming with the current global trend of energy saving and reduction in carbon footprint environmental protection and educate and ask employees to turn lights off when not in use and digitize documents, can help taking parts of the responsibility of protecting the Earth's environment.	No major difference. No major difference. No major difference.
III. Social welfare (1)Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions? (2) Has the company set up an employee complaint mechanism and channel, and properly handles employee complaints? (3) Does the company provide a safe and healthy working environment for employees and regularly carry out safety and health education for employees?	✓ ✓ ✓		(1) The company has formulated relevant employee policies and procedures in accordance with Labor Standard Laws. Employees can post relevant suggestions or complaints into the “suggestion box” in writing to be in contact with the general manager’s office directly. (2) Employee complaint/communication channel is available and employee complaint/communication box is also set up, cases of which are received and dealt with by special personnel. (3) The company places great importance on the health and safety of the employees’ working environment, and regularly arranges employee health checks, fire equipment inspection, in order to take responsibility for the health and safety of the employees.	No major difference. No major difference. No major difference.

Evaluation Item	Implementation Status			Differences with [Corporate governance best practice principles for TWSE/GTSM listed companies] and reasons.
	Yes	No	Abstract Illustration	
(4) Has the Company established a mechanism for regular employee communication and keep them informed in a reasonable manner of the changes in the operation which may have a significant impact on the employees?	✓		(4) Through the "suggestion box", the company provides a conduit for employees to communicate with each other and notifies them in a reasonable manner of changes in the operations that may have a significant impact on employees.	No major difference.
(5) Has the company developed an effective training program for employees?	✓		(5) The company hosts, manages and develops various kind of training according to the various levels, job characteristics and rank of employees to encourage them to participate in external professional career capacity development training courses.	No major difference.
(6) Has the company formulated relevant policies and complaint procedures for the protection of consumers' rights in respect of R&D, procurement, production, operations, and service processes?	✓		(6) The company's product responsibilities of products are in line with regulatory requirements, the consumers can also be able to reflect the status through distributors and customer service.	No major difference.
(7) Does the company comply with relevant laws and regulations and international standards for the marketing and labeling of products and services?		✓	(7) The company insists on being responsible for the product and place importance on sales ethics to ensure the transparency of product marking and service information.	No major difference.
(8) Does the company check whether a supplier has any record of environmental and social impact before doing any business with the supplier?			(8) The company will perform supplier evaluation operations prior to cooperating with suppliers.	
(9) Does the contract between the company and its principal supplier contain the condition that the contract may be terminated at any time if the supplier is involved in a policy that violates its corporate social responsibility and has a significant impact on the environment and society?			(9) The company will be evaluating the supplier before the trading begins. However, the main vendors are mostly domestic and foreign non-public distribution companies, so the suppliers themselves do not have a corporate social responsibility policy, the company also continue to evaluate.	
IV. Strengthening of information disclosure (1) Does the company disclose relevant and reliable information on corporate social responsibility on its website and MOPS?	✓		(1) The Corporate Social Responsibility information has been disclosed in the company's annual report and on the company's website. The company has not yet prepared a CSR report, which will be compiled in the future, depending on practical needs, to enhance disclosure of the promotion of corporate social responsibility.	No major difference.

Evaluation Item	Implementation Status			Differences with [Corporate governance best practice principles for TWSE/GTSM listed companies] and reasons.
	Yes	No	Abstract Illustration	
V. If the company has its own [Corporate governance best practice principles] in accordance with the [corporate governance best practice principles for TWSE/GTSM listed companies], please describe the difference between its operation and the prescribed code: The company has established a [Corporate governance best practice principles] in accordance with the [Corporate governance best practice principles for TWSE/GTSM listed companies], and there were no occurrences of abnormality.				
VI: Other important information to help understand the operation of corporate social responsibility: At present the company relative welfare and equity measures are mainly as follows: (1) Old-Age Insurance: The company in accordance with the provisions of the State for the active staff to pay pension insurance, the company and the individual commitment in part in accordance with the provisions of the State. (2) Industrial injury Insurance: The company has taken insurance against industrial injury for all employees, insurance costs are borne by the company. (3)Group Medical Insurance: The company has taken out the group medical insurance for each employee, the cost of death, disability, hospitalization or the cost of accidental injury, can be handled by the agent on behalf of the settlement application procedures. (4) Marriage, bereavement, maternity leave: Employees can deal start the procedure with the relevant certificates, the company will give a certain subsidy in accordance with the company's internal policies. (5) Paid annual leave: When the employee’s accumulated work has reached a certain number of years, he will be given paid annual leave. (6) Staff accommodation and bathing: The employee who board only bears a part of the monthly cost of water and electricity. (7) On-the-job training for employees: On-the-job-training includes regular and occasional internal or external education and training. (8) Promotion opportunities: The company gives the promotion opportunities and salary increase in accordance with the performance, qualifications and academic qualifications of its employees. (9) Channels for employee complaints: Employees who have relevant suggestions or complaints can contact the general manager's room directly in writing via the “suggestion box”.				
VII: Other important information to help understand the operation of corporate social responsibility: The company has not yet established the relevant CSR report or pass the relevant evaluation certification bodies.				

(6) Implementation of corporate governance best practice principles:

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/GTSM listed companies and reasons.
	Yes	No	Abstract Illustration	
I. Setting corporate governance best practice principles and programs (1) Does the company express its commitment to the policies and practices of corporate governance best practice principles in its regulations and in the external documents, and do the board of directors and the management actively implement the business policies? (2) Has the company set up a program for the prevention of dishonesty as well as the procedures, conduct guidelines and a disciplinary and appeals system in various programs and implemented them? (3) Has the Company adopted precautionary measures in respect of business activities with a high risk of dishonesty in Article 7 Item 2 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	✓ ✓ ✓		(1) The company has established a [Corporate governance best practice principles], in addition, the company directors, supervisors, managers, and employees must abide by the company regulations on law, securities trading, listing companies related regulations and decrees, in order to make the integrity of the operation of the foundation. (2) The company engages in commercial activities following the principles of fairness and integrity. In order to implement the corporate governance best practice principles, and actively prevent dishonest behavior continues to advocate sincerity and integrity management through employee education and training. (3) The company's relevant internal management system can effectively prevent relevant personnel of the company to provide or receive improper benefits, or the provision of illegal political contributions, etc.	No major difference. No major difference. No major difference.

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/GTSM listed companies and reasons.
	Yes	No	Abstract Illustration	
II. Implementation of corporate governance best practice principles				
(1) Does the company assess the integrity record of its business partner, and stipulate the terms of conduct on integrity in the contract with the business partner?	✓		(1) Before establishing a business relationship, the company will first evaluate the legality of the other party, and whether there has been any record of dishonest behavior, to ensure that their business practices are fair, transparent and do not require the provision or collection of bribes.	No major difference.
(2) Has the company set up a dedicated (or concurrent) corporate integrity promotion unit under the board of directors which regularly reports to the board on its work?	✓		(2) The General Manager's Office of the company promotes integrity management policy, the board of directors will deem if it is necessary for the manager's office to be requested to submit a written report or attend the board meeting to report in person.	No major difference.
(3) Has the company formulated policies to prevent conflicts of interest, provided appropriate channels for statements and implemented them?	✓		(3) The directors of the company shall uphold a high degree of self-discipline, any director who is in conflict or advantage with any motions listed on the board, matter of interest to itself or to the legal person on whose behalf he/she is represented and are harmful to the interests of the company shall not join discussions, votes, and should not be present during discussions and votes.	No major difference.
(4) Has the Company established an effective accounting system and internal control system for the implementation of integrity management, which is checked by the internal auditing unit on a regular basis or audited by external auditors?	✓		(4) The company has established an effective internal control system, the related management methods, and accounting systems. At the same time, an audit unit to regularly inspect that each department of the company is following the regulations.	No major difference.
(5) Does the company hold regular internal and external training on business integrity?			(5) The company advocates the spirit of honest management and to abide by the principle of good faith to the employees through internal meetings in order to establish sound corporate governance.	

Evaluation Item	Implementation Status			Differences with Corporate Governance Best Practice Principles for TWSE/GTSM listed companies and reasons.
	Yes	No	Abstract Illustration	
III. Operation of the company reporting system (1) Has the company set up specific reporting and reward systems and a convenient reporting channel, and does the company assign appropriate personnel to investigate the person being reported? (2) Has the company set up standard investigation procedures and a related confidentiality mechanism for the matter being reported? (3) Does the company take measures to protect the reporter from improper treatment?	✓ ✓ ✓		(1) The company will punish any practices in violation of the integrity of the business regulations according to the relevant decrees or corporate personnel measures. There are dedicated units dealing with related matters. (2) The company has established a [Corporate governance best practice principles] including the acceptance of investigative operation procedures and related confidentiality mechanisms for any whistleblower matters. (3) The company is responsible for the confidentiality of the whistleblower, to prevent the whistleblower from being improperly dismissed, workplace retaliation and other similar occurrences.	No major difference. No major difference. No major difference.
IV. Strengthening of information disclosure (1) Does the company disclose the contents of its Code of Corporate Governance Best Practice Principles integrity and the effectiveness on its website and MOPS?	✓		(1) The company has set up a company website, and continue to strengthen the disclosure of relevant information, and regularly reveal the company's shareholders' meeting annual report, financial reports, and public instructions and other information to designated public information observatory.	No major difference.

V. If the Company has its own Corporate Governance Best Practice Principles in accordance with the [Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies], please describe the difference between them:

The company based on the management concept of integrity, transparency, and responsibility in accordance with [Corporate governance best practice principles], sets up the policy on the basis of integrity and establishes good company governance and risk control mechanism to create the management environment of everlasting development.

The company according to the above-mentioned management concept and policy sets up the prevention plan in compliance with company and group enterprise and organization relative local operating decree to actively prevent dishonest behavior including operational program, behavior guide, and educational training. Also, in the process of setting prevention plan, the company negotiates with employees, unions and other representative institute members and communicates with relative interest groups, of which the operation and the formulated codes are without a major difference.

VI. Other major information of help to understand the corporate governance best practice principles operating status (such as status of the company reviewing and revising its corporate governance best practice principles):

In order to establish the enterprise culture of integrity management, sound development and good commercial operation, the company board of directors set up by resolution on July 25, 2011[Corporate governance best practice principles], and part article revision of [Corporate governance best practice principles] on March 3, 2015 to coordinate with [Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies].

(7) If the company has set up company governance rules and relative regulations, the inquiry format should be disclosed:

1. The company has set up in accordance with [Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies] the relative regulations and measures:

(1) Company regulations of Independent Director job specifications
(2) Company set up a moral code of conduct
(3) Company regulations of supervisor job specifications
(4) Corporate Governance Best Practice Principles
(5) Company organization regulations of salary and remuneration committee
(6) Social responsibility code of practice
(7) Corporate Governance Best Practice Principles

2. Inquiry mode: First page of public information observatory mops. twse. com. tw home => company governance => set company governance relative procedures and regulations => by the market over the counter, company code: 8406, so as to inquire.

(8) Other important information to be of help understand better the governance of the company:

1. Please refer to Page 35 of the annual report this year.
2. Independent certifying accountant assessment:

Ginko International Co., Ltd.
Independent accountant assessment
February 22, 2019

Explanation:

I. The procedure of accountant independence assessment is regulated in reference to accountant law, accountant professional moral specifications of the Republic of China and auditing standards board.

II. In accordance with No. 10 of professional moral specifications publication, the definition of the term [integrity, justice, objectiveness, and independence] is as follows:

■ Financial benefit: Referring to equity securities or other securities, company bond, loan or other debt tools, or interest, including rights and derivative benefit, obligation, etc.

(1) Direct financial benefit:

1. The financial benefit that an individual or an enterprise directly owns or has control ability.

2. The financial benefit obtained by an individual or enterprise, office by means of a joint investment with others and the individual or enterprise and office has control ability over the joint investment.

(2) Indirect financial benefit: The financial benefit obtained by an individual or enterprise or office by means of a joint investment with others but the individual or enterprise or office does not have control ability over the investment.

Family: Referring to the spouse (partner) and minors.

Close relative: Referring to direct relatives, direct in-laws and brothers and sisters.

Item	**Independent accountant assessment procedure**	**Compliance with regulations**	
		Yes	**No**
1	**Financial benefit**	**V**	
	(I) Do the members of the auditing service group and their families of the accountant office have direct financial benefit or major indirect financial benefit with the company?		
	(ii) Do other practicing colleague accountants and their family have a direct financial benefit or indirect financial benefit with the company?		
	(iii) Do the accountant office and the associated enterprises of the office have a direct financial benefit or indirect financial benefit with the company?		
	Overview conclusion: None of the situation.		
2	**Financing and guarantee(applicable to financial business)**	**V**	
	(i) Does the company base on normal commercial behavior to proceed to finance and guaranteeing the accountant office that is responsible for the company auditing or office or associated enterprises?		
	(ii) Does the company provide financing and guaranteeing to the members of the auditing service group and their family on the basis of normal commercial behavior?		
	(iii) Is the deposit in the company of the office, office associated enterprises and members of the auditing group processed on the basis of normal commercial behavior?		
	Conclusion overview: N/A.		

	Financing and guarantee(Not applicable to financial business)		
	Does the company have the behavior of mutual financing or guaranteeing among the office, office associated enterprises and members of the auditing service group?		
	Conclusion overview: None of the situation.		
3	**Commercials**	**V**	
	(i) Do the office, office associated enterprises and members of the auditing service group have a close commercial relationship with the company or directors, supervisors and managers of the company? Such relation as:		
	n. The strategic alliance of major benefit with the company or shareholders, directors, supervisors or managers who have the power to control.		
	n. to alliance the service items or products of the office or office associated enterprises with the company service items and products and at the same time market to the public.		
	n. The office or office associated enterprises mutually take up promoting and marketing jobs for the products or services with the company.		
	(ii) Does the company base on normal commercial behavior to sell products or provide labor to the office, office associated enterprises or auditing service group members?		
	Conclusion overview: None of the situation.		
4	**Family and individual relation**	**V**	
	(i) Do the families of the auditing service group members not serve as the company directors, supervisors, managers or jobs that have a direct and major influence on the auditing work, or the jobs above mentioned during the auditing period?		
	(ii) Do the close relatives of the auditing service group members not take up company directors, supervisors, managers or jobs that have a direct or major influence, or the jobs above mentioned during the auditing period?		
	Conclusion overview: None of the situation.		
5	**Employment relationship**	**V**	
	(i) Do the office or the auditing service group members not take up the company directors, supervisors, managers or jobs that have a direct or major influence on the auditing work?		
	(ii) If there are auditing service group members, accountant or office discharged accountants who are employed by the company, please consider the following situations to judge the degree of the influence on the accountant independence:		
	n. No jobs are taken in the company.		
	n. The length of employment in the company after resignation from the office.		
	n. The importance of the job taken up in the office in the past.		
	(iii) Has it been aware that the auditing service group members will be employed by the company in		

	the future period?		
	(iv) Do the accountants or employees of the accountant office, office associated enterprises not provide service to the company directors, supervisors or equivalent jobs?		
	Conclusion overview: None of the situation.		
6	**Gift offer or special promotion**	**V**	
	Is the company gift offer or a special promotion for the auditing service group members of normal social courtesy or commercial behavior, and not of great value and no motivation or intention to influence a professional decision or obtain information to be confidential?		
	Conclusion overview: None of the situation.		
7	**Rotation of certified accountants**		
	Does the accountant in charge not serve over seven years and after rotation not return at least for two years?	**V**	
	Conclusion overview: Compliance with the regulation.		
8	**Non-auditing business**	**V**	
	Does the company inquire the accountant about the details of non-auditing business and the influence on his independence?		
	Conclusion overview: Non-auditing business belongs to the project auditing service of internal control and does not affect independence.		
9	**Declaration of accountant independence**	**V**	
	To obtain the accountant independence declaration to the audit committee (or equivalent governance institute, if there is no audit committee).		
	Conclusion overview: Already obtained.		

(9) Implementation of the Internal Control System

1. Internal control statement

Ginko International Co., Ltd., and Subsidiaries
Internal Control System Statement

Date: March11, 2019

The 2018 Internal Control System of the company and each consolidated subsidiary according to the result of self-assessment is thus stated as follows:

I. The company and each consolidated subsidiary acknowledge that the establishment, implementation, and maintenance of internal control system is the responsibility of the board of directors, the management and that the company and each consolidated subsidiary have established such system. The aim is to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance, timely and transparent protective barrier for assets), achieving reliable financial reports which comply to applicable laws and regulations.

II. The internal control system has its innate restrictions, no matter how well it is designed, an effective internal control system can only ensure the foregoing three goals are achieved reasonably; moreover, due to the change of environment and conditions, the effectiveness of internal control system can change accordingly. However, only the internal control system of the Company and each consolidated subsidiary possess self-monitoring capabilities and the Company will take corrective action as soon as a defect is identified.

III. The company and each consolidated subsidiaries determine according to the effective judgment items for the effectiveness of the internal control system specified in “standards for publicly held companies to internal control systems highlights for implementation of establishing internal control system by listed companies” (hereinafter referred to as “standards”) whether the design and implementation of the internal control system are effective. The items used to judge the internal control system utilized by the “standards” the judgment items for internal control adopted by “standards” are, based on the process of management control, dividing the internal control system into five components: 1. Control environment; 2. Risk assessments; 3. Control activities; 4. Information and communication; and 5. Monitoring. Each component also includes a certain number of items. For the foregoing items, refer to “standards”. Each component also includes a certain number of items. For the foregoing items, refer to “standards”.

IV. The company and each consolidated subsidiary have adopted the aforementioned judgment items for the internal control system to evaluate the effectiveness of the design and execution of the internal control system.

V. The company and each consolidated subsidiaries suggest that by December 31, 2018, based on the aforementioned result of evaluation, the internal control system (including the supervision and management of subsidiaries) of the company and each consolidated subsidiaries, including understanding the operation performance and the level of the achievement in efficiency goals, the design and execution of the internal control system relating to the effectiveness and efficiency of operation, the reliability of reports, timely, transparent and the compliance of applicable law and regulations have been effective and they can reasonably assure the aforementioned goals have been achieved.

VI. To satisfy the requirement of the management operations of the first counter company of the securities and futures trading center of the Republic of China, the company entrusted the accountant to review the opening period and the reliability of

the external financial reports according to the provisions of article 8 of the "main points of management of the first cabinet company". The internal control system relating to the reliability of financial reports and the security of assets (such that assets are not obtained, used or disposed of without authorization), as described in the preceding paragraph, is effective in designing and executing, and does not affect the financial significant lack of reliability in the recording, processing, aggregation and reporting of information, and no significant impact on the security of assets, resulting in the unauthorized acquisition, use or disposal of assets.

VII. This statement will be the main content for the annual report and prospectus for the company and each consolidated subsidiary and will be disclosed publicly. If the above contents have any falsehood and concealment of unlawful event, it will involve in the liability as mentioned in article 20, 32, 171 and 174 of securities and exchange law.

VIII. This statement has been approved by the meeting of the board of directors on March 11, 2019, and those 7 Directors present all agree on the contents of this statement.

Ginko International Co., Ltd.
Chairman: Kuo- Chou Tsai Signed
General Manager: Kuo-Yuan Tsai Signed

2. To commission an accountant to audit its internal control system, please disclose the accountant’s audit report:

The Internal Control Report

The attached statement by Ginko International Co., Ltd. and its subsidiaries, states on March 11, 2019, that after evaluation, it is determined that the internal control system related to the financial reports and asset security which were assessed and determined to be valid in design and implementation on December 31, 2018, which was reviewed by the accountant. It is the responsibility of the company's management to maintain an effective internal control system and assess its effectiveness. The accountant's responsibility is to express an opinion on the effectiveness of the company's internal control system and its internal control system statement based on the results of the review.

The accountant plans and performs the review in accordance with the [Guidelines for the Establishment of Internal Control Systems for Public Offering Companies] and generally accepted auditing standards to ensure that the company's internal control system remains effective in all material aspects. This review includes understanding the company's internal control system, assessing the process by which the management assesses the effectiveness of the overall internal control system, testing and evaluating the effectiveness of the design and implementation of the internal control system, and other review procedures that the accountant deems necessary. The accountant believes that this review can provide a reasonable basis for the opinions expressed.

Any internal control system has its inherent limitations, so the above internal control system of Ginko International Co., Ltd., and its subsidiaries may still fail to prevent or detect any errors or frauds that have occurred. In addition, any environment may change in the future, and the possibility of complying with the internal control system may also be reduced. Therefore, the effective internal control system in this period does not mean that it will be effective in the future.

In accordance with the opinions of the accountant, Ginko International Co., Ltd., and its subsidiaries had designed and implemented the internal control systems related to the financial report and the asset security protection on December 31, 2018, in accordance with the “Public Issuance Company's Internal Control System Processing Guidelines”, and can sustain its effectiveness in all major aspects. Ginko International Co., Ltd., and its subsidiaries had issued a statement on March 11, 2019, stating that it is its judgment that the aforementioned and the internal control system related to the financial reports and asset security protection is considered to be effective in its design and implementation and it is generally acceptable in all major aspects.

Anhou Jianye United Certified Public Accountants Co., Ltd.

Xu Yufeng

Accountant

Mei Yuanzhen

April 9, 2019

(10) The punishment to the company and its employees in accordance with the law, the company's punishment to its employees for violation of the provisions of its internal control system, the major defects and the improvements made in the latest year and as of the date of publication of the annual report: N/A

(11) Important resolutions of the shareholders' meeting and the board meetings in the latest year and as of the date of publication of the annual report.

1. The Important resolution matters of the 2018 board meeting and the outcome of the resolution and the status of its implementation.

Date of Meeting	Important resolution matters	The outcome of the resolution and the status of its implementation
June 21, 2018	1. Recognition of the Annual Financial Report and consolidated financial statements for 2017.	Those in favor exceeds the legal numbers, the motion was passed by the vote of the shareholders, and the contents of the account's signatures have been published in accordance with the relevant provisions.
	2. Recognition of the 2017 profit distribution case.	Those in favor exceeds the legal numbers, the motion was passed by a vote of the shareholders. Approved cash dividends per share are NT$6.8 the base date for the dividend is set for August 19, 2018, and the issue date was on September 14, 2018, and the dividend issuance operation has been completed as scheduled.
	3. Passed the motion of the revision of the company's [Articles of association] section.	Those in favor exceeds the legal numbers, the motion was passed by the vote of the shareholders, and the filing deposit was completed in the Caiman Islands, by a registered agent, and the operation was announced.
	4. Passed the motion of the revised company [Capital loan and operating procedure].	Those in favor exceeds the legal numbers, the motion was passed by the votes of the shareholders. It will be followed up under the revised rules.
	5. Passed the motion of revising the company's [The operation procedure of endorsement guarantee].	Those in favor exceeds the legal numbers, the motion was passed by the vote of the shareholders and it has been announced for implementation.
	6.Full re-election of the directors and supervisors	The selection of the fifth generation of directors and supervisors of the company has been concluded.
	7. Passed the motion of removing restrictions on the prohibition of competition by the new directors and their representatives of the company.	Those in favor exceeds the legal numbers, the motion was passed by the vote of the shareholders.

2. Important resolutions of the board meetings

Date of Meeting	Important resolution matters
March 7, 2018	1. Passed the motion of the company's 2017 Annual Business Report and Consolidated Financial Statements. 2. Passed the motion of the company's 2017 annual profit distribution. 3. Passed the motion of the company's 2017 remuneration amount for the individual company directors and supervisors. 4. Passed the motion of the company's 2017 annual employee remuneration of the individual manager amount. 5. Passed the motion of the 2017 [Declaration of Internal Control system]. 6. Passed the motion to cooperate with internal rotation of the certified accounting firms and intended to replace certified accountant. 7. Passed the motion to the audit of independent accountant assessment. 8. Passed the motion for the company's proposed amendment to the [Articles of association] section. 9. Passed the motion for the 2018 nomination of the shareholders who hold 1% of the shares or more for the regular session of the shareholders of the period and the premises for processing. 10. Passed the motion of the end of the term of the company's directors and supervisors, the full reelection and nomination of directors (including independent directors)and the list of candidates for the supervisors. 11. Passed the motion of removing restrictions on the prohibition of competition by the new directors and their representatives of the company. 12. Passed the motions related to the preparation of the 2018 regular meeting of shareholders. 13. Passed the motion of the capital expenditure cases of the company's Taiwan subsidiaries and Danyang subsidiaries. 14. Passed the motion of the company's proposed replacement of the contact address. 15. Passed the motion of the company and subsidiary bank credit line and joint guarantee.
May 8, 2018	1. Passed the motion for the company's first quarter in the 2018 consolidated financial statements. 2. Passed the motion for the company's proposed amendment to the [Articles of association] section. 3. Passed the motion of the company intending to revise some article text of [The operation procedure of endorsement guarantee]. 4. Passed the motion for the 2018 regular meeting of shareholders of the relevant matters. 5. Passed the motion of the company and subsidiary bank credit line and joint guarantee.
June 19, 2018	1. Passed the motion for the company to the subsidiary Yung Sheng Optics Co., Ltd. capital increase. 2. Passed the motion for the subsidiary Shanghai Fushiyuan Contact Lens Co., Ltd. to handle cash capital increase.
June 21, 2018	1. The motion for the election of the chairman. 2. Passing the motion for the company to appoint members for the remuneration committee.
August 8, 2018	1. Passed the motion for the company's proposed amendment of the 2017 annual profit distribution. 2. Passed the motion for the consolidated financial statements in the second quarter of 2018. 3. Passed the motion for the company and the subsidiary bank credit Line and endorsement to ensure the motion of dissent.
November 7, 2018	1. Passed the motion of the consolidated financial statements in the 3rd quarter of 2018. 2. Passed the motion of the 2019 annual audit plan. 3. Passed the motion for the company and the subsidiary bank credit Line and endorsement to ensure the motion of dissent. 4. Passed the motion of the loans to the company's subsidiary Yung Sheng Optics Co., Ltd. 5. Passed the motion of the loans to the company's subsidiary Horien Optic (Malaysia) Sdn BHD. 6. Passed the motion for the proposed capital increase for the subsidiary Haichang Contact Lenses Co., Ltd., GAIN BLESS MANAGEMENT LIMITED.
December 28, 2018	1. Passed the motion for the company's 2019 annual financial budget. 2. Passed the motion of the public fee of certified accountant and accounting in 2019. 3. Passed the motion for the company to take out directors and supervisors liability insurance.

Date of Meeting	Important resolution matters
	4. Passed the motion of the company's intention to revise [Obtaining and disposing assets dealing procedure]. 5. Passed the motion of the company's intention to regulate [Corporate Governance Best Practice Principles and Behavior Guide]. 6. Passed the motion of allocation rate of remuneration for the company directors, supervisors, and employees in 2018. 7. Passed the motion for the company's 2018 annual Manager Performance bonus payment. 8. Passed the motion for the company's 2019 manager fixed annual remuneration.
March 11, 2019	1. Passed the motion for the company's 2018 annual Business Report and the consolidated financial statements. 2. Passed the motion for the company's 2018 annual profit distribution. 3. Passed the motion for the company's 2018 annual individual directors and supervisor remuneration. 4. Passed the motion for the company's 2018 annual individual employee and manager remuneration. 5. Passed the motion for the company to issue the 2018 annual [Declaration of Internal Control System]. 6. Passed the motion to audit the independent accountant assessment. 7. Passed the motion for the company's proposed amendment to the [Articles of association] section. 8. Passed the motion for the preparation of the 2019 annual general meeting of shareholders held relevant matters. 9. Passed the motion of the company and subsidiary bank credit line and joint guarantee. 10. Passed the motion for the capital expenditure of the company's Taiwan subsidiary. 11. Passed the motion for the Capital Increase for the subsidiary Yung Sheng Optics Co., Ltd., Master Harvest Global Ltd. 12. Passed the motion for the capital increase proposed by the subsidiary Prosper Link International Ltd. (hereinafter referred to as PL). 13. Passed the motion for the loan from the company to the subsidiary Prosper Link International Limited. 14. Passed the motion of the loans to the company's subsidiary Yung Sheng Optics Co., Ltd.
May 9, 2019	1. 1. Passed the motion of the Company's consolidated financial statements for the first quarter of 2019. 2. Passed the motion of the company's proposed amendments to the [Funds and other work procedures] section of the provisions. 3. Passed the motion of the company establish the [Operating Procedures for handling directors ' requirements]. 4. Passed the motion of Horien optic Malaysia was increased by the subsidiary Haichang contact Lenses Limited through the replenishment of the subsidiary Horien optic Malaysia to compensate for the loss. 5. Passed the motion for the bank join loan of the company's subsidiary Yung Sheng Optics Co., Ltd. 6. Passed the motion of the company and subsidiary bank credit line and joint guarantee.

(12) If the directors or supervisors have different opinions about important resolutions adopted by the board in the latest year and as of the date of publication of the annual report, and there are records or written statements: N/A

(13) Summary of the resignation and dismissal of personnel relevant to the financial report in the latest year and as of the date of publication of the annual report (including the chairman, general manager, chief accountant, chief financial officer, internal audit manager): N/A

IV. Accountant Fees Information

Accountant Fees Information

Unit: NT$ 1,000

Name of CPA Firm	Accountant Name	Audit Fee	Non-audit fee					Accountant Audit Period	Remark
			System Design	Business Registration	Human Resources	Other	Total		
Anhou Jianye United Certified Public Accountants Co., Ltd.	Xu Yufeng Mei Yuanzhen	9,645	0	0	0	1,958	1,958	2018.01.01 ~ 2018.12.31	Internal control system audit fee

(I) In the payment to a certified accountant, affiliated office and associated enterprise, the non-audit public fee more than one-fourth of the audit public fee should be disclosed of the amount and service content of both: None.

(2) In replacement of accounting firm and in the replacement year when the audit public fee is less than that of the previous year before replacement, the amount and reason of audit public fee before and after replacement should be disclosed: None.

(3) For the audit public fee that is up to 15% less than the previous year, the reduced amount, rate and reason of audit public fee should be disclosed: None.

V. Change of Accountants: N/A.

VI. Company directors, general managers, managers responsible for financial and accounting affairs take up a job in the accounting firms affiliated to the certified accountant or its related enterprise: None.

VII. Particulars about Changes in Shareholding and Share Pledge of Directors, Supervisors, Managers, and Shareholders Holding More than 10% of the Company's Shares in the Past Year and as of the Date of Publication of the Annual Report:

(1) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Share

Title	Name	2018		Up to April 30, 2019	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Chairman & Major Shareholders	New Path International Co., Ltd. Representative: Kuo- Chou Tsai	—	—	—	—
Director	Ocean Heart International Ltd. Representative: Kuo-Yuan Tsai	—	—	—	—
Directors & Major Shareholders	Hydron International Co., Ltd. Representative: Johnson Chen	—	—	—	—
Director	Jing Qian	—	—	—	—
Independent Director	Ming-Tang Lai	—	—	—	—
Independent Director	Cherng Lee	—	—	—	—
Independent Director	Kai-Li Wang	—	—	—	—
Supervisor	Bo-Sheng Chiu	—	—	—	—
Supervisor	Wei-Lun Lo	1,000	—	—	—
Supervisor	Chih-Kai Hu	—	—	—	—

Title	Name	2018		Up to April 30, 2019	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Manager	Kuo-Yuan Tsai	—	—	—	—
Manager	Jing Qian	—	—	—	—
Manager	Johnson Chen	—	—	—	—
Manager	Terry Chang				
Manager	Ye Shulin	—	—	—	—
Manager	Chen Youren	—	—	—	—

(2) Share trading information: N/A

(3) Share pledge information: N/A

VIII. The information of shareholders ranking in the top ten holding ratio to be mutual interested persons or spouses, and those within second-degree relative relation:

Shareholding record date: April 20, 2019; Unit: share

NAME	TO HOLD SHARES IN PERSON		SPOUSE & MINOR CHILDREN SHAREHOLDING		SHAREHOLDING BY NOMINEE ARRANGEMENT		THE NAME AND RELATION OF THE TOP TEN SHAREHOLDERS MUTUALLY OF INTERESTED PERSONS OR SPOUSES, AND THOSE WITHIN SECOND-DEGREE RELATIVE RELATION		REMARK
	Share	% -	Share	% -	Share	% -	NAME	RELATIONSHIP	
Hydron International Co., Ltd.	26,299,633	28.45%	—	—	—	—	N/A	N/A	—
Hydron International Co., Ltd. Representative: Johnson Chen	88,000	0.10%	—	—	—	—	N/A	N/A	_
New Path International Co., Ltd.	17,003,238	18.39%	—	—	—	—	N/A	N/A	_
New Path International Co., Ltd. Representative: Kuo- Chou Tsai	—	—	—	—	—	—	Kuo-Yuan Tsai Wang Laihao Cai Guozheng	Brother In-laws Brother	_
In custody for Deutsche Bank Bolong Emerging Markets Fund Investment Account	3,052,065	3.30%	—	—	—	—	N/A	N/A	_
Ocean Heart International Limited	2,394,048	2.59%	—	—	—	—	N/A	N/A	_
Ocean Heart International Limited Representative: Kuo-Yuan Tsai	72,000	0.08%	108,000	0.12%	—	—	Kuo- Chou Tsai Wang Laihao Cai Guozheng	Brother In-laws Brother	_
Norges Bank in custody for Citibank Norges Bank Investment Account	1,349,000	1.46%	—	—	—	—	N/A	N/A	_
Merci Investments Ltd.	1,249,271	1.35%	—	—	—	—	N/A	N/A	_
Merci Investments Ltd. Representative: Wang Laihao	150,000	0.16%	33,000	0.04%	—	—	Kuo- Chou Tsai Kuo-Yuan Tsai Cai Guozheng	In-laws In-laws Spouse	_
Fidelity in custody for JPMorgan Chase Bank China Special Situation Company Investment Account	1,221,000	1.32%	—	—	—	—	N/A	N/A	_
Tebaofeng in custody for JPMorgan Chase Bank Xiaolong Fund Investment Account	1,112,000	1.20%	—	—	—	—	N/A	N/A	_
Advanced Energy Global Limited	1,077,048	1.17%	—	—	—	—	N/A	N/A	_
Advanced Energy Global Limited Representative: Huang Shuzhen	143,000	0.15%	—	—	—	—	N/A	N/A	_
Ounis in custody for Deutsche Bank Ounis Emerging Market Fund Investment Account	1,063,000	1.15%	—	—	—	—	N/A	N/A	_

IX. The company, company directors, supervisors, managers, and company directly or indirectly controlled business in the same transfer invested business with the number of shares held and combined calculation of the comprehensive shareholding ratio.

December 31, 2018; Unit: share

Re-invested businesses	The company's investment		The investment of directors, supervisors, managers and directly or indirectly controlled business.		Total investment	
	Share	%	Share	%	Share	%
Prosper Link International Limited	4,280	100%	—	—	4,280	100%
Haichang International Limited	1,100	100%	—	—	1,100	100%
Haichang Contact Lens Co., Ltd.	—	100%	—	—	—	100%
Jiangsu Horien Contact Lens Co., Ltd.	—	100%	—	—	—	100%
Yung Sheng Optical Co., Ltd.	160,000	100%	—	—	156,000	100%
Shanghai Horien Contact Lens Optical Co., Ltd.	—	100%	—	—	—	100%
Gain Bless Management Limited	1,150	100%	—	—	1,150	100%
Horien Optic (Malaysia) Sdn. Bhd.	1,750	70%	—	—	1,750	70%
Master Harvest Global Ltd.	5,000	100%	—	—	5,000	100%
Shanghai Fushiyuan Contact Lens Co., Ltd.	—	100%	—	—	—	100%
Yung Sheng Japan Optical Co. Ltd.(Yung Sheng Japan)	6,300	70%	—	—	6,300	70%
Uni-Beauty Co.,Ltd.	9,000	100%	—	—	9,000	100%

Four. Fund Raising Situation

I. Capital and shares

(1) Source of share capital:

1. The progress of the share capital formation

April 20, 2019; Unit: NT$; Foreign currency

Year/Month	Issued Price	Approved capital		Paid-in Capital		Remark		
		Share	Amount	Share	Amount	Source of Share Capital	Capital increased by assets other than cash	Other
2007 June	USD $ 1	50,000 shares	USD 50,000	50,000 shares	USD 50,000	Set up share capital USD 50,000	N/A	-
2008 April	USD $1	52,500 shares	USD 52,500	52,500 shares	USD 52,500	Capital increase USD 2,500	N/A	-
2009 August	$ 10	120,000 thousand shares	$ 1,200,000	80,000 thousand shares	$ 800 million	Capital reserve to capital increase $ 800 million	Remark	-
2012 March	NT$ 198	120,000 thousand shares	$ 1,200,000	90,000 thousand shares	$ 900 million	Capital increase $ 100 million	N/A	
2012 September	$ 64.7	120,000 thousand shares	$ 1,200,000	90,105 thousand shares	$ 901.05 million	Exercise employee stock warrant $ 1,050,000	N/A	
2012 December	$ 64.7	120,000 thousand shares	$ 1,200,000	90,303 thousand shares	$ 903.030 million	Exercise employee stock warrant $ 1,980,000	N/A	
2013 January	$ 64.7	120,000 thousand shares	$1,200,000	90,360.5 thousand shares	$ 903.605 million	Exercise employee stock warrant $ 575,000	N/A	
2013 March	$ 64.7	120,000 thousand shares	$ 1,200,000	90,431 thousand shares	$ 904.310 million	Exercise employee stock warrant $ 705,555	N/A	
2013 April	$ 64.7	120,000 thousand shares	$ 1,200,000	90,451 thousand shares	$ 904.510 million	Exercise employee stock warrant $ 200.000	N/A	
2013 July	$ 64.7	120,000 thousand shares	$ 1,200,000	90,468 thousand shares	$ 904,680,000	Exercise employee stock warrant $ 170,000	N/A	
2013 August	$ 59.7/$ 496.2	120,000 thousand shares	$ 1,200,000	90,631.15 thousand shares	$ 906,311,500	Exercise employee stock warrant $ 100,000 and corporate bonds convertible $ 1,531,500	N/A	
2013 September	$ 59.7/$ 496.2	120,000 thousand shares	$ 1,200,000	90,634.96 thousand shares	$ 906,349,600	Exercise employee stock warrant $ 30,000 and corporate bonds convertible $ 8,100	N/A	
2013 October	$ 59.7/$ 496.2	120,000 thousand shares	$ 1,200,000	90,757.88 thousand shares	907,578.8 thousand shares	Exercise employee stock warrant $ 540,000 and corporate bonds convertible $ 689,200	N/A	
2013 November	$ 59.7/$ 496.2	120,000 thousand shares	$ 1,200,000	91,762.32 thousand shares	$ 917,623,200	Exercise employee stock warrant $ 245,000 and corporate bonds convertible $ 9,799,400	N/A	
2013 December	$ 59.7/$ 496.2	120,000 thousand shares	$ 1,200,000	92,184.64 thousand shares	$ 921,846,400	Exercise employee stock warrant $ 570,000 and corporate bonds convertible $ 3,653,200	N/A	

Year/Month	Issued Price	Approved capital		Paid-in Capital		Remark		
		Share	Amount	Share	Amount	Source of Share Capital	Capital increased by assets other than cash	Other
2014 January	$ 59.7/$ 496.2	120,000 thousand shares	$ 1,200,000	92,350.65 thousand shares	$923,506,500	Exercise employee stock warrant $ 850,000 and corporate bonds convertible $ 810,100	N/A	
2014 February	$ 59.7/$ 496.2	120,000 thousand shares	$ 1,200,000	92,371.24 thousand shares	$ 923,712,400	Exercise employee stock warrant $ 95,000 and corporate bonds convertible $ 110,900	N/A	
2014 March	$ 59.7/$ 496.2	120,000 thousand shares	$ 1,200,000	92,614.47 thousand shares	$ 926,144.,700	Exercise employee stock warrant $ 250,000 and corporate bonds convertible $ 2,182,300	N/A	
2014 April	$ 59.7	120,000 thousand shares	$ 1,200,000	92,623.47 thousand shares	$ 926,234,700	Exercise employee stock warrant $ 90,000	N/A	
2014 October	$ 53.1	120,000 thousand shares	$ 1,200,000	92,640.47 thousand shares	$ 926,404,700	Exercise employee stock warrant $ 170,000	N/A	
2014 November	$ 53.1	120,000 thousand shares	$ 1,200,000	92,697.47 thousand shares	$ 926,974,700	Exercise employee stock warrant $ 570,000	N/A	
2017 October	$10	120,000 thousand shares	$ 1,200,000	92,450.47 thousand shares	$ 924,504,700	Capital reduction by decrease in treasury stock $ 2,470,000	N/A	Remark 2

Remark 1: In order to come back to get over the counter in Taiwan, the company passed the resolution to change the share denominated currency respectively by the board of directors meeting on July 15, 2009, and temporary shareholders meeting on August 5, 2009, and completed the change of share capital denominated currency on August 25, 2009. The company canceled the previously issued 52,500 shares of US$ 1face value and transformed to 173,512.5 shares of NT$ 10 and additionally dealt with NT$ 10 per share capital reserve transfer capital increase 79,826,487.5 shares, and allotted evenly according to the shareholding ration and then after the transfer the shareholders holding ratio is the same as that before the transfer.

Remark 2: Taipei Exchange declaration effective on October 26, 2017 (Declaration number: 106102601)

2. Class of shares

Unit: Share

Class of shares	Approved capital			Remark
	Outstanding shares	Unissued shares	Total	
Ordinary shares	92,450,472	27,549,528	120,000,000	N/A

3. Relative information of summary reporting system:

(2) Shareholder structure

April 20, 2019; Unit: Share

Shareholder structure / Quantity	Government agencies	Financial institutions	Other juridical persons	Domestic natural persons	Foreign institutions and foreigners	Total
number	3	27	15	3,806	163	4,014
Shareholding	1,717,000	2,405,964	149,000	14,401,997	73,776,511	92,450,472
%	1.86%	2.61%	0.16%	15.58%	79.80%	100.00%

Remark: The Shareholding ratio of the Mainland China funds: 0%

(3) Shareholding distribution status: Denomination per share $ 10

1. Common shares

April 20, 2019; Unit: share

Shareholding tiers			No., of shareholders	Shareholding	(%)
1	to	999	386	45,997	0.05
1,000	to	5,000	3,031	5,334,344	5.77
5,001	to	10,000	232	1,804,661	1.95
10,001	to	15,000	103	1,312,024	1.42
15,001	to	20,000	43	789,000	0.85
20,001	to	30,000	44	1,104,414	1.19
30,001	to	50,000	60	2,340,707	2.53
50,001	to	100,000	40	2,848,682	3.08
100,001	to	200,000	29	4,182,592	4.52
200,001	to	400,000	14	3,739,748	4.05
400,001	to	600,000	13	6,074,000	6.57
600,001	to	800,000	5	3,665,000	3.96
800,001	to	1,000,000	4	3,389,000	3.67
1,000,001 (above)			10	55,820,303	60.38
Total			4,014	92,450,472	100.00

2. Preferred Shares: Up to the issue of the annual report the company has not issued preferred shares, so it is not applicable.

(4) Major shareholders

Names, shareholding amount and ratio of shareholders with over 5% shareholding or equity in the top 10 rankings:

April 20, 2019

Name of major shareholders \ Shares	Shareholding	%
Hydron International Co., Ltd.	26,299,633	28.45
New Path International Co., Ltd.	17,003,238	18.39
In custody for Deutsche Bank Bolong Emerging Markets Fund Investment Account	3,052,065	3.30
Ocean Heart International Limited	2,394,048	2.59
Norges Bank in custody for Citibank Norges Bank Investment Account	1,349,000	1.46
Merci Investments Ltd.	1,249,271	1.35
Fidelity in custody for JPMorgan Chase Bank China Special Situation Company Investment Account	1,221,000	1.32
Tebaofeng in custody for JPMorgan Chase Bank Xiaolong Fund Investment Account	1,112,000	1.20
Advanced Energy GLOBAL Limited.	1,077,048	1.17
Ounis in custody for Deutsche Bank Ounis Emerging Market Fund Investment Account	1,063,000	1.15
Total	55,820,303	60.38

(5) The market price per share, net value, surplus, dividend, and relative data in the most recent two years.

Unit: NT$; thousand shares

Item \ Year			2017	2018	Up to May 17, 2019 (Remark 8)
The share's market price (Remark 1)	Highest		333.50	278.00	253.50
	Lowest		170.50	161.00	195.00
	Average		245.19	222.03	228.93
Net worth per share (Remark 2)	Before distribution		111.07	112.52	117.67
	After distribution		104.27	107.52	—
Earnings per share (Remark 3)	Weighted average number of shares		92,450	92,450	92,450
	Earnings per share		10.50	9.01	1.87
Dividend per share	cash dividend		6.8	5(Remark 7)	—
	Dividend -	Stock dividend from retained earnings	—	—	—
		Stock dividend from capital reserve	—	—	—
	Accumulated unpaid dividends		—	—	—
Return on Investment analysis	Price / Earnings ratio (Remark 4)		21.28	24.64	—
	Price / Dividend ratio (Remark 5)		32.86	44.41	—
	Cash dividend yield rate (Remark 6)		3.04%	2.25%	—

Remark 1: Listing of highest and lowest market price each year and the average market price each year calculated according to the transaction value and transaction volume each year.

Remark 2: Please fill in subject to the number of issued shares and according to the allotment status of the shareholders meeting in the following year.

Remark 3: If there are situations such as free share allotment, requiring tracing back and adjust, the surplus per share before the adjustment and after should be listed and shown.

Remark 4: Price / Earnings Ratio = Price / Earnings per share

Remark 5: Price / Dividend Ratio = Price / Dividend per share

Remark 6: Cash dividend yield rate = Price / Average annual closing price per share

Remark 7: Passed through the board of directors meeting on March 11, 2019, but not yet through the shareholders general meeting.

Remark 8: Net value per share, surplus per share are to be lifted up to the issue of the annual report, as the data audited (reviewed) by the accountant in the recent season; the rest columns are to fill in the data up to the issue of the annual report date (2019/5/17).

(6) Dividend Policy and Implementation Status

1. The dividend policy regulated in the company articles

According to regulations of company article 132 A, the regulations of dividend policy are mainly as follows:

During the listing period, in addition to the Cayman decree, applicable law or these articles regulations, or the right attached to the shares with additional specifications, when there is surplus in the company annual total final account, the board of directors should prepare surplus allotment plan in the following format and sequence and present to the shareholders meeting for resolution:

(a) According to the law to allocate tax payment required:

(b) To make up for the loss in the previous year;

(c) According to the applicable law or relative regulations to allocate 10% as earned surplus, but when the earned surplus has reached the company paid up capital, it does not subject to this limit;

(d) According to the regulations of the applicable law to allocate special earned surplus;

(e) According to the current year surplus minus the above mentioned Item (a) to Item (d) amount, to add the accumulated surplus that is not yet allocated to be the allocable surplus that the board of directors may suggest for shareholders bonus allotment plan and send for the shareholders meeting to pass resolution and allot according to the applicable law. But shareholder bonus amount cannot be lower than 30% after the annual final account surplus minus this article Item (a) to Item (d) regulated amount. The allotment of shareholder dividend may be in cash, bonus and/or share format to release, and the rate of cash bonus allotment cannot be lower than 30% of total shareholder bonus amount.

2. The proposed dividend distribution:

The company annual profit distribution plan in 2018 was passed by the board of directors meeting on March 11, 2019, proposing to allot NT$462,252,360 and subjecting to the 2019 shareholders meeting for the resolution to pass.

(7) Impact of the Proposed Bonus Shares on the Company's Operating Performance and Earnings per Share:

The board of directors meeting proposed on March 11, 2019, to allot cash dividend NT$ 462,252,360 and did not propose free share allotment.

(8) Bonuses of Employees, Directors, and Supervisors:

1. The percentage or scope of the bonuses of Employees, Directors, and Supervisors stipulated in the Articles of Association:

Company regulation article 132:

During the listing period, in addition to Cayman decree, applicable law or the articles otherwise provide, the company current year pre-tax benefit, after making up for the accumulated loss, if there is profit, should allocate 1.5-10% as employee remuneration with two thirds of the board of directors and over half of the directors present to resolute; and also may allocate at the most 3% as the remuneration for directors and supervisors. The remuneration allotment plan for employees and directors should present to report in the shareholders meeting. In addition to the applicable laws otherwise, provide, directors remuneration should not be made in the form of issuing new shares.

The previous employee remuneration allotment may be released in the form

of cash and /or shares, allotting object may include employees of affiliated enterprise in compliance with certain conditions, those certain conditions authorization are to be regulated by the board of directors; directors and supervisors remuneration is released in cash form(allocation of directors and supervisors remuneration after being passed by shareholders meeting resolution, the allotment form of which is to be decided by the board of directors meeting).

2. The basis for the estimation of the amount of bonus of employees, directors, and supervisors in the current period, and the accounting treatment if there is a difference between the actual employee bonus paid in shares or cash and the estimated amount.

   The company with the current year pretax benefit times the allotment percentage of employee remuneration and directors and supervisor's remuneration, allocate 1.5-10% as employee remuneration and at the most 3% as directors and supervisors' remuneration. If there are differences between the actual allotment amount and estimated amount, those are to be considered as accounting estimate variation and listed as profit and loss next year.

3. Bonus distribution as passed by the board meeting:
   (1) The company proposes to allocate in 2018 employee remuneration amounting to NT$ 44,932,989; in addition, to allocate directors and supervisors remuneration amounting to NT$7,702,798; the above amount is released all in cash.
   (2) Employees remuneration is proposed to allocate $ 44,932,989 and 2018 expenses are estimated to be $ 44,063,331 with $ 869,658 indifference; directors and supervisors' remuneration are proposed to allocate $ 7,702,798 and 2018 expenses are estimated to be $7,553,714 with $ 149,084 in difference, proposing to list as 2019 profit and loss according to the accounting estimate variation.

4. If there is a difference between the actual distribution of bonus of employees, directors, and supervisors (including the number of shares, the amount and the share price) in the previous year and the provision for the bonus, please describe the difference, the reason, and the accounting treatment.

   The company 2017 profit distribution proposal was passed by 2018 shareholders meeting resolution for directors and supervisors remuneration NT$ 7,335,538 and employees bonus NT$ 64,797,252. The shareholders meeting passed a resolution to allow directors and supervisors remuneration and employees bonus and 2017 financial statement recognizes directors and supervisor's remuneration $ 6,286,270 and employee bonus $ 58,888,393 with differences respectively $ 1,049,268 and $ 5,908,859, to list as 2018 profit and loss according to accounting estimate variation dealing.

(9) Buyback of Treasury Stock: N/A

II. Corporate Bond: N/A.

III. Preferred Shares: N/A.

IV. Overseas Depositary Receipts: N/A.

V. Employee Stock Options: N/A.

VI. The statue of Restricted Stock Awards: None

VII. Issuance of New Shares for Acquisition or Exchange of Other Companies' Shares: N/A.

VIII. Financing Plans and Implementation: N/A

Five. Operations Profile

I. Business Content

(1) Business Scope

1.The main content of the business in operation

The company's main business is contact lens and contact lens solution, complete with contact lens products including daily disposable lenses, weekly disposable lenses, monthly disposable lenses, seasonal disposable lenses, and extended wear types, while contact lens solution is an anti-bacterial liquid used for contact lens.

2. The ratio of the business

Unit: NT$ 1,000

Main product line	2017		2018	
	Net revenue	The ratio of the business	Net revenue	The ratio of the business
Lens	4,598,775	77%	5,820,389	79%
Care Solution	1,349,745	23%	1,568,812	21%
Total operating revenue	5,948,520	100%	7,389,201	100%

3. Current Company Product Items

The company is focused on the production and sales of contact lens, products are divided into two categories:

(1) Lens are divided mainly into non-disposable and disposable:

A. Non-disposable lens (long wear type lens)

Traditional contact lens is manufactured by Lathe-Cutting method, which is the Conventional Soft Contact Lens. Lenses may be further separated according to lens function into nearsighted, farsighted, astigmatism and presbyopia lens for the correcting use. Usually, the expiry period of traditional contact lens is 1-2 years.

B.Disposable lens

Most disposable soft contact lenses are manufactured by cast molding, using soft hydrophilic material. At present, the company can design and produce several different disposable soft contact lenses in-house with different water content and different lens structure. Contact lenses may be separated according to different expiry cycle, into daily disposable lenses, weekly disposable lenses, and monthly disposable lenses and so on. Contact lenses may be separated according to the function of the lenses into nearsighted, farsighted, astigmatism and presbyopia lens, as well as aberration control lens for enhancing the imaging quality. Additionally, there are also cosmetic lenses with cosmetic effects.

(2) Care Solution

At present, the main purpose of the contact lens solution manufactured by the company is to clean the lens, eliminating the protein on the surface of the lens and the special formula is even capable of ensuring the lens moisturized and lubricated all day long. While the hydrating eye solution may eliminate the symptoms of dryness and fatigue from prolonged usage.

4. New product development plan

(1) Hydrating contact lens

There are more than 10% unable to wear contact lens for a prolonged period in the group that requires sight correction. In addition, contact lens wearers in high altitude areas and in the air conditioning district for a prolonged period are also prone to suffer from dryness of the eye from tear evaporation and thus unable to wear contact lens for a long time. The company has launched the moisturizing products containing Hyaluronic acid to meet the demand of this group. In the future, the company will continue to search for more moisturizing

materials with higher efficiency at a lower cost.

(2) Aspherical Contact Lens

The general aspherical lens is prone to cause scattering when an image passes through the optical zone and project to the retina and in the process causes aberration. If the patient suffers from astigmatism, the aberration will be more severe. Therefore, through the intricate mold design, the aspherical lens may form a double focus to resolve the aberration, greatly enhancing the clarity of the image and actually achieving sight correction.

(3) GMMA Contact Lens

Although Silicone Hydrogel is highly oxygen permeable, preventing patients from contracting corneal lesion, therefore suitable for the production of lenses for Extended Wear, but the cost is too high, thus out of the normal consumers' price range. The company will provide a special formula to be modulated by the patented GMMA to develop lenses that are almost twice as oxygen permeable and comfortable than the general lens, solving the users wear contacts for prolonged wear.

(4) Colored safety lens with a special BMW manufacturing procedure

There are numerous industry competitors launching colored lenses, the dye of which is attached to the inner or outer spherical surfaces of the lens through surface processing, which is a possible safety concern for the wearer. The company utilizes the special patented BMW manufacturing processes, successfully distribute the granules to be evenly inside the lens preventing contact with human eyeballs. The lens is absolutely safe, allowing consumers to have peace of mind at the same time as health and beauty.

(5) Daily disposable special function contact lens

Apart from treating near-sighted patients, there are still numerous hyperopia, presbyopia patients and fashion-conscious groups who now have much higher acceptance of the disposable contact lens and requiring special functional daily disposable contact lens. In addition to launching the daily disposable hyperopia lens in 2009, the company is also actively researching and developing daily disposable contact lens to satisfy the need of other groups. The expected development of special functional daily disposable contact lens will increase market penetration and expand market share.

(2) Industry Overview

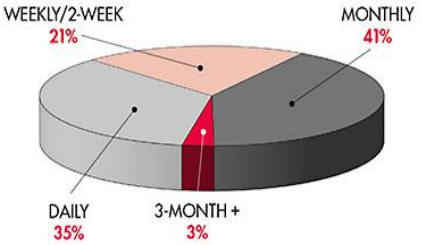
1. The current status and development of the industry

(1) Current industry status

Contact lens is classed as a medical apparatus. The main function is sight correction, including nearsighted, farsighted, stigmatism, presbyopia and aberration, similar to the traditional glasses. Viewed from the evolution point of appearance and color, contact lens has developed from the transparent lens in the early stages to the water blue lens for the convenience of wearers to pick up from the lens solution. In recent times, owing to the need for cosmetics and beauty, products such as the color lens and cosmetic lens are further developed. From the evolution of materials for the contact lens, glass, PAMMA, permeable half hard lens(RGP1976) and HEMA (1971) used in the early stages are developed to the recent GMMA and the Silicon Hydrogel, etc. Generally speaking, the main ingredients of current contact lens are mostly molecular polymer and the material development is aiming toward high oxygen permeability and comfort. Among them, silicone hydrogel may be made into the lens with the oxygen permeability up to 100%. Contact lenses may be separated into daily disposable, weekly disposable, bi-weekly disposable, monthly disposable, seasonal disposable, half-yearly disposable and extended wear of over yearly disposable if they are in accordance with the expiration period.

The distribution market chart of market share in accordance with the expiration

period of the contact lens use



Information source: Contact Lens Spectrum 2018 Annual Report

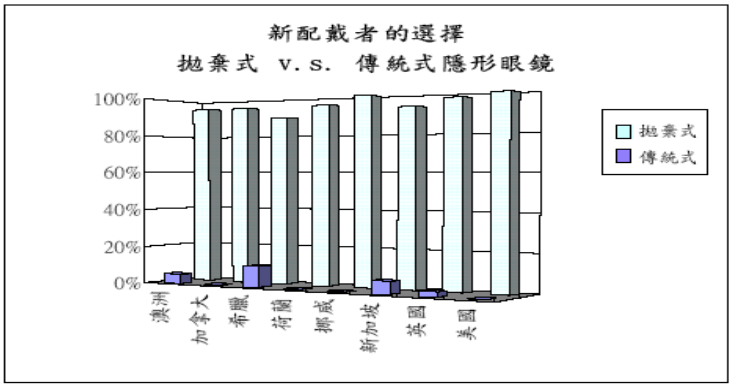
The production process of the contact lens is roughly divided into three categories: lathe cutting, cast molding (i.e. Mold pressing) and rotary mode. Lathe cutting is the manufacturing method of traditional contact lens and the lens ground from lathe cutting are not easily breakable, durably structured and capable of being custom made for wide refractive range. Though the investment capital for this method is low, the manufacturing cost is too high, and the selling price of the lens is not advantageous. There are two methods of making contact lens with mold, injection molding, and rotary molding. The breaking rate of cast molding lenses is higher, must be in mass production to reduce cost and since the lens are not durable, they are better suitable for short term disposable lens or medical use. The rotary molding method is to inject a set amount of single unit liquid of special ingredient into a mold with a set rotating mold speed and the liquid single unit forms into a thin membrane through centrifugal force in the mold with high rotational speed. The refractivity of the lens is determined by the mold shape and mold rotating speed and since the durability of the lens produced is better, the lens is suitable for extended wear or long-term disposable lenses. In addition, traditional colored contact lenses are manufactured by attaching color pigments to the surface of the lenses. If the rotational molding is used, lenses can be coated with colored pigments in polymers, making the outer surface of the lenses smooth. The beam coating process allows the distribution of color on the lens, darkens the outer edge while the inner circular optical region remains clear and transparent. Regarding budget and manufacturing techniques, injection molding is extremely expensive, suitable for a mass production with few variants, mostly utilized by large factories. Small plant capital is insufficient, are more suitable for the rotational molding method for small number runs with the flexibility of more variants.

Table One, The manufacturing processes of contact lenses.

Methods	Lathe Cutting	Cast Molding (Mold Press)	Rotational Molding
Manufacturing Process	With a round piece of raw material, precision cut and slice by the Lathe and grind with abrasive agent.	First set the opacity, arch angle of the mold in advance, then the monomer is injected into the mold under high pressure.	After setting the rotational speed, inject the set amount of special formulation of the liquid monomer into the mold. The tower rotates at a high speed with a mold, as the centrifugal force is in effect, forming a smooth and shiny membrane.
Ratio of damages	Not easily damaged.	High	Slightly higher
Cost of investment	Lower	High	Slightly higher
Manufacturing cost	Too high	Must be in mass production to reduce cost	Lower
Market segregation	Advantage of specifications customization	Suitable for daily disposable and bi-weekly disposable applications	Extended wear type use, with quality and price advantage
Characteristics	Must be hydrated, more rigorous in structure and	Disposable lens or medical use, the resistance toughness	Utilize rotation speed to control eccentric force and

Methods	Lathe Cutting	Cast Molding (Mold Press)	Rotational Molding
	custom-made range to be wider	not high	indirectly control the brightness formation

Since 1987, Johnson & Johnson has launched a soft disposable contact lens manufactured via cast molding, the market share has drastically expanded under the situation of massive advertising promotion by large international manufacturers. In recent years, many users have turned from contact lenses using the traditional lathe cutting technology to disposable contact lenses. According to the survey of eight countries globally by Contact Lens Spectrum survey, new wearers mostly choose disposable contact lens and as high as 99.5% in Canada, Norway and USA new wearers choose disposable contact lens.



資料來源：Contact Lens Spectrum

The very first group to try contact lens [The first-generation baby boom], has now at the age requiring a prescription for presbyopia glasses. Therefore, the need for a special optical functional lens such as bi-focuses, multiple focuses, gradual multiple focuses, etc. increases greatly in the market, expected to reach the annual growth rate of 10%. In addition, the diversity in design the design of corneal photo-chromatic contact lens is capable of supplying plain or sight correction lens, beloved by the youngster groups, the annual growth of which is maintaining at between 5% ～ 10%.

(2) Industry development

As pointed out in the market survey of the Annual Report by Contact Lens Spectrum 2004, there are at least 125 million people in the entire world wearing contact lenses and the number is constantly on the increase. As shown in the survey data from Contact Lens Spectrum, which shows the global contact lens market was US$ 4 billion in 2004, US$ 4.8 billion in 2006 and up to US$ 5.55 billion in 2009. Though having gone through the financial storm in the second half of 2008, the entire industry demonstrated the trend of steady growth without appearing to have been much of an impact. According to the data of Contact lens Spectrum and others, the annual growth of the market was US$ 6.1 billion in 2010 and up to US$ 8.1 billion in 2018.

Relative statistics data show that three main factors drive the growth of the contact lens market, one of which is the annual growth of the contact lens wearing population; for example, in the USA, around 22 million youngsters per year are about to reach the age to start wearing contact lenses, and it seems the trend will not change too much. Secondly, the factor to make the market grow is [product replacement of high-value specialized lenses], including bi-weekly soft astigmatism disposable contact lens and

presbyopia multi-focus contact lenses for the elderly. Such product replacement not only drives the sales growth but most importantly, also makes the variance in selling prices. The high prices of specialized lenses make it possible to provide better profit for the manufacturers. The third factor to drive the market growth is [consistent international market growth], expecting in the

Pacific Ocean rim, especially Japan, Australia and Europe, the rate of contact lens wearing population will continue to rise. In recent years, in the emerging market where the economy is rapidly growing, due to the increase in spending power, the population of switching to contact lenses also continues to rise.

Owing to the variance in other overall environments and regulations, various kinds of contact lens products also do not perform exactly in the same way in various district markets. GP lens has rather a high occupancy in Japan, Germany, and Israel, while only takes roughly about 10% in other countries. The difference in the performance of daily disposable contact lens is the greatest amongst markets of each sector, only 10% of new wearers in America choose daily disposable while in Japan, 41% of new wearers in Japan choose daily disposable, and then the global average is at 20%.

2. The relevance of the industry upstream, midstream and downstream

The upstream of the contact lens industry is the material suppliers; the main ingredients of the contact lens are a high molecular polymer, chemical materials such as HEMA, EGDMA, and NVP, etc.

The midstream is the contact lens manufacturer; a contact lens manufacturer capable of research and development may buy chemical materials (such as HEMA, EDGMA, NVP, etc.) and then in accordance with the formula to blend the contact lens materials and proceed to manufacture; a contact lens manufacturer not capable of research and development can only purchase already blended material and proceed to manufacture while its material supply is rather restricted.

The industry downstream is the distributor, distinguished into two parts. One of them is the terminal distributor who contacts end users directly, including optometrists, eye-doctors, optical shops, drugstores, supermarkets, the mail order companies, etc.; the other is the intermediary, communicating with the terminal distributors and contact lens manufacturer, including district agent, doctors or agent joint buyer, etc.

And the end users buy contact lens from terminal distributors. If end users want to buy lathe cutting contact lens, optometrists or doctors give them to end users, and if they want to buy disposable contact lens, then just go to any distributor to buy contact lens of popularized specifications according to the prescription.

3. Various development trends of products

(1) The Hydrating type of contact lens

Cooper recently launched a single unit containing the material Phosphoryl chlorine (PC) ingredient, emphasizing the FDA mark which emphasizes that it is possible for the material to prevent the dry eye syndrome. But CIBA adds high hydrating material in the lens and achieves the surface hydration effect in a gradual way.

(2) [Brightening type]corneal colored lens

This is the corneal color lens of an enlarged patterned outer ring, it is possible to make eyeballs look larger, like that of dolls, and so also called [doll eye lens]. Since Johnson & Johnson launched the [doll eye lens] daily disposable type in Japan, the advertising in cooperation with Japanese stars has roused the attention of the majority of young Asian users, causing quite an impact in the corneal colored lens market in East Asia.

(3) Sports type of contact lens

Bausch & Lomb designed and developed for Max Sight sports micro stain contact lens for Nike and has launched the product in the American and European markets. Increase the perceptual effect for users at sports by means of the selective light filtering effect. Grey-green contact lens is suitable for sports under bright sunlight, such as golf and running. Amber colored contact lenses

are suitable for sports with high-speed balls, such as tennis, football, and American football. These sports type contact lenses are of high specialization and if the price is too high, are suitable only for sports professionals while the market effect is still to be observed.

(4) [Silicon hydrogel] contact lens

Corneal colored lens or cosmetic lens are beloved by quite a number of groups of youngsters for the corneal colored cosmetic effect and have certain kinetic energy in the market but not the main driving force to dominate the market. In contrast, another type of Silicon Hydrogel contact lens with new technical material, possible for 30-day extended wear, is a new generation innovative product.

Silicon Hydrogel lens has both the comfort of the soft lens and the high oxygen permeability of silicone hydrogel lens. Because of appropriate hydrophilicity, making it easy for patients to wear, while high oxygen permeability may keep patients from vascular proliferation lesion due to the shortage of oxygen after extended wear. The characteristics of silicone hydrogel material are suitable for producing a soft lens for extended wear, it is possible to provide patients with a type of contact lens that can be worn when asleep without the need to remove, maintain and at the same time not cause any pain to the eye for extended wear.

CIBA Vision and Bausch & Lomb have consecutively completed the clinical trial of 30 days extended wear lens and obtained US FDA approval before listing (PMA), causing a sensation in the contact lens market. Both parties have also reached a settlement for the previous patent litigation. The appeal of the convenience of 30 days extended wear type is the convenience for the contact lens wearers, to be able to wear the contact lenses for 24 hours a day for 30 days, and simply take off and dispose of them after 30 days is the most threatening competitive product to the daily disposable contact lens made of traditional materials.

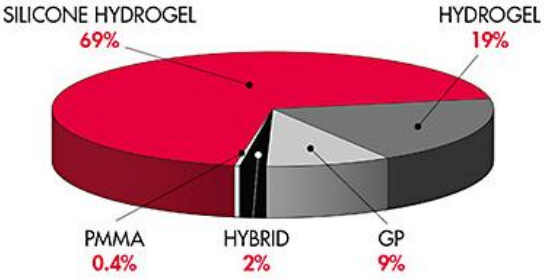
Johnson & Johnson has recently got involved in the battle and launched a weekly disposable silicone hydrogel contact lens, although not as high permeability as that of the CIBA Vision and Bausch & Lomb lenses, they have taken up about half of the silicone hydrogel contact lens market as soon as they were launched due to low manufacturing cost, and emphasis on daily wear to make eyes more healthy. The market penetration of the silicon lens makes various large manufacturers to launch silicon hydrogel products one after another. In the middle of 2007, Cooper launched developed silicone hydrogel contact lens. In addition, Johnson & Johnson was also the first to launch silicone hydrogel daily disposable in England in 2008.

After the improvement of the lens material and special treatment of the hydrophilicity of the lens surface, the proper hydrophilicity and high oxygen permeability of the new silicone hydrogel contact lens make it easy for patients to wear, more healthily and safer. However, in the worsening global eco-environment and the serious air pollution situations, their market acceptability is still to observe.

4. Product competition status

At present, the global contact lens market is still moving toward the development of the daily disposable contact lens. As pointed out in the market survey report of Contact Lens Spectrum 2018 annual report, the silicone hydrogel material soft contact lens takes up 69% of the market, the traditional hydrogel contact lens, 19%, the hard type lens, 9%, mixed material lens, 2% and Acrylic material lens, 0.4%.

Global market share of contact lenses of various materials



Data source: Contact Lens Spectrum 2018 Annual Report

Due to the difference in the overall environment and regulations in various places, the performance of various types of disposable contact lens products is not exactly the same. As shown in the Economy Daily News data, in the European and American markets where the weather is generally dry, the preferable appeal is for high hydrating long term contact lens while in the Asian market where the weather is different from that in Europe and America, and where pricing is more sensitive, short period daily disposable contact lens is better preferred.

Since Johnson & Johnson adopted a low-price policy of silicone hydrogel products and launched the weekly disposable silicone hydrogel contact lenses, the contact lens market has been substantially impacted. From the American market to the global market, silicone hydrogel lenses have gradually ebbed into the hydrogel lens market share. As pointed out in the market survey report of the Contact Lens Spectrum 2018 Annual Report, silicone hydrogel lenses have taken up 69% of the global market share, becoming the mainstream.

In the other respect, since soft lens market has been stabilized, manufacturers begin to develop in the direction of specialty functions and segregation of products and markets. Special functional lenses such as astigmatism, bi-focus, multi-focus, and gradual multi-focus lens, account for 1/4 of the American market. Among them, astigmatism lens provides custom made astigmatism correction for users, and because roughly one-fourth of the sight patients need to proceed astigmatism sight correction in the American market, astigmatism lens market is the fastest growing segment in the market segment. Corneal colored lens or cosmetic lens, because the preference by a substantial number of youngster groups, have certain kinetic energy in the market, but are not the main driving force to dominate the market.

Because of the progress in manufacturing techniques, the manufacturing of disposable type products has gradually stabilized and at present, the disposable specialized lens has evolved gradually from monthly disposable, bi-weekly disposable to daily disposable. These daily disposable specialized lenses may increase the penetration of the disposable product market and extend the total value of disposable products. Hydrating type daily disposable lenses is expected to further expand the daily disposable lens market share to contend with silicone hydrogel products. On the other hand, the disposable multi-focus lens for presbyopia patients, if it is possible to enhance the wearing success rate and to match with the moisturizing technique, may further delay the corrosion of the general hydrogel product market by silicone hydrogel products.

At the present stage, daily disposable hydrogel lens for their advantages of convenience, comfort, and safety are gradually growing. Estimated in the next five years, the daily disposable type contact lens will consistently grow in double digits every year. The sales amount of daily disposable spherical contact lens will keep pace with that of non-daily disposable contact lens. In contrast, special functional hydrogel lens, being run down by silicone hydrogel and daily disposable lens, will gradually move to develop in the direction of daily disposable.

(3) The technique, research and development overview

1. The technical level of the operation of the business

The company proceeded the large-scale renovation of the factory buildings and equipment in 2007 and put into production in 2008. Due to the production efficiency of the mold pressing production line is better and may achieve the characteristics required of thin edge, multiple arcs, high clarity, the company has successively developed various lenses to satisfy the wearers' need for comfort and for keeping from being dry and sore by extended wear. At present, the own brand contact lens products cover various wear periods including daily disposable, bi-weekly disposable, monthly disposable, seasonal disposable, half yearly and annual disposable types and also complete with correcting nearsighted, astigmatism, anti-ultraviolet, cosmetic and beautiful, etc. The company product line is complete not only limited to a few traditional type lenses but in recent years has successively developed new products to meet with the market development trends.

2. R&D Status

Formulated material and manufacturing program are the key factors whether the contact lens business will succeed or not and the company at present takes order mainly for own products. Mold pressing line order scale is large, all by automatic production, and rotary mold line is for custom made products and the order scale is smaller. At present, the company improvement is emphasized mainly on formulation materials, such as the development of high oxygen permeable, moisturizing, anti-radiation products to meet the market need of comfort. Furthermore, the company will continue to strengthen the precision and improvement of die core and enhance yield and efficiency to achieve the objective of successive cost down.

3. R&D personnel and their education and experience

The company values the R&D work and in addition, to sign up a cooperation agreement with Southeast University, various product categories all have R&D personnel responsible for new product material formulation, production technique and production program improvement. Herewith are the R&D personnel and their education and experience as listed below:

Unit: person

Item	Term end number of people	Education distribution			Average seniority
		High School & and professional school	College	Master and over	
Year end 2014	54	8	37	9	4.68 years
Year end 2015	65	8	46	11	3.34 years
Year end 2016	68	8	45	15	4.04 years
Year end 2017	81	10	53	18	4.94 years
Year end 2018	88	9	58	21	4.56 years

The company cooperates with Southeast University. Southeast University is one of the earliest established institutions of higher education in China, a key national university, directly under the central government and ministry of education direct authority, ranked top five in the national high schools of ministry of education degree and graduate educational development center between 2007 and 2009; among the five subjects, biomedical engineering subject is listed the first place in the nation.

Since contact lens belongs to the closed industry of high barrier, and also few practitioners, therefore professional talents are in short supply. The company, therefore, cooperated in 2005 with Southeast University, establishing [Southeast University R&D Center], for improvement work of raw material, material and formulation, so as to build up a stronger R&D team and successively develop new generation products of differentiation and enhance new material development technique. The company and Southeast University signed a

cooperation contract, tracing back to 2006, and since both parties have for so many years cooperated very well, have completed during the cooperation period technical development of numerous ophthalmic materials and eye drops items. Therefore, after the expiry of the original contract, both parties for keeping on establishing long term, close and effective cooperation relationship, signed a continued cooperation agreement in 2009. The content of this cooperation contract is with the discussed decision by both parties to continue jointly establishing [Southeast University R&D Center], and proceed to develop and industrialize surrounding the research content that both parties agreed, among them the research direction is the new technique concerning bio-material, bioengineering and the key surrounding ophthalmic materials, ophthalmic medicine (nursing liquids), cosmetics, biological products (including health foods), and artificial cornea. In addition to this, both parties regularly study every year and make sure of the key cooperation items. Following the promotion also especially considers the combination of patent technology and other forms of industry and academy cooperation; among them, the key annual cooperation items mainly are for the company future products relating to research and development of formulation and patent technique. If the R&D items agreed upon by both parties are ready, the company will also sign a technical cooperation contract with Southeast University. The content of the contract will orient to both parties to share the patent right when the future development results are mature and after a patent application is successful. At present, the patents that the company applies for with the R&D assistance of Southeast University include 55% contact lens combination mold and its manufacturing method, a high oxyfluocarbon permeable hydrogel lens material and its preparation method and a hydrogel contact lens material and its preparation method. Therefore, the cooperation agreement has indeed actual benefit and contribution.

4. The annually invested R&D expenses in the recent five years and explanation

The annually invested R&D expenses in the recent five years are as follows:

Unit: NT$ 1,000

Item \ Year	2104	2015	2016	2017	2018
R & D expenses	79,459	110,803	103,645	124,319	139,674
Operating revenue	5,782,870	6,098,863	6,539,490	5,948,520	7,389,201
The ration to revenue	1.37%	1.82%	1.58%	2.09%	1.89%

The company was established in early 2005, at the early stage entered into technical cooperation with Southeast University and since 2008, established the special R&D unit. The company pays much attention to the product R&D work in order to meet market need and enhance product competitiveness, investing R&D expenses from 2014 to 2018 respectively 79,459,000 and 110,803,000, 103,645,000, 124,319,000 and 139, 674,000 and ratio to revenue respectively 1.37%,1.82%, 1.58%, 2.09% and 1.89%. The company invests R&D expenses in the recent few years most in developing new products and new manufacturing program technique, new material development and function test improvement and continues recruiting good R&D talents and increasing R&D equipment; looking to the future, R&D expenses are expected to show steady growth.

5. Successfully developed techniques or products in the last five years

The company purchased two contact lens-related manufacturing techniques with 580,000 pounds from JMS Lens Technology Ltd. in 2009, the content of which is GMA formulation and aspherical high clarity lens design. With these two purchased techniques together with the mass manufacturing experience for many years, the company develops and applies these two techniques to increase the comfort and clarity of the lens. In coordination with the company orientation to high-end product development, the company may assist to gradually raise the product price in the China market and develop the overseas market.

(1) GMA formulation

The company purchased GMA formulation from MJS technique is mainly for the coordination with the company production experience to turn out high hydration and oxygen permeable capable contact lens. SiHy (Silicone Hydrogel) lens are the mainstream in the European and American advanced country markets, and GMA is the transitional product for the company before launching the SiHy lens in Europe and America. According to the analysis of various major international manufacturers, in the developing countries (including China), the SiHy lens growth will be relatively slow, and traditional material contact lens will continue to have substantial weight in the coming five years, while the trend to upgrade from the extended wear lens to disposable lens will make the daily and monthly disposable lens become the mainstream products of high growth rate. Therefore, the daily and monthly disposable lens based on the GMA formulation will bring economic benefit to the company.

(2) Aspherical lens design

A contact lens with aspherical design may eliminate the optical aberration caused by the general spherical contact lens outer arc, thus enhance visual acuity, clearer whether to look far or look near. The development of the aspherical lens has been stable in the advanced European and American counties, but they have not been popular in China; with the increase of consuming power of Chinese users and the level upgrade for the product requirement, the company will be able to turn out high-tech aspherical design products to meet the users' need and then to bring economic benefit to the company.

The result of the company R&D is based on material formulation, to develop relative next level products and successively improve so as to meet customer needs to enhance product efficiency and obtain the competitive advantage in the market. The company development results in the recent five years are herewith listed as follows:

Product	Year of mass production	Product characteristics
Contact lens multi-functional care solution	2013	Comfortable type, obtaining production batch
Soft contact lens	2013	Soft hydrophilic contact lens, 38%, star pupil short term color lens, obtaining production batch Soft hydrophilic contact lens, 38%, Qian Lang, obtaining production batch Soft hydrophilic contact lens, 55%, disposable type, obtaining production batch Soft hydrophilic contact lens, 55%, HD, obtaining production batch
Contact lens sterile saline care solution	2014	Obtain production batch
Soft contact lens	2014	Soft hydrophilic contact lens, 38%, UV-Block, obtaining production batch Soft hydrophilic contact lens, 38%, Extra-Care, obtaining production batch Soft hydrophilic contact lens, 55%, monthly disposable, obtaining production batch Soft hydrophilic contact lens, 55%, LP, obtaining production batch Soft hydrophilic contact lens, 55%, monthly disposable type, obtaining production batch Soft hydrophilic contact lens, 55%, daily disposable blue, obtaining production batch Soft hydrophilic contact lens, 55%, daily disposable blue green, obtaining production batch
Contact lens lubricating solution	2014	Lubricating type, obtaining production batch
Contact lens multi-functional care solution	2015	Aqua Plus, obtain production batch Hydra Type, obtain production batch

Product	Year of mass production	Product characteristics
Soft contact lens	2015	Soft hydrophilic contact lens, 55%, V-Clear, obtaining production batch Soft hydrophilic contact lens, 55%, Fresh, obtaining production batch
Soft contact lens	2017	Soft hydrophilic contact lens,38%, Safe Wear, obtain production batch Soft hydrophilic contact lens,38%, Health Care, obtain production batch Soft hydrophilic contact lens,38%, Colored enlarge, obtain production batch Soft hydrophilic contact lens,38%, Galaxy colored enlarge S.1, obtain production batch Soft hydrophilic contact lens,38%, Lux Colored UV-HY Protection, obtain production batch Soft hydrophilic contact lens,38%, Galaxy Colored lens M., obtain production batch Soft hydrophilic contact lens,38%, Nova Colored Ring S.2, obtain production batch Soft hydrophilic contact lens,38%, Extra Safe, obtain production batch Soft hydrophilic contact lens,38%, Stella Lux Colored Enlarge D., obtain production batch Soft hydrophilic contact lens,38%, B55, obtain production batch Soft hydrophilic contact lens,38%, Comfy Anti-UV, obtain production batch Soft hydrophilic contact lens,38%, Shine Colored Lens Y., obtain production batch
Soft contact lens	2018	Soft hydrophilic contact lens,38%, Starry Colored ring Y, obtain production batch Soft hydrophilic contact lens,38%, Anti-UV, obtain production batch Soft hydrophilic contact lens,38%, Stella Colored ring Y, obtain production batch Soft hydrophilic contact lens,38%, Bello Colored lens HY obtain production batch

(4) Long, short term business development plan.

1. Short term business development plan.

(1) Marketing strategy

A. Expand the mainstream in Europe, America, Japan, and Taiwan.

Based on the Deep foundation of the Chinese market, the company ventured into the international market. After years of hard work, China's market expansion has been effective, but to enter the global mainstream market, has a European product certification plus active preparation of other market certifications, will gradually increase the overseas market share. In 2010, the company had purchased and merged with Yung Sheng Optical Co., Ltd. in Taichung Science Park in Taiwan to build a production base and operating branch for the sole purpose of market development in Taiwan, Europe, and the American market.

B. Flexible use of marketing strategies

Through detailed market analysis, the population statistics variables of developed countries and developing countries are divided into the different segregation and market characteristics of the export market, and the flexible use of brand and OEM strategies is backed by the accelerated increase in production capacity. A comprehensive blend of channels and consumer demand, opening up new markets.

C. Increasing the breadth and depth of products

Through the introduction of a new generation of products to strengthen the growth of the market segregating high profit area, and to enhance the direct customer's dependence on a one-stop sales portfolio, through the improvement of product breadth and depth, but also strengthen the brand's marketing category

economy, enhance the cost-effectiveness of brand promotion.

(2) The direction to research development

There is always the most suitable formula for customers while operating in the target market. The company always have a grasp on the market trend through extensive market research, a strong technical R & D lineup is the biggest backing, through efficient development and management, mastering the precision development schedule, from marketing, development, production testing strict cooperation, has been able to provide timely new products in line with the trend, The company will continue to strengthen its core competencies to meet customer needs in line with past success models.

(3) Production strategy

There are 31 production lines on both sides of the strait that can produce contact lenses. As the company's experience in the introduction of mold-casting production lines has been quite rich, so the introduction of subsequent production lines and production costs will be greatly reduced. In addition to improving the quality of the introduction of high-tech equipment, it is also more effective to raise the threshold for entry into the market, China's production is no longer hold a cost advantage, the cost is only the premise, and the high-tech manpower for the process Control ability will form another new technology niche, no doubt all the production factors after the added value will not be imitated and will remain high barriers to entry for several years.

Additionally the company has set up a production line of contact solutions in Taiwan to replace the mode of import and sales from China with local production, and given the general preference of Taiwanese consumers for Taiwan to manufacture goods better than that of China, the model of factory production in Taiwan will grow to a certain extent in the company's revenue and be sufficient to cover the needs of the next three years.

(4) The scale of the operation

The company launched the daily disposable products so that the product range is more diversified. Take China as the market development of the main structure purchase has been successfully confirmed, the future supplemented by overseas access provisioning, product line diversification and marketing internationalization and other structural construction will be complete, the market share is expected to gradually increase, the overall scale of operation will grow year by year.

(5) Financial planning

Strengthen the company's financial management and operation, enhance risk control, effectively avoid exchange rates, interest rates, and market risks, through the stock on the cabinet listing, increase the company's visibility, and access to long-term and low-cost funds.

2. Long term plan of the company

(1) Marketing strategy

A. Reaching out to overseas markets

The company's main focus on the Chinese market has reached concrete results, with most of the development of national contact lens consumer market gradually mature, through the transferring the experience of international market expansion to comprehensively cut into the global market, will significantly enhance market share.

B. Developing the number one brand in Asia

The main brand in China, "Haichang" has been in China's leading position, and the second brand "Horien" has been launched. In the future, the company will raise the acceptance of major regional markets, including Europe, with the "Horien" brand as the business strategy of entering the international market is based on the strategy of branding commodity, own brand and mutual utilization

due to geographical limitations. It is expected that after the stabilization of the sales channel for labeled products, the accumulated local resources of the overseas subsidiaries will be utilized. Build a positive image of the company and the product in order to develop a suitable brand in line with the characteristics of the regional market through the active participation of public relation marketing policy, to develop into Asia's number one company, solidify the sustainable business foundation.

(2) The direction of the research development

The function of R & D Center, build a stronger R & D; d team by actively seeing cooperation with the construction of Southeast University, to, and continue to develop new generations of differentiated new products and improve the development of new materials and techniques, so that the product range is more diverse and in line with consumer trends.

(3) Manufacturing strategy

The company's main production base is in China, analyze through the result of the new market expansion in future, to provide flexible services, including the post-process in localization, or key manufacturing processes to seek strategic production sites to be close to the market.

(4) Scale of operation

The company uphold the concept of sustainable management, expansion through human resources, increase machinery and equipment, in order to expand the product market share, and with the goals of becoming the largest contact lens manufacturer in Asia, and towards the operational objectives of internationalization.

(5) Financial planning

Increase comprehensive financial planning and control capabilities to reduce operational risk and enhance competitiveness with robust operating methods and flexible use of financial tools. To enrich working capital through the capital market to cover the needs for future development.

II. Market, production and sales overview

(1) Market analysis

1. The main product distribution region

Unit: NT$ 1,000

Area \ Year	2017		2018	
	Amount	%	Amount	%
China	4,168,125	70.07%	5,236,597	70.87%
Taiwan	1,180,070	19.84%	1,419,614	19.21%
Export	600,325	10.09%	732,990	9.92%
Total	5,948,520	100%	7,389,201	100%

2. Market share

According to the Contact Lens Sepectrum, the 2018 global contact lens market is about US$ 8.1 billion, more than that of 2017. According to the annual turnover of the company, the company's market share is about 3.02% of the world, which is an increase of 24.22% compared to 2017 and higher than the global market growth rate.

3. The situation of the growth of supply and demand in the future

(1) The global contact lens market

North America is the world's largest contact lens market in the world at present, accounting for 39% of the global contact lenses sales; Europe is next, accounting for about 31% of the global sales, the Asian market accounts for about 30% of global sales, of which Japan accounts for about 20%, which is one of the world's global leading markets, although the rate of the total population of

the country is lower than that of other regions, but due to the large concentration of myopia patients, high acceptance of contact lenses and higher consumption capability, so the domestic contact lens market accounts for about 3.6%, the other regions such as South America, Africa, Australia and so on are only accounting for 5%.

Analyzing the slow growth of contact lens users in the regional markets, Europe and the United States, the more expensive disposable contact lenses are gradually accepted by consumers, so the market sales are increasing gradually, it is a market of stable growth. The Asian region, with its large myopia and low contact lens wear rate, will be a market with high growth in contact lenses as the acceptance of contact lenses rises, the number of people wearing them increases, and the capability of consumption increases.

On the supply front, the four major international manufacturers, Johnson & Johnson, CIBA Vision, Cooper Vision, and The Bausch & Lomb have been expanding via mergers or plant expansions. The expanded production lines have taken the benefit of the market, the competition for brand marketing is fierce. In order to maintain the market share and the growth rate, the major branded manufacturers compete to introduce specialized contact lens products, such as lenses for astigmatism, multifocal lenses and so on.

(2) The contact lens market in China

China has the highest number of myopia sufferers. More than 300 million people of the population wearing glasses. According to a joint survey by China's Ministry of Health and the Ministry of Education, the cases of myopia in Chinese students is as high as 60%, of which the myopia rate in high school and college students is as high as 71.29% and 73.01%, respectively, second only after Japan, is the second highest in the world. In addition, 90% of the 320 million middle-aged and the elderly need to wear glasses, and with the gradual rise of in consumption of the rural culture, the proportion of the use of glasses and their quality in the middle and the elderly sector also has a high percentage of increment. According to the statistics, contact lenses account for about 30% of the Eyewear market in Mainland China, especially popular with the young ethnic groups. The contact lens market is expanding rapidly in China, with annual growth of around 15% in the United States.

The sales forecast for contact lenses between 2013 and 2018.

Units, million pieces

Source of data: Euromonitor

According to the report, Johnson & Johnson, CIBA Vision, Cooper Vision, and Bausch& Lomb are the 4 major brands accounting for about 80% of the global contact lens market. Johnson & Johnson, CIBA Vision, Bausch& Lomb, Haichang and Cooper Vision are the 5 major brands accounting for about 80% of the Chinese market. According to the report, China has about 300 million

people require corrective eyewear for myopia correction, and with the steady, long-term development of China's economy, more and more people will realize and start to pay due attention to the importance of eye care products, so the Chinese contact lenses and lens solution market should show a trend of continuous growth.

Vision Care announces the discovery of five major trends in China's contact lens market in recent years, as the rapid economic and social development of China at the same time, the occurrence ratio of myopia cases is also on the rise. According to the survey, of the age 15 to 59 vision correction group, the ratio of the contact lens wearing population in China's first-tier city is only 15%. The ratio for the two or three-tier city is even lowered at 5%. It has been observed that the market for contact lenses in China will grow dramatically.

4. Competition niche

(1) The company focuses on managing its own industry, with a highly professional managerial team.

The company is very strict on product quality and technological levels, the company is constantly developing new products, holding a considerable competitive advantage in contact lenses industry. At present, the operating team works together, highly experienced in the changes of the environment in the industry, product development trends, manufacturing and marketing businesses, and other aspects. They have great confidence to master the company's overall competitiveness and sustainable management of the future.

(2) The company has an advantageous position in the Chinese contact lens market

According to the market survey conducted by the company, the company (Haichang), Johnson & Johnson, CIBA Vision, Bausch & Lomb, and Cooper Vision are the top five brands accounting for 80% of the Chinese market, the company leads the pack with the dominance in the market. On the other hand, in the case of a rapid rise in the acceptance and consumption capacity of contact lenses by Chinese consumers, it will be the main growth sector of contact lenses in the future, and the company is the main sales market in mainland China. As can be seen from the above, the company in the growth of the Chinese market occupies a favorable position.

(3) A wide portfolio of product lines

Contact lenses are used to correct vision defects in the human body, and visual impairment is due to personal conditions and a variety of differences, in order to achieve the best corrective effect, contact lens manufacturers need to have a variety of product specifications to meet consumer needs. In terms of product specifications, if the manufacturing specifications of all products can be classified, according to the soft and hard materials, radians, refractive brightness, optical area diameter, and center thickness and other characteristics, contact lenses can be divided into millions of specifications, therefore, contact lens manufacturers must be equipped with a variety of specifications to comply with a variety of needs. In addition to the traditional lenses, the company also provides products contains disposable lenses and color lenses. Also, the company produces a care solution and lubricant solution, through a variety of product portfolio to meet the needs of consumers.

(4) "Haichang" brand in the Chinese market has a certain degree of visibility

The company use the "Haichang" and "Horien" brand marketing in mainland China, but also as the "Horien" brand exported to Europe and the Middle East, " Haichang "has been a well-known brand to consumers in mainland China, and has created good market results, contributing to the future marketing and promotion of the company's products.

(5) Effective establishment of marketing channels

The company entered the Chinese contact lens market in 1995, it has built more than 70 wholesale clients and more than 1,100 The Retail clients. In addition to Tibet, the sales channels almost already cover entire China, through the effective provisioning of marketing channels, the company is close to the Chinese market, grasp the changes in the market at any given time.

(6) Master product design, raw material formulation, and process development capability

The principle of sight correction of contact lenses is to ensure the lens make contact with the base arc of the corneal, with the help of tears so that contact lens attaches to the cornea, and then they refract light together so that the light source clearly focus on the retina to correct vision. Therefore, the level of result from the contact lens correction depends on the degree to which the lens compensates the cornea, while good lenses rely on excellent R & D and manufacturing capabilities, as well as the need to integrate optics, polymer materials, vision, lens design, and molding design. In terms of molded production, the combination of raw material blending, mold design and various types of machinery and equipment is described as follows:

A. Raw material Blending: The main original material of the contact lens is liquidized chemical raw materials, including HEMA, NVP, GMA and MAA and so on. Each company purchase raw chemical materials from suppliers completed pre-mixed chemical raw materials, or their own chemical raw materials monomer heat polymerization according to their R & D capabilities, and the company is a manufacturer who is capable of mixing raw material, according to the needs of the clients to mixed chemical raw materials with the water content, permeability and so on molding materials.

B. Mold design: The mold design is the main technology of the structure of lens, quality, therefore the design center of contact lenses can be said to be in the mold design, and the technical ability of each manufacturer is also manifested in the design ability of mold design. The company possess the capability to develop molds, so the company does not have to buy the predesigned mold, instead, it can start to design straight after purchasing aluminum /copper materials, design its own mold for different clients, structures, specifications and other types of molds, with procurement flexibility, while effectively reducing production costs.

C. The combination of various types of machinery and equipment: In addition to mold design, importance has been placed on all the machinery and equipment to improving process efficiency by the company, is such as ejection machine, injection mold seat, automatic release machine, oven, sterilization pot, sealing packaging machine, etc., are jointly develop the machine types, It is helpful to improve production efficiency and product quality. Therefore, the company focuses on the deployment of raw chemical materials and improve the production process, and strictly control the mold precision and chemical polymerization material changes, in the face of rapid changes in the market, can grasp the profit opportunity of product innovation, strong R & D and manufacturing process capacity is the company's most important competitive niche.

(7) The acquisition of strict certification qualifications

Contact lenses are used on the human eyeballs, attached to medical equipment, and in order to protect human safety, Governments of the nation set strict reviewing procedures, the manufacturers are required to pass the local government approved standards to be able to be engaged in the relevant fields. And certification approved the system and product certification, system certification is for the company's overall operating process quality certification,

belongs to the broader quality norms, and product certification is the quality of the products sold to certify, in order to obtain product certification requires longer-term clinical data left certificate. Companies that produce medical equipment are required to obtain a registration certificate and a production and sales license before they can launch their products on the market. After the accumulation of years of hard work and experience, the company's operating team has developed a variety of specifications of a full range of contact lenses, its products have won the customer affirmation in the correction of visual impairment effect and wear comfort. In addition, the company has also obtained international certification of ISO13485, but also have obtained the European CE Certificate, this shows that the company's excellent product quality, help the company to expand the internal and export market, enhance products and competitiveness. The certification qualifications obtained by the company are detailed in the following table:

Authentication Name	Usage	Time Obtained	Remark
ISO 13485	Establish a medical equipment quality control management system according to the required regulations when selling medical equipment	Obtained in 2002 2008: Converted to ISO13485: 2003 edition 2014/8/22-2017/8/21 2017: Continuation certification 2003 Edition 2017/9/1-2019/3/1 2018: Converted to ISO13485: 2016 edition valid until 2020/8/31	System authentication
CE Certificate	Obtained CE Mark Certificate for the product used according to the EU medical equipment MDD93/42/EEC specification requirements.	Obtained since 1998 2013/6/24-2018/6/24 Changed the CE number to 2460 on 2017/10/26 due to the change of certification body.	Product Certification
ISO 9001	Establish a quality control management system according to the required regulations when selling products	Obtained in 2012: 2014/8/22-2017/8/21 2017: Continuation Certification 2017/9/1-2018/9/15 2018: Converted to ISO9001: 2015 edition, valid until 2020/8/31	System authentication
ISO14001	Certification of Environmental Management System	Obtained in 2008: 2008/5/23-2011/5/22 Extend + convert to ISO14001: 2015 Edition in 2018 2018/3/13-2021/4/9	System authentication
GB/T28001 (OHSAS18001)	Certification for Occupational Health and Safety Management System	Obtained 2008/5/23-2011/5/22 2011: Converted to OHSAS18001: 2007 Edition 2011/5/13-2014/5/12 2018: Certification extension 2018/3/13-2021/4/9	System authentication
GB/T29490	Intellectual Property Management System certification	Obtained in 2016 2016/12/30-2019/12/29	System authentication

DB32/T2771	Jiangsu Province Enterprise R & D Management System Standard certification	Obtained in 2017 2017/11-2020/11/17	System authentication
GMP	The company's medical equipment products should comply with the requirements of the GMP compliance, in accordance with the [Good Manufacture Practice (GMP)] of the Republic of China.	Obtained lens factory in 2012 Obtained liquid factory in 2014	System authentication
Foreign Medical Equipment Manufacturer Identification Certificate	The company complies with Japan Sterile Medical Device Manufacturing specification MHLW Foreign Medical machine manufacturer certification	2012/9/18-2017/9/17	System authentication
Certificate of GMP of Korea	According to the Korean Medical Device Act, the company is in line with the Korean medical equipment excellent manufacturing rules of the KGMP, As a qualified medical equipment manufacturer.	Obtained in 2015	System authentication
FDA 510K	In accordance with the regulatory requirements of the federal regulations of the United States, the product produced by the company "Easy Day1-day Soft Contact Lens" has passed the FDA 510 approval.	2013/8 approved	Product Certification
Japan Approval certificate of manufacturing and selling of medical equipment	According to the Japanese health and pharmaceutical law, the company's products 38%, blue lens, 38% color lens application for the permission to manufacture and to sell medical equipment to create a sale license and obtained a letter of recognition for the sale of the product, which can be sold in Japan.	Obtained in 2015	Product Certification

(8) Advantages of the brand

The company mainly sells its own brand of products, and the composition structure of its competitor St. Shine Optical, with its own brand and OEM products accounted for about 3:7 the proportion of revenue. With The view of the revenue scale of 2017, the company is about NT$ 5.9 billion whereas St. Shine Optical is about NT$ 6.4 billion, The scale of the company's business revenue is lower than that of St. Shine Optical, so the business interests and pre-tax income of the amount is slightly lower than the St. Shine Optical, but because the company is mainly selling on its own brand, so the gross margin performance is better than that the industry, and because the company has high growth potential in the Chinese market and has a high brand awareness of this major manufacturer, so the future revenue and profit growth potential is higher than that of the industry.

5. Advantages, disadvantages, and countermeasures of the development prospect

(1) Favorable factors

A. Entered into a high threshold industry

The top four contact lens manufacturers in the world accounted for about 80% of the market, due to the low number of current contact lens manufacturers, professional expertise is limited as practitioners are few and less than easy to obtain. Plus, that contact lens is a highly complex technology, A high number of

product specifications and very lengthy to obtain approval from the local health authorities, forming a high threshold for entry. The company's subsidiary Haichang was founded in 1995, initially, traditional Lathe manufacturing method made a leap to the mainstream with the rise of disposable products. In order to fully respond to the pulse of market changes, officially crossed over to disposable molded manufacturing in 2007. Through years of cultivation and accumulated experience, the company has become a well-known contact lens manufacturer in China, the latecomers are limited by the industrial environment of the high thresh-hold, it is difficult to enter the field of contact lens manufacturing in the short term.

B. The steady growth of China's market demand

China's myopic population exceeds 300 million people, only 9% of that population are contact lens users, Compared to more mature markets such as the United States at 20%, there is still considerable room for growth in the Chinese market, and based on China's population growth rate, computer user population growth, income growth, vision health cognition, sight consumption growth, the annual compound growth rate in recent years is 15%.

Therefore, the contact lens industry has room for growth in the future.

(2) Unfavorable factors and countermeasures

A. Specialized professionals difficult to find

Contact lenses have entered into a closed industry with high thresh-hold for entry, due to the low number of practitioners, professionals in business, R & D and production are in short supply, if not time to attract professionals in this field to join, the company's operations will encounter bottlenecks and stagnation.

<u>Countermeasures:</u>

a. Strengthening internal training and experience sharing.

The company's main management team members have all been in the contact lenses industry for over 20 years, accumulated vast business experience, through internal training and experience sharing, gradually establish professional talents to meet the demands of the company's upward growth phase.

b. Reaching out to international talents

The company is well aware of the desire to cross-over internationally, the need to utilize more international professionals to invest in. Hence since 2005, a number of professionals in the area of marketing and finance have joined the company, through the hard work of professionals to operate working together, so that the company operation will deeper reach in the international market.

B. Major international manufacturers grasp of global market channels.

The world's top four major manufacturers brand awareness and market share is about 80%, the rest of the manufacturers, cannot compete with big factories or competitions, Therefore, the company launched the brand but due to environmental constraints, the rapid expansion of the global market is not easy.

<u>Countermeasures:</u>

The world's top four contact lens manufacturers brand awareness is high, but because of the large scale of operation and need to take into account the brand image, resulting in reduced operating flexibility, the company to China's deep roots into the international, according to the attributes of different markets to adopt a very different operating strategy, in addition to matching the characteristics of local channels to introduce labeling products, Flexible price strategy to ensure close relationship with downstream customers, supplemented by rapid decision-making adaptability, so that the company gradually expand the international

market.

(2) Important uses of major products and production processes

1. Important uses of major products

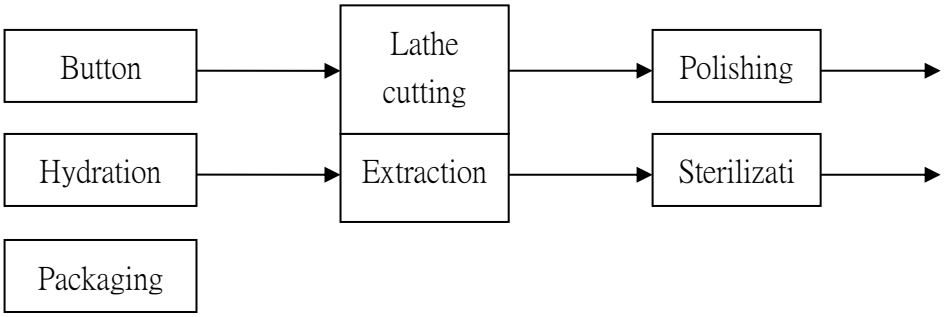
The company's main products are contact lenses, which is made of polymer materials, used to cover the surface of the cornea, its main function in correcting myopia, hyperopia, astigmatism and presbyopia, and other human vision defects, but also has changed iris color and other aesthetic functions.

2. The production process of main products

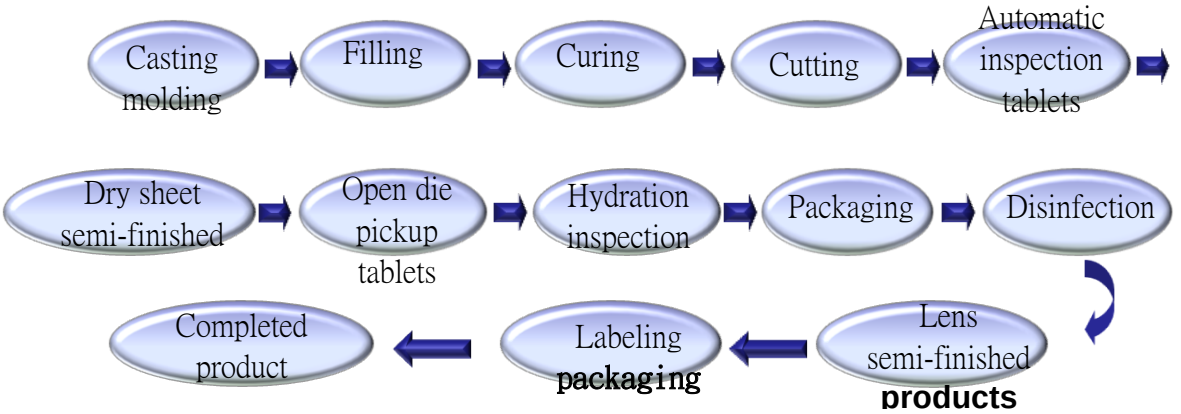
Traditional lathe cutting manufactured contact lenses are processed using the "solution" of the "CNC " computer bench, which is called the Button for the following, then film, grinding, hydration, inspection, packaging, sterilization and another follow-up treatment. Among them, the processing process of hard contact lenses does not need to be hydrated, sterilization process, in the lathe cutting contact lens production process should pay special attention to the storage of semi-finished products, and must strictly control the temperature and humidity of the environment to achieve the optical accuracy of the finished product requirements.

Cast molding (molding method) Contact lens processing method is the design of a variety of lenses required a metal mold, and then the use of this metal mold to produce a large number of plastic molds. Injecting raw materials into the plastic mold after die-casting, heating plasticizing, and then through the demolding, hydration, inspection, packaging, sterilization, and other procedures can be completed, the disadvantage of this automated production is, Unable to meet the needs of all consumers, must rely on lathe cutting production to compensate for defects in product specifications, which is the company's greatest advantage, but also has a lathe cutting plant and injection mold factory, can provide the world's complete specifications of contact lenses.

Traditional lathe cutting soft lens production process



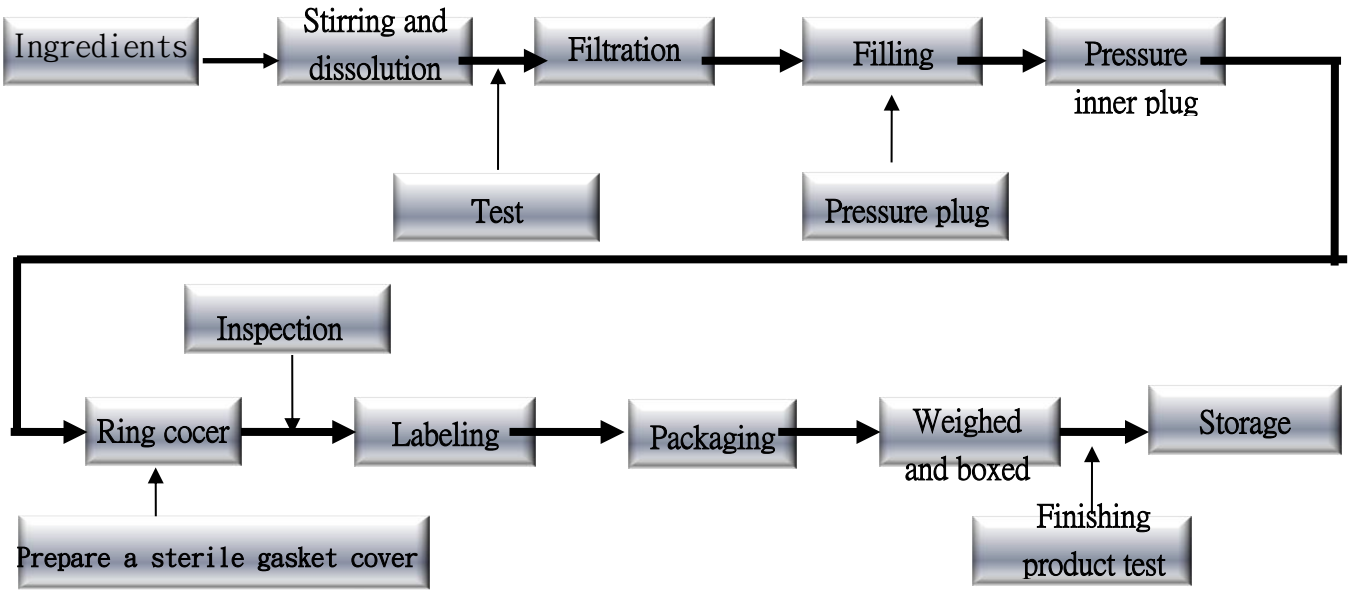
The disposable lens production process



Care solution manufacturing procedure starts with ingredients, stirring

dissolution, the first Test, filtration, filling, pressure inner plug, ring cover, inspection, labeling, packing, weighed and boxed finished product testing, the finished product if qualified can be stored.

Care solution production process



(3) The status on the supply of major materials

Main raw materials	Main suppliers	Supply Status
Semi-finished contact lens	S2、S5	Good

The company and the main raw material suppliers have maintained good and stable relations and cooperation, in addition, to fully grasp the source of goods, strictly control the quality and delivery, to ensure that the main raw materials supply is not at risk. In the first three quarters prior to the application over the last three years, there has been no shortage or interruption of supply, and the supply has been stable.

(4) The name of the customer who has accounted for more than 10% of the total amount of incoming (sold) goods in the last two years and the amount and proportion of their incoming (sold) goods, and the reasons for the increase or decrease:

1. The suppliers with 10% or above total amount bought in, in any one of the last two years.

Unit: NT$1,000; %

Year	2017				2018				1st quarter of 2019			
Item	Name	Amount	The net amount ratio (%) of goods in for the whole year	Relationship with the issuer	Name	Amount	The net amount ratio (%) of goods in for the whole year	Relationship with the issuer	Name	Amount	Net amount ratio (%) of purchase in proportion to the previous quarter	Relationship with the issuer
1	S4	117,569	10.45	N/A	S4	135,895	10.51	N/A	N/A	N/A	N/A	—
	Other	1,007,364	89.55	—	Other	1,156,985	89.49	—	Other	267,465	100.00	—
	Net purchase	1,124,933	100.00	—	Net purchase	1,292,880	100.00	—	Net purchase	267,465	100.00	—

The company's main products are contact lenses and care solution, the procurement of the main raw materials for liquid chemical raw materials, raw medicinal liquid materials, packaging, nursing liquid bottles, and contact lenses semi-finished products. Most of the company's raw materials are purchased in the local market in China, but at present the company only entered into supply contracts with a small number of suppliers, if a supplier(A) cancels or delay the supply, it will adversely affect the operation of the company. In order to effectively disperse the source of raw materials in order to avoid the risk of concentration of incoming sources, at present, for the procurement of major raw materials, to maintain at least two suppliers, and have maintained good relations of cooperation, and there has no shortage or interruption of supply, supplier changes should be reasonable.

2. The customers with 10% or above total amount sales, in any one of the last two years.

Unit: NT$1,000; %

Year	2017				2018				The 1st quarter of 2018			
Item	Name	Amount	The net amount ratio(%) of sales for the whole year	Relationship with the issuer	Name	Amount	The net amount ratio(%) of sales for the whole year	Relationship with the issuer	Name	Amount	Net amount ratio (%) of sales profit in proportion to the previous quarter.	Relationship with the issuer
1	Pao Lien Optical Co., Ltd.	624,271	10.49	To have a major impact on the company	NA	NA	NA	NA	NA	NA	NA	NA
	Other	5,948,520	89.51	—	Other	7,389,201	100.00	—	Other	1,734,239	100.00	—
	Net sales	5,948,520	100.00		Net sales	7,389,201	100.00		Net sales	1,734,239	100.00	

The company mainly sells contact lenses and contact lens care solution products in the Chinese market, mainly to wholesalers and retailers throughout China. The last two year of the net sales profit of NT$ 5,948,520,000 and NT$ 7,389,201,000. The largest customer of annual sales in 2018 accounted for the ratio of net sales to 10.49%, sales customers are still considered scattered, and

there are no major anomalies.

(5) The production value for the past 2 years

Unit: kpcs; 1,000 bottles; NT$ 1,000

Year / Production value / Major Products	2017			2018		
	Production capacity	Yield	Output value	Production capacity	Yield	output value
Lens	314,250	328,305	2,591,083	435,000	461,244	3,386,651
Care Solution	80,200	51,308	636,072	61,200	52,417	400,702
Total	394,450	379,613	3,227,155	496,200	513,661	3,787,353

(6) The sales value for the past 2 years

Unit: kpcs; 1,000 bottles; NT$ 1,000

Year / Sales Value / Major Products	2017				2018			
	Import		Export		Import		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Lens	252,255	4,433,300	28,658	138,808	361,692	5,360,282	95,162	527,199
Care Solution	46,736	1,328,948	2,359	47,465	43,183	1,295,929	9,680	205,791
Total	298,991	5,762,248	31,017	186,273	404,875	6,656,211	104,842	732,990

III. Number of employees in the last two years and up to the date of the annual report:

Item/Year		2017	2018	Up to April 30, 2019
Number of employees	Direct staff	1,770	1,970	2,072
	Indirect	897	967	971
	Manager	214	274	280
	Total	2,881	3,211	3,323
Average age		31.95	32.37	32.37
Average seniority		4.29	4.35	4.35
Education level distribution %	Ph.D	0.07%	0.09%	0.09%
	Master	2.12%	2.30%	2.32%
	Above	39.29%	41.05%	40.48%
	High school	42.69%	42.07%	42.49%
	Below high	15.83%	14.48%	14.63%

IV. Environmental expenditure information

(1) In accordance with the provisions of the ordinance, the application, payment or establishment of a permit or pollution discharge permit shall declare of a polluting facility or a person who should pay the cost of pollution control or should set up an environmental protection unit.

The company's major operating main body Haichang contact Lenses Co., Ltd. is located in Danyang, Jiangsu Province, the company's products are classed as aseptic medical equipment, the need for clean plant equipment, so there is no risk of pollution from wastewater, and the production process does not have the source of waste gas pollution, but the company must conduct water pollutant declaration and registration procedures, environmental protection agencies shall issue permits for discharge of water pollutants for not exceeding the national and local pollutant discharge standards and the national regulations on total pollutant emissions from enterprises and institutions. Additionally, Taiwan subsidiary Yung Sheng Optical Co., Ltd obtained the competent authorities without violating the environmental laws and regulations of the pollution disciplinary order, and there is no related environmental pollution law.

(2) Investment in major equipment to combat environmental pollution, its usage and possible benefits: None

(3) In the last two years and up to the published date of the annual report, during the process of the company’s effort in reducing the environmental pollution, any parties caused dispute regarding pollution shall indicate how it was handled: None

(4) A description of the total amount of losses (including compensation) to the company in the last two years and up to the published date of the annual report, as a result of the pollution to the environment and disclose its future response (including measures for improvement) and possible expenditure (including the estimated amount of possible loss, disposition and compensation for failure to take a response, if it cannot reasonably be estimated), Shall state the facts which it cannot reasonably estimate): The company mainly produces contact lenses and care solution, no special pollution generation, emission permits were obtained for the sewage resulted in the production process in accordance with the law as of the annual report printed on the date of loss or disposal of pollution and the environment has not been affected by the situation.

(5) A description of the current pollution status and its impact on the company's profits, competitive position and capital expenditure and its projected significant environmental capital expenditure for the next two years: None.

V. Labor Relations

(1) Showing the company's staff welfare measures, further education, training, retirement system, and their implementation, as well as inter-labor agreements and the maintenance of employee rights and interests maintenance measures.

1. Employee welfare measures and implementation status

The company provides a full range of welfare measures, it can be expected that from all aspects of comprehension staff welfare, in addition to the legal provision of social insurance, and the formulation of the company's welfare policy, organizing activities, provide new year bonuses, commercial insurance benefits and funeral festive subsidies, and hold tourism, dinners, recreation and other activities from time to time for the mental and physical well-being of the employees.

2. Further education and training for the employees

(1) New personnel training

Help new employees to understand the company's environment, rules, and regulations, welfare matters, work safety, products, and production processes in the shortest possible time. To facilitate the implementation of its subsequent business operations.

(2) On-the-job training for employees

Cooperate with the company's operating policies, departmental objectives, personal work responsibilities or tasks, internal or external training methods, to provide knowledge, techniques, attitude and other related courses.

3. The retirement system and the status of its implementation

In order to stabilize the retirement life of employees, the Chinese subsidiary provides the relevant monthly payment of basic pension insurance premiums in accordance with the provisions of [Jiangsu Province Enterprise Employees Basic Pension Insurance Provisions] The Taiwanese subsidiaries provide a pension in accordance with the provisions of Taiwanese regulations.

4. An agreement between the employers and the employees

The company has an employee complaints channel, with the" Suggestion Box” to contact the general manager's office to bridge the communication between the management and the employee, so there have been no major labor disputes in the past.

5、The measures for the maintenance of employee's rights and interests

The company sets out the employee manual and the company's welfare policy, which specify the rights and obligations of employees and welfare items, one manual per employee, in order to safeguard the rights and interests of employees.

6. Protection measures for the employees’ personal safety and the working environment

Item	Content
Access control security	1、 Equipped with strict access control monitoring system day and night. 2、 Security company signed to maintain the company's safety at nights and in holidays.
Occupational Health Management	1. After the new employee has determined his position in the human resources office, he must hold a pre-employment medical examination with the medical examination form. 2. For employees engaged in occupational hazards (such as laboratory personnel, laser spray codes, etc.), training for such occupational protection measures should be implemented. 3. If employees who change posts with different occupational hazards as their original posts, must carry out occupational health checks in accordance with the characteristics of the occupational hazards of the new posts, if there are professional taboos, they are prohibited from taking the posts. 4. If a new factor for an occupational hazard is added to the post being performed, a medical examination shall be carried out according to the

	new occupational hazard factors of the post, excluding the professional tabooed employees. 5. Any person who has been off duty for a long time (half a year or more) due to an accident at work or illness shall undergo a medical examination before taking up his post to determine that he/she meets the requirements of a health inspection before he/she can formally go back to work. 6. Occupational taboos are determined by the Medical and Health unit responsible for the medical examination, and employees with professional taboos are not allowed to engage in the tabooed work. 7. Occupational health examinations shall determine the inspection project and the inspection cycle in accordance with the provisions of the [Occupational Health Examination Project and Cycle], based on the type of occupational hazard factors contacted. 8. Occupational health examination should be organized by the managerial department which is responsible for the development of medical examination plan, each of the company's departments is responsible to urge the staff of the department to enter a medical examination and necessary re-inspection according to the Medical examination plan. 9. Operators who are in direct contact with materials and products must undergo an annual health check-up. People suffering from skin diseases or infectious diseases may not engage in work with direct contact with products. New personnel diagnosed skin diseases or infectious diseases at the medical examination, will not be hired. Re-application is only allowed after the said disease is cured. If a staff is “diagnosed with skin diseases or infectious diseases should be arranged for transfer, and treatment until cured before returning to the job. 10. After the end of the health examination, the managerial department is responsible for issuing a notice for the treatment of flagged personnel for occupational health check-up and observation after the completion of the occupational health examination. The head of each department should arrange and supervise the flagged personnel in time after receiving the treatment notice and track the treatment of the personnel. The flagged personnel and the tracker should submit the treatment or re-examination results back to the managerial department. 11. The Company shall promptly organize treatment, health examination and medical observation for workers who have suffered or are likely to suffer from acute occupational diseases.
Safety Management	1. The concentration (intensity) of toxic and harmful substances within the vicinity of the company shall conform to the national health standards, and when it does not conform to the standards, the General Manager's Office shall, in conjunction with the relevant departments, study countermeasures and adopt management or technical transformation measures to govern them to meet national health standards. Before the national health standards are met, the personal protection of operators should be strengthened, and managers at all levels, especially the supervision and management personnel of labor protection supplies, should strengthen supervision over the wearing of labor protective equipment by operators. 2. The company is equipped with a sufficient number and effective protective facilities and personal protective equipment according to the relevant requirements. 3. Those who have already engaged in toxic and harmful work are required to attend regular education and training on the knowledge of labor hygiene, occupational disease Prevention and labor protection while on duty. 4. According to the characteristics of women, all units should protect women's safety and occupational health at work and in accordance with the relevant provisions of the regulations on the labor protection of workers and labors and may not arrange for women who are not suitable to work to do labor. 5. To enhance the management of dangerous goods and chemicals, the people who handle the said chemicals must be specially trained, abiding by strict rules by the operating procedures, and operate away from fire and heat sources and so on. Warehouse, oil depot must have good storage conditions, goods stored separately and in line with fire requirements, the above items should be identified and labeled (such as the correct name,

	dangerous conditions, safety measures) and warning instructions (such as no smoking, no open fire, flammable items). 6. Special operations personnel should be specially trained and qualified for special operations before they are allowed to work independently. 7. A variety of safety signs should be hung in various positions around the production sites (such as electric shock hazard, closing prohibited, flammable and explosive, falling hazard, safety pipeline, fire marking, etc.) 8. Fire prevention and anti-theft management system shall be set up around the company office area, living area to establish and improve them, do a good job in the relevant records. 9. Anti-rain and anti-electric shock inspection work should be carried out in the rainy season; open fire and operation at height with wind level five or above the gale is strictly forbidden during high wind seasons, in summer, focuses should be on the prevention of incidents of food poisoning, heatstroke, in winter, focuses should be on anti-skid, fire prevention and anti-poisoning, observe the pre-festival security inspection work.
Health Management	1. Reference document on sanitary management in clean areas: WI-ST-010, clean area personal health management system, 2. Canteen Health Management: 2-1 Canteen personnel (including chefs and assistant chefs) are required to obtain effective health certificates and food hygiene knowledge training in accordance with the regulations prior to starting to work, annual medical examination and training are required. 2-2. While on duty, they must wear clean and unified work clothing, hat, hair tucked inside the hat, and wear masks and gloves when they are dealing with food. 2-3. Wash hands and disinfect before taking up the post, do not wear work clothes, hats into the bathroom. 2-4. Canteen personnel must not smoke during work, do not sneeze or cough toward the food or any other pollution-prone unhygienic activities. 2-5. Do not grow nails long, do not apply nail polish, do not wear rings and other exposed ornaments; frequent haircuts, bathing, changing work clothes, hats. 3. Other personal health management: It is forbidden to smoke within the vicinity of the factory, does not grow nails long, boys do not grow long hair or beard, frequent haircut, bathing and changing overalls.

(2) A description of the losses suffered by the company as a result of labor disputes in the most recent year and up to the published date of the annual report, and the disclosure of current and possible future estimated amounts and countermeasures, if it cannot be reasonably estimated, state the facts which it cannot be reasonably estimated

The company has a clear communication channel and harmonious labor relations, and there have been no major disputes in the last two years and up to the publication of the annual report.

VI. Important Contracts

(1) The important contract for Haichang:

The nature of the contract	Parties	Contract commencement and termination date	Main content	Restricted Conditions
[Technology Development (cooperation) Contract]	Southeast University-Haichang	2015.1.8~ 2023.1.7	Southeast University provides scientific research team, office space, and logistics services, Haichang company to provide full operation capital and project funds, continue to build the [Southeast University Haichang R & D Center].	The direction of R & D is biomaterials, high-tech bioengineering related, focus on ophthalmic materials, ophthalmic medicines (including care solution), cosmetics, biological products (including health food), artificial cornea, etc. In

The nature of the contract	Parties	Contract commencement and termination date	Main content	Restricted Conditions
				addition to the need for special clear indication, in principle, the two sides share the results of cooperation, the two sides enjoy the proportion of results according to specific project situation, only with the consent of both parties may be transferred to a third party.

(2) The important contract for Yung Sheng Optical Co., Ltd

The nature of the contract	Parties	Contract commencement and termination date	Main content	Restricted Conditions
Joint loan of Credit Contract	Chang Hwa Bank and 9 other join loan bank group - Yung Sheng	2016.06.17~ 2021.06.17	Joint loan of Credit NTD2.4 Billion.	Provide plant guarantee, maintain certain financial ratio and standard. Ginko International Co., Ltd as guarantor.

Six. Financial Status

I. Brief Balance Sheet, Income Statement and Accountant Audited Report in the Past Five Years

(1) Brief Balance Sheet, Income Statement for the past five years

1. Brief Balance Sheet

Unit: NT$ 1,000

Item \ Year		Financial analysis for the past five years (Remark 1)					Up to March 31, 2019 Financial information
		2014	2015	2016	2017	2018	
Current assets		9,351,969	10,479,421	11,992,751	12,362,927	11,945,612	12,755,585
Real properties, factories and facilities		4,123,220	4,338,258	4,546,010	5,841,974	7,589,632	7,742,296
Intangible assets		108,674	86,163	81,468	63,812	52,474	51,179
Other assets		889,710	1,027,470	663,790	680,212	588,826	987,701
Total assets		14,473,573	15,931,312	17,284,019	18,948,925	20,176,544	21,536,761
Current liabilities	Before distribution	5,066,010	5,611,140	5,373,948	7,099,001	7,264,409	7,707,239
	After distribution	5,676,183	6,239,803	6,002,611	7,727,664	7,726,661	—
Non-current liabilities		172,084	339,690	1,795,003	1,585,521	2,526,000	2,968,130
Total liabilities	Before distribution	5,238,094	5,950,830	7,168,951	8,684,522	9,790,409	10,675,369
	After distribution	5,848,267	6,579,493	7,797,614	9,313,185	10,252,661	—
Interests attributable to parent company owner		9,235,479	9,980,482	10,106,180	10,268,571	10,402,990	10,878,979
Share capital		926,975	926,975	926,975	924,505	924,505	924,505
Capital reserve		3,167,374	3,167,374	3,167,374	3,073,227	3,073,227	3,073,227

Retained earnings	Before distribution	4,588,437	5,545,285	6,433,732	6,776,104	6,980,821	7,153,394
	After distribution	3,978,264	4,916,622	5,805,069	6,147,441	6,518,569	—
Other equities		649,310	437,465	(325,284)	(505,265)	(575,563)	(272,147)
Treasury stock		(96,617)	(96,617)	(96,617)	—	—	—
Non-controlling interests		—	—	8,888	(4,168)	(16,855)	(17,587)
Total equity	Before distribution	9,235,479	9,980,482	10,115,068	10,264,403	10,386,135	10,861,392
	After distribution	8,625,306	9,351,819	9,486,405	9,635,740	9,923,883	—

Remark 1: The financial data in the recent five years audited and certified by the accountant and the financial data in the first season of 2019 audited and certified by the accountant.

Remark 2: In 2014, The company issued a total of NT$ 609,564,000 for 2013's cash dividend.

Remark 3: In 2015, The company issued a total of NT$ 610,173,000 for 2014's cash dividend.

Remark 4: In 2016, The company issued a total of NT$ 628,663,000 for 2014's cash dividend.

Remark 5: In 2017, The company issued a total of NT$ 628,663,000 for 2016's cash dividend.

Remark 6: The 2018 profit distribution plan has not yet been passed through the 2019 shareholders meeting resolution.

2. Brief Income Statement

Unit: NT$ 1,000

Item \ Year	Financial analysis for the past five years (Remark 1)					Up to March 31, 2019 Financial information
	2014	2015	2016	2017	2018	
Operating revenue	5,782,870	6,098,863	6,539,490	5,948,520	7,389,201	1,734,239
Gross operating profit	3,473,554	3,683,772	3,914,838	3,224,760	3,911,058	1,002,840
Operating income	1,784,479	1,988,755	2,011,722	1,142,692	1,426,334	288,515
Non-operating income and expense	（53,584）	(129,899)	(177,451)	14,724	(194,151)	(49,060)
Income before tax	1,730,895	1,858,856	1,834,271	1,157,416	1,232,183	239,455
Current net profit of the continued operating unit	1,446,767	1,567,021	1,511,485	958,910	820,698	171,844
Loss of the non-operating unit	—	—	—	—	—	—
Current net profit (loss)	1,446,767	1,567,021	1,511,485	958,910	820,698	171,844
Current other comprehensive income (net amount after tax)	264,382	(211,845)	(762,163)	(180,912)	(70,303)	303,413
Current total Comprehensive income	1,711,149	1,355,176	749,322	777,998	750,395	475,257
Net income attributable to stockholders of the parent	1,446,767	1,567,021	1,517,110	971,035	833,380	172,573
Net income attributable to non-controlling interests	—	—	(5,625)	(12,125)	(12,682)	(729)

Total comprehensive income attributable to stockholders of the parent	1,711,149	1,355,176	754,361	791,054	763,082	475,989
Total comprehensive income attributable to non-controlling interests	—	—	(5,039)	(13,056)	(12,687)	(732)
Earnings per share	15.64	16.95	16.41	10.50	9.01	1.87

Remark 1: The financial data in the recent five years audited and certified by the accountant and the financial data in the first season of 2019 audited and certified by the accountant.

(2) Auditing accountants and audit opinions for the past five years

Year	Name of CPA Firm	Names of the accountants	Audit opinions
2014	Anhou Jianye United Certified Public Accountants Co., Ltd.	Xu Yufeng, Fang Yanling	Unqualified opinion
2015	Anhou Jianye United Certified Public Accountants Co., Ltd.	Xu Yufeng, Lin Huansheng	Unqualified opinion
2016	Anhou Jianye United Certified Public Accountants Co., Ltd.	Mei Yuanzhen, Lin Huansheng	Unqualified opinion
2017	Anhou Jianye United Certified Public Accountants Co., Ltd.	Mei Yuanzhen, Lin Huansheng	Unqualified opinion
2018	Anhou Jianye United Certified Public Accountants Co., Ltd.	Xu Yufeng, Mei Yuanzhen	Unqualified opinion

II. The financial analysis in the past five years

Item \ Year		Financial analysis for the past five years					Up to March 31 2019
		2014	2015	2016	2017	2018	
Financial structure(%)	Debt assets ratio	36.19	37.35	41.48	45.83	48.52	49.57
	The ratio of permanent capital to real properties, factories, and facilities	228.16	237.89	261.99	202.91	170.13	178.62
Solvency(%)	Current ratio	184.60	186.76	223.16	174.15	164.44	165.50
	Quick ratio	153.46	154.15	182.88	142.40	125.59	126.56
	Interest coverage ratio	21.50	21.74	19.56	8.68	6.72	5.05
Operating capacity	Receivables turnover ratio (times)	1.25	1.08	1.14	1.09	1.60	1.64
	Average collection days	292	337	321	335	228	223
	Inventory turnover rate (times)	1.79	1.55	1.41	1.33	1.58	1.23
	Account payable turnover rate (times)	8.56	8.24	6.44	6.41	8.03	6.81
	Average inventory turnover days	204	235	259	274	231	297
	Real properties, factories and facilities turnover rate (times)	1.56	1.44	1.47	1.15	1.10	0.91
	Total assets turnover rate (times)	0.44	0.40	0.39	0.33	0.38	0.33
Profitability	Return on assets (%)	11.63	10.80	9.70	5.08	3.43	0.80
	Return on equity (%)	16.71	16.31	15.04	9.41	7.95	1.62
	Rate of pre-tax net profit in paid-in capital (%)	186.73	200.53	197.88	125.19	133.28	25.90
	Net profit rate (%)	25.02	25.69	23.11	16.12	11.11	9.91
	Earnings per share (NT$)	15.64	16.95	16.41	10.50	9.01	1.87
Cash flow	Cash flow ratio (%)	(2.08)	30.83	24.74	37.87	26.19	1.06
	Cash flow adequacy ratio (%)	23.58	36.52	36.22	53.58	65.57	76.92
	Cash re-investment ratio (%)	(6.72)	9.36	5.02	14.39	8.01	0.48

Leverage	Operating leverage	1.14	1.11	1.14	1.47	1.42	1.67
	Financial leverage	1.05	1.05	1.05	1.15	1.15	1.26

Please state the reasons for the changes in each of the financial ratios in the last two years. (Exempt if the changes do not exceed 20%)

1. Solvency

The variation of the interest coverage ratio is due to the 2019 EBIT less than that last year and the loan increase to cause more interest expenses.

2. Operating capacity

Inventory turnover(times) and average sales days variation are mainly due to consistent stocking for an increase of performance in 2019 resulting in the increase of inventory amount.

3. Profitability

The profitability variation is mainly due to the drop-in net profit in 2019 as compared with that in the previous year.

4. Cash flow

The variation of various cash flows is mainly due to the greater range of account receivables decrease in the previous year resulting in less cash amount of net cash inflow.

Remark 1: The financial data in the recent five years audited and certified by the accountant and the financial data in the first season of 2019 audited and certified by the accountant.

Remark 2: The financial ratios are calculated as follows:

1.Financial structure

(1) Debt assets ratio = total indebtedness / total assets

(2) Ratio of permanent capital to real properties, factories and facilities = (net equity + Non-current liabilities) / real properties, factories and facilities net

2. Solvency:

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities

(3) Interest coverage ratio = net income before tax and interest expense / interest expense

3. Operating capacity

(1) Account receivable turnover (including accounts receivable and notes receivable resulted from business operation) = net sales / average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)

(2) Average collection days = 365 / receivables turnover rate

(3) Inventory turnover = cost of goods sold / average inventory

(4) Account payable turnover (including accounts payable and notes payable resulted from business operation) = operating costs / average balance of account payable (including accounts payable and notes payable resulted from business operation)

(5) Average inventory turnover days=365 / inventory turnover

(6) Real properties, factories and facilities turnover rate = net sales / net of real properties, factories and facilities (average)

(7) Total assets turnover rate = net sales / average total assets

4. Profitability

(1) Return on assets = [net income + interest expense*(1-tax rate)] / average total assets

(2) Return on equity = net income / average net equity

(3) Profit ratio = net income / net sales

(4) Earnings per share = (Total income attributable to stockholders of the parent - preferred stock dividend) / weighted average stock shares issued

5. Cash flow

(1) Cash flow ratio = net cash flow from operating activity / current liabilities

(2) Cash flow adequacy ratio = (net cash flow from operating activities within five year / (capital expenditure + inventory increase + cash dividend) within five year

(3) Cash re-investment ratio = (net cash flow from operating activity - cash dividend) / (total real properties, factories and facilities + long-term investment + other assets + working capital)

6. Leverage:

(1) Operation leverage = (net operating income-operating variable cost and expense) / operating income

(2) Financial leverage = operating income/(operating income-interest expense)

III. Supervisors' review report on the latest financial report

Ginko International Co., Ltd.

The 2018 final statement review report

The board of directors prepares the 2018 business report, financial statement and profit distribution table as well as financial reports such as 2018 combined balance sheet, income statement, shareholder equity variation table, and cash flow table, etc. After the Supervisors' verification of the books and investigation of the facts, we are of the opinion that the above-mentioned documents correspond to the facts, and hereby issue this report according to the law for your future reference.

To

2019 General Shareholders' Meeting of Ginko International Co., Ltd

Supervisor: Chih-Kai Hu

Wei-Lun Lo

Bo-Sheng Chiu

March 11, 2019

IV. Financial report and accountant audit report of the most recent years: Please refer to Page 129-Page 199.

V. Accountant audit and certified consolidated financial report of the head office and subsidiary companies in the most recent years: Please refer to Page 129-Page 199.

VI. Company and its associated enterprises in the most recent years and up to the day of the issue of the annual report, if there are any difficulties regarding the turnover, the impact on the company financial status should be stated: No such situation.

Seven. Review, Analysis and Risk Management of Financial Status and Management Result

I. Financial Status

Table of comparison and analysis of financial status

Unit: NT$ 1,000

Year / Item	2017	2018	Variance	
			amount	%
Current assets	12,362,927	11,945,612	-417,315	-3.38%
Fixed assets	5,841,974	7,589,632	1,747,658	29.92%
Other assets	744,024	641,300	-102,724	-13.81%
Total assets	18,948,925	20,176,544	1,227,619	6.48%
Current liability	7,099,001	7,264,409	165,408	2.33%
Non-current liability	1,585,521	2,526,000	940,479	59.32%
Liability in total	8,684,522	9,790,409	1,105,887	12.73%
Share capital	924,505	924,505	0	0.00%
Capital reserve	3,073,227	3,073,227	0	0.00%
Retained earnings	6,776,104	6,980,821	204,717	3.02%
Other equities	-509,433	-592,418	-82,985	16.29%
Total shareholders' equity	10,264,403	10,386,135	121,732	1.19%

I. The main reasons and impacts of the major variable items of assets, debts and shareholder equities and the future responding plan:

1.Fixed assets: The main reason is that the company prepaid payment for the equipment which

is gradually completed transfers fixed assets.

2. Non-current liabilities: It is mainly due to the increase of bank guaranteed loan to substantiate operational capital in 2018.

3. At present, the company operation scale is on the trend of steady growth and so the growth of the corresponding asset liability account is still within a reasonable range. At the same time, the company also is paying close attention to the asset and liability variation at any time to keep it in a reasonable range.

II. Financial Performance

(1) Comparison and analysis table of financial performance

Comparison and analysis table of financial performance

Unit: NT$ 1,000

Item \ Year	2017	2018	Plus(minus)amount	Variable rate%
Net operating revenue	5,948,520	7,389,201	1,440,681	24.22%
Operating cost	2,723,760	3,478,143	754,383	27.70%
Gross profit	3,224,760	3,911,058	686,298	21.28%
Operating expenses	2,082,068	2,484,724	402,656	19.34%
Operating income	1,142,692	1,426,334	283,642	24.82%
Non-operating income and expenses	14,724	-194,151	-208,875	-1418.60%
Pre-tax net profit	1,157,416	1,232,183	74,767	6.46%
Minus: income tax expenses	198,506	411,485	212,979	107.29%
Net profit of the term	958,910	820,698	-138,212	-14.41%

I. The main reasons for the significant changes in the operating revenue, operating net profit and pre-tax net profit in the last two years:

Operating revenue, operating cost, gross operating profit, and operating profit: It is mainly due to the company sales growth in both the e-commerce channel and Japan area.

Non-operational income and expenses: It is mainly due to the impact of exchange rate fluctuation resulting in the increase of unrealized exchange loss of foreign currency.

Income tax expenses: It is mainly due to the surplus remittance in China in 2018 resulting in the 10% income tax.

II. The expected sales volume in the coming year and its impact on the company financial performance in the future:

Please refer to the statement (Page.1) of the Letter To Shareholders in the current annual report The company is expected to continue actively developing overseas market and successively turning out new products and increasing degrees of performance growth, looking to further increase as compared with that in 2018 and under the effective enhancement of management synergy successively raising profitability.

III. Cash Flow

(1) Cash flow analysis of the most recent two years

Year / Item	2017	2018	Plus(minus) amount (%)
Cash flow rate(%)	37.87	26.19	-31%
Cash flow proper rate(%)	53.58	65.57	22%
Cash reinvestment rate(%)	14.39	8.01	-44%
I. Analysis and explanation of plus and minus ratio variation: The variation of cash flow ratio is mainly due to beginning to strictly control the 2017 accounts receivable amount for the next account receivable amount decrease is greater than that in 2018 resulting in less net cash inflow in 2018.			

(2) Cash flow analysis in the future one year

Unit: NT$ 1,000

Beginning cash surplus	Cash flow in volume in annual total	Cash flow out the volume in annual total	Cash surplus(insufficient) amount	Remedy for insufficient cash	
				Investment plan	Financial plan
2,725,908	7,754,782	3,294,993	7,185,697	-	-
I. The analysis of the cash flow plan in the next coming year: (1) The company strengthens the collection of the accounts receivable, expecting to achieve substantial effect in a year. (2) Business activity: It is mainly to strengthen the collection of the accounts receivable resulting in the net cash inflow. (3) The analysis of the remedial measures and fluidity: N/A.					

IV. The impact of the major capital expenditures on the financial business in the recent year.

In 2018, for the expansion of the operation scale, the company successively extended factory buildings and purchased equipment. At present, the fully owned capital is still sufficient and there is no distinctive impact on the financial business.

V. Re-investment policy in the past year, the main reason for its profit or loss, the improvement plan and investment plan in the next year: The company has at present no transfer investment business and plan.

VI. Assessment of risk items in the most recent year.

(1) The impact on the balance of the company and future countermeasures for interest rate, exchange rate variation, inflation:

1. The impact on the balance of the company

Item	2018 (NT$ 1,000; %)
Interest expense amount	181,965
The net amount of exchange balance	-76,718
Interest expense-to-net revenue ratio	2.46%
Interest expense-to-pretax net profit	14.77%
Exchange balance-to-net revenue amount ratio	-1.04%
Exchange balance-to-pretax net profit ratio	6.23%

2. Future responding measures

(1) Interest rate changes:

At the end of 2017, the company financial assets and financial debt with cash flow risk of interest rate variation are respectively $2,155,701 thousands and $2,262,000 thousands. The company interest expenses account for a lower rate in the business benefit and therefore the variation of interest does not have too great an impact. Though the interest rate in the currency market in the recent year rises gradually, it is still relatively low. The company loan interest rate does not very much. However if the interest rate trend in the future has greater fluctuation and if the company continues to have loan requirement, the company, in addition to changing to adopt other fundraising tools in the capital market, will observe the interest rate trend to select loan of fixed interest rate or floating rate to avoid the risk of interest rate fluctuation.

(2) Exchange rate changes:

Since the company main sales place is in the China area, the sales are basically denominated in RMB and the purchase part is mainly denominated in RMB and all RMB received are used for the daily operational expenses of the two Chinese manufacturing factories and therefore natural hedging is adopted for most remittance differences. But there is still the debt position of some NT currency and RMB against US dollars. In the case of the US dollars appreciation, the company will possibly have the exchange loss risk in the foreign currency position.

The responding measures that the company financial department may adopt:

A. To continue strengthening exchange hedging concept of the financial personnel through internet exchange rate instant system and strengthening the communication with financial institutes to judge the exchange rate fluctuation trend as the basis for foreign exchange settlement.

B. To support the purchase and relative expense expenditures with the same currency of sales income as much as possible so as to achieve the natural hedging effect.

C. At the time of foreign currency appreciation, to lower the net position of that foreign currency debt so as to reduce the unfavorable impact of the exchange rate fluctuation.

(3) Inflation:

In the period when the raw material cost is raising, the company then extends productivity to achieve economic scale, continues to improve processing capacity in order to reduce production cost and develops high added value products to respond to the situation. As for ways such as raising up gross profit and reducing inflation impact have actual effects, the benefit is even more distinctive at the time of the material cost coming down.

(2) The main reasons and future countermeasures for the profit or loss due to high risk and high leverage investment policy, capital loan to others, endorsement or by-product trade

The company operates on the conservative and conservatism principles and has not been in high risk or high leverage investment. In 2018 and up to the issue of the annual report, the company has only been engaged in endorsement guarantee trade with the subsidiary. The company has already regulated [the operation procedures of capital loan to others], [The operation procedures of endorsement guarantee] and [Obtaining and disposing assets dealing procedure] and after being carefully assessed, they will be practiced according to internal control procedures and the relative regulations of the competent authority.

To regularly evaluate and dynamically adjust the relative hedging strategy depending on the overall company operating status and market trend change.

(3) Future R&D plan and expected input of R&D expenses

The company R&D expense in 2018 was $139, 674K. The R&D expense the company put in was mainly used in developing new products and new manufacturing technique, developing new materials and improving function test as well as recruiting outstanding R&D talents and increasing R&D equipment; Looking forward to the future, R&D expenses may be on the steady growth.

(4) Impact on and countermeasures for the company financial business of the important domestic and foreign policy and legal change

The company has been closely paying attention to and getting hold of any possible impact that the policy and law may have on the company operation and getting ready at all time to cooperate and adjust the relative internal system of the company. In 2018 and up to the date of the annual report issue, relative policy and legal change have no major impact on the company financial business.

(5) Impact on and countermeasures for the company financial business of technology change and industry change

The contact lens industry has continuously been striving for the product popularity and sight correction and protection of our fellow country people, not only for satisfaction of the need of ruses in all aspect but also for users to have more options of suitable and required products.

(6) Impact on and countermeasures for the enterprise crisis management of enterprise image change

The company has always been aiming at the development objective of honesty and everlasting management, devoted to the development and manufacture of contact lens and care liquid, with products to satisfy user public need as a priority. The company has good words of mouth in China, establishing a reputation and position in the industry without any relative report of negative impression. In the most recent years, there has been no such situation as to cause enterprise risk management due to enterprise image change.

(7) To proceed with the expected effect and benefit, possible risk and responding measures of acquisition.

N/A

(8) The expected benefit, possible risk and responding measures to expand the factory

The company is considering the future operational development started to expand the Yun Shen factory II in March 2016. The old factory has at present 8 production lines producing contact lens and has no more space available while the new factory is advantageous to the expansion of future production capacity and business development, strengthening competition advantage and extending the leading gap with the peers. The company is in a leading position in contact lens and care solution technology in the Asian market and while the daily disposable contact lens is just in the rapidly growing period, the company not only puts the effort in product development but also continues extending domestic marketing and sell channels and therefore the possible risk is limited.

(9) Risk and countermeasures faced by the concentration of goods in and sales

The goods in and sales of the company are rather in dispersion and there is no situation of the major risk of concentration of goods in or sales.

(10) Impact, risk, and countermeasures for mass equity transfer or replacement of directors, supervisors or major shareholders who hold more than 10% of stock shares

In 2018 and up to the issue date of the prospectus, directors, supervisors or major shareholders who hold more than 10% of stock shares do not have the situation of mass equity transfer or replacement.

(11) Impact on, risk and countermeasures for the company in charge of management right

The company has no situation of change of management right in 2018 and up to the issue date of the prospect.

(12) Litigation or non-litigation case should state of company and company directors, supervisors, general managers, actual responsible persons, shareholders holding over 10% of shares and subsidiary companies the issue of judgment decided or on-going major litigation, non-litigation or administrative appeal, the result of which may have a major impact of shareholder equity or bond price should be

disclosed of argument fact, target amount, beginning date, concerned party and the situation up to the issue of the annual report:

In 2018 and up to the issue of the prospectus, the company has no litigation or non-litigation case.

(13) Other major risk and countermeasures: N/A

VII. Other major items: N/A

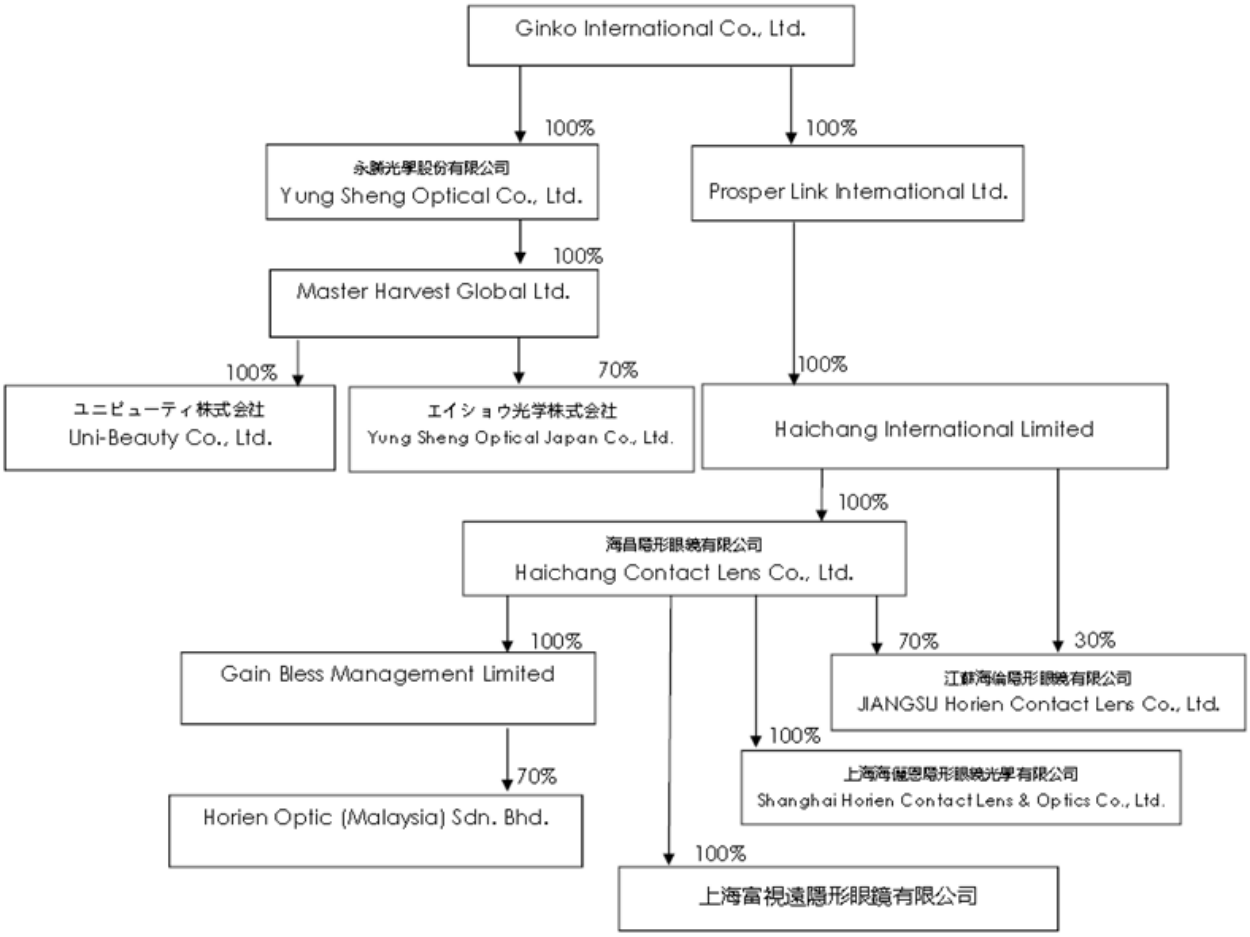
Eight. Special Note Item

I. Affiliated company relative data:

(1) The consolidated business report of the affiliated company

1. Affiliated company overview

(1) Organization chart of the affiliated company



(2) Basic data list of affiliated enterprises

Affiliated company title	Establish date	Address	Actual capital	Main business item
Prosper Link	September 5, 2007	Sea Meadow House, Blackburne Highway, (P.O. Box 116) Road Town, Tortola, British Virgin Islands	USD 3,000,000	Investment holding
Haichang	October 9, 2007	Room 320, 3F, No.615-617 Baifu Industrial Building, Da Nanxi Street, Lizhi Jiao, Kowloon, Hong Kong.	NK$ 1,100,000	Investment holding & the marketing of contact lens and lens care product
Haichang Co., Ltd.	November 17, 1995	No,1 Danfu Road, Situ Town, Danyang City, Jiangsu Province, China	US$ 56.319 million	Production and marketing of contact lens, contact lens solution and other eye-related

Affiliated company title	Establish date	Address	Actual capital	Main business item
				medical devices
Horien Co., Ltd.	April 11, 2005	No,88 Danfu Road, Situ Town, Danyang City, Jiangsu Province, China	RMB 15 million	As above
Yung Sheng Optical Co., Ltd	October 14, 1995	No. 8, Keya Second Road, Daya District, Taichung City	NT$ 1.60 billion	Production and marketing of contact lens
Horien Co.	April 19, 2010	9F, Building 2, No.1177 Husong Road, Songjiang District Shanghai, China	RMB 7.5 million	The marketing of contact lens and care solution
Gain Bless	July 28, 2015	Sea Meadow House, Blackburne Highway, (P.O. Box 116) Road Town, Tortola, British Virgin Islands	US$ 1.15 million	Investment holding
Horien Optic Malaysia	May 12, 2014	No.18, Jalan DBP 3, Dolomite Business Park, 68100 Batu Caves, Selangor Darul Ehsan	MYR 2,500,000	The marketing of contact lens and care solution
Master Harvest Global Ltd.	May 24, 2016	201 Rogers Office Building, Edwin Wallace Rey Drive, George Hill, Anguilla,B.W.I.	US$ 5 million	Investment holding and reinvestment business
Yung Sheng Japan Optical Co. Ltd. (Yongsheng, Japan)	April 22, 2014	〒910-0843 福井県福井市西開発 1 丁目 2310	JPY 90,000,000	the marketing of care solution and lubricant solution
Shanghai Fushiyuan	September 28. 2016	Room 1002-1, 10F, Building 2, No.1177 Husong Road, Songjiang District Shanghai, China	RMB 25 million	the marketing of care solution and lubricant solution
ユニビューティ株式会社 (Uni-Beauty Co., Ltd.)	January 19, 2018	〒1510063 東京都渋谷区富ヶ谷 1 丁目 8 番 3 号安達ビジネスパークビ 102	JPY 90,000,000	e-business marketing of care solution and lubricant solution

Remark: The exchange rate of the report data: US$ 30.715, HK$ 3.9210, RMB 4.4720, MYR 7.1120, JPY 0.2782.

(3) The data of directs, supervisors, and general manager of affiliated companies

Affiliated company title	Title	Name or Representative	Shareholding	
			Share	%
				-
Prosper Link International Limited	Director General Manager	Ginko International Co Ltd Kuo-Yuan Tsai	3,000,000	100%

Haichang International Limited	Director General Manager	Prosper Link Co Ltd Kuo-Yuan Tsai	1,100,000	100%
Haichang Contact Lens Co., Ltd.	Director Supervisor General Manager	Kuo- Chou Tsai, Kuo-Yuan Tsai, Jing Qian Wei-Lun Lo Kuo-Yuan Tsai	-	100%
Jiangsu Horien Contact Lens Co., Ltd.	Director Supervisor General Manager	Kuo- Chou Tsai, Kuo-Yuan Tsai, Jing Qian Wei-Lun Lo Kuo-Yuan Tsai	-	100%
Yung Sheng Optical Co., Ltd.	Director Supervisor General Manager	Kuo- Chou Tsai, Kuo-Yuan Tsai, Johnson Chen Wei-Lun Lo Kuo-Yuan Tsai	160,000,000	100%
Shanghai Horien Contact Lens Optical Co., Ltd.	Director Supervisor General Manager	Kuo-Yuan Tsai Cai Guozheng Kuo-Yuan Tsai	-	100%
Gain Bless Management Limited	Director General Manager	Kuo- Chou Tsai Kuo-Yuan Tsai	1,150,000	100%
Horien Optic(Malaysia) Sdn. Bhd.	Director General Manager	Gain Bless Management Ltd., Huang Junyu, Zhong Zhulii, Zhang Yaoliang Huang Junyu	1,750,000	70%
Master Harvest Global Ltd.	Chairman	Kuo- Chou Tsai	5,000,000	100%
Yung Sheng Japan Optical Co. Ltd. (Yongsheng, Japan)	Chairman General Manager	Kuo-Yuan Tsai Qing Shuizheng	6,300,000	70%
Shanghai Fushiyuan Contact Lens Co., Ltd.	Chairman & General Manager	Kuo-Yuan Tsai	-	100%
Uni-Beauty Co.,Ltd. (Uni-Beauty Co., Ltd.)	Director General Manager	Master Harvest Global Ltd., Kuo-Yuan Tsai, Johnson Chen, Chen Shufang Kuo-Yuan Tsai	9,000	100%

(4) The operating status of the affiliated companies

December 31, 2018; Unit: NT$1,000

Affiliated company Title	Capital or contribution	Book value	Total assets	Total liabilities	Net	Operating revenue	Operating income (loss)	Current income (after tax)	Earnings per share (NT$) (After tax)
Prosper Link International Limited	131,460	12,740,599	12,960,614	220,015	12,740,599	-	-	1,515,975	354.20
Haichang International Limited	43,131	12,955,099	13,011,234	56,135	12,955,099	109,924	2,910	1,533,209	139.38
Haichang Contact Lens Co., Ltd.	1,729,838	8,768,870	12,241,957	3,473,087	8,768,870	4,761,179	2,180,910	448,603	-
Jiangsu Horien Contact Lens Co., Ltd.	67,080	3,792,670	3,985,424	192,754	3,792,670	935,874	417,939	356,069	-
Yung Sheng Optical Co., Ltd.	1,600,000	3,134,778	7,488,554	4,353,776	3,134,778	2,710,359	425,069	394,071	0.25
Shanghai Horien Contact Lens Optical Co., Ltd.	335,400	436,603	2,213,917	1,777,314	436,603	1,145,562	40,223	-50,660	-
Gain Bless Management Ltd.	35,322	17,012	17,012	-	17,012	-	-	-5,010	-4.36
Horien Optic(Malaysia) Sdn. Bhd.	29,824	11,865	73,741	61,876	11,865	13,020	4,730	- 4,965	-5.11
Master Harvest Global Ltd.	153,575	68,470	185,315	116,845	68,470	-	-	-47,855	-9.57
Yung Sheng Japan Optical Co. Ltd. (Yung Sheng, Japan)	17,721	-35,166	114,105	149,271	-35,166	70,175	2,411	-42,176	-0.66
Shanghai Fushiyuan Contact Lens Co., Ltd.	111,800	238,008	382,792	144,784	238,008	299,631	114,995	59,350	-
Uni-Beauty	25,038	5,752	19,023	13,271	5,752	189	95	-17,720	-0.20

Remark: If the affiliated company title is a foreign company, the relative number should be listed with NT$ at the exchange rate on the report day.

Exchange rate of report day: US$:30.715, HK$:3.9210, RMB:4.4720, Japan Y:0.2782

(2) Consolidated financial report of affiliated company title: Same as that of the head and subsidiary, please refer to Page 129-Page 199.

(3) Relative report: Not applicable.

II. Private securities dealing in the most recent year and up to the issue of the annual report: N/A

III. Subsidiary holding and disposing of the company shares in the most recent year and up to the issue of the annual report: None.

IV. Explanation of the major differences with our national assurance regulations of shareholder equity:

Since there are somewhat not in uniformity between the Cayman Act and that of the Republic of China, [The checklist of shareholder equity assurance items]hereafter called [shareholder equity assurance items]) announced by the securities counter trading center of the Republic of China is for sure not applicable to the company. The differences are herewith explained as the list below of the shareholder equity assurance items due to Cayman Act different from the regulations of the company articles of association.

Different item	Cayman decree and explanation	Regulations and explanation of articles of association
The action procedures of the company cash increase to issue new share and surplus or capital reserve transferred to capital increase and new share issue and decrease capital, etc.	According to the lawyer's explanation, [Cayman Islands company law] (including the 2012 revised edition), relative regulations are as follows: (1) The 13th (1) (a) and (2) articles request share limited company (including the exempted companies) should have the shareholders meeting pass the increase authorization of capital amount. (2) [Cayman Islands company law] does not have special specifications of issue and allotment of new shares. According to case law, under no violation of the articles of association, the board of directors has the authority to issue and allot new shares. In general, such authority should be stated in the company articles of association. In addition, Article 35 of [Cayman	According to Article 266 regulation of the company law of the Republic of China, cash increase capital to issue new shares should pass the board of directors with over two-thirds present and over half of the directors' present agree to resolute. According to Article 7, 111 and 113 of the company articles of association, directors may base on the agreement of over half of the directors' present and over half of the directors present to cash increase capital to issue new shares. This part is completely different from the resolution form of the company law regulation of the Republic of China. The company prepares to

Different item	Cayman decree and explanation	Regulations and explanation of articles of association
	Islands company law] regulates that new shares should not be issued under the face value of the share unless it has been passed by the shareholders meeting and approved by the Cayman island grand court. (3) [Cayman Islands company law] has no specified regulation for surplus transfer to capital increase(i.e. surplus to pay up unissued share amount and allot to shareholders as share bonus) or allot dividend receipt. However, the company may have the articles to allow surplus to transfer to the capital increase. But the transfer increase capital from the share issue premium account (i.e. company set up account with total premium amount equal to its issued share) should comply with Article 34 regulation of Cayman company law (i.e. should comply with the relative regulations of the company articles and must always in the normal operation status and have the capacity to pay back debt to be able to allot share dividend from the share issue premium account). (4) [Cayman Islands company law] is just short of special regulations of issued capital amount. According to Article 14, a special resolution should be passed by the shareholders meeting and approved by the Cayman Islands grand court. (5) According to Article 37 of [Cayman Islands company law], repurchase the issued shares or shares given up by shareholders, if the articles permit or the board of directors approves in advance, may be treated as the company stock but the stock shares will not be attached with voting right nor dividend allotment right	revise this article to comply with Article 266 regulation of the Republic of China.

Different item	Cayman decree and explanation	Regulations and explanation of articles of association
	(except bonus) and the company will not be seen as a shareholder. (6) According to the regulations of Article 125 of [Cayman Island company law], any share transfer that is not approved by the liquidator and after the voluntarily beginning to liquidate of the company in the Cayman Islands, any change of company shareholder equity are all invalid. Article 99 of [Cayman Islands company law] also similarly regulates regarding the liquidation of the court decree. Therefore, voluntary liquidation or the liquidation after the court decree begins, no issue of new share are permitted.	
When the company cash increase capital issues new shares, in addition to shareholders meeting, should make announcement and notify current shareholders, in accordance with the current share ratio to subscribe first and declare those who do not subscribe in due course will forfeit their right; the current shareholders holding insufficient share to subscribe to one new share, may combine and jointly subscribe or merge for one person to subscribe; current shareholders who do not subscribe may announce issue or be subscribed by a designated person.	According to the lawyer's explanation, [Cayman Islands company law] does not have the article to compulsorily request the company to sell new shares to the current shareholders in advance, and this is to be regulated by the article's rules and the agreement between the shareholder and the company. [Cayman Islands company law] does not have special specifications concerning the issue and allotment of new shares. According to case law, under no violation of the articles of association, the board of directors has the authority to issue and allot new shares. In general, such authority should be stated in the company articles of association. The companies established in the Cayman Islands may decide proper allotment basis in accordance with their consideration and the condition of purchasers or shareholders. The nominal total amount of the issued shares should be equal or less than the nominal amount of the total authorized capital amount.	Article 12 of the company articles of association regulates: If the issue of the new shares will or may bring out registrar certificate or go through other special procedures, while the board of directors out of good will considers to provide such certificate or go through such formalities or going through such procedures is unworkable, the board of directors has the authority to decide that the shareholders that register outside the border of the Republic of China should not enjoy this priority to subscribe or take part in the share purchase. The difference of the 3rd item of Article 267 of the company law of the Republic of China. The company will revise the article to comply with the third item regulation of Article 267 of the Judicial Law of the Republic of China.
The shareholders who	According to the Cayman lawyer explanation,	In reference to the first Q&A over the

Different item	Cayman decree and explanation	Regulations and explanation of articles of association
consistently hold more than 3% of the total issued shares may state proposal and reason in writing to request the board of directors to hold a temporary shareholders meeting. After fifteen days of the request, if the board of directors does not act for the call notice, the shareholders may call by themselves with the authority institute permission.	there is no authority institute in Cayman locally to approve them all to hold a shareholders meeting.	counter (hereafter called [over the counter Q&A]) March 9, 2011, for foreigners to Taiwan to apply for stock shares, the explanation for Question 26 (3) regulating the authority institute for important items of shareholders equity protection, may be deleted, and therefore, the article does not have the wordings of [shareholders may apply for the authority institute permission]; if the minority of the directors does not act for the call notice within 15 days, shareholders do not report with the permission of the authority institute and may call the temporary shareholders meeting themselves.
The shareholders who perform resolution right in writing or electronic formats are considered as present in person.	According to the lawyer explanation, based on the Cayman decree, shareholders who vote in writing or electronic formats cannot be considered as present in person. Therefore, Cayman lawyer suggests at this time it should be considered as authorizing the chairman of the shareholders meeting to vote, but the chairman of the shareholders meeting thus is not under the restriction of the agency to be not exceeding 3% for the authorization.	The regulations of Articles No. 62, 76 and 77: the shareholders who perform resolution right in writing or above-mentioned electronic formats, should be considered as having entrusted the chairman of that shareholder's meeting as an agent, representing to perform the resolution right as the instruction of the written or electronic text. But the chairman who thus obtains the authorization is not under the restriction of not exceeding 3% agency and the shareholders still have the right to entrust another agent to be present at the shareholders meeting, then clearly expressing the act as retracting the entrust to the chairman of the shareholders meeting.
The relative regulations of [The rules of the power of attorney for	According to the Cayman lawyer explanations, Cayman Islands law does not have the	Article No. 78 of the articles is a conclusive article to replace the

Different item	Cayman decree and explanation	Regulations and explanation of articles of association
a public listed company to be present at the shareholders meeting], such as the qualification of the solicitor, unlimited agent share number, solicitation method, solicitation announcement, content, and relative restrictions.	corresponding concept of power of attorney solicitation.	shareholder equity protection items concerning the detailed regulations of the performance of the power of attorney: [Under the circumstances of the applicable law permission and in compliance with the regulations of the article, when using the power of attorney, the relative regulations of the power of attorney at the presence of the listed company shareholders meeting in the Republic of China should be applicable.]
The following proposals involving shareholders major equities should be agreed by [special resolution]: 1. The company contracts, changes or terminates renting the whole operation, entrusts management or jointly manages contracts usually with others, let the whole or main parts of business or property, let's all the business or property and has a major impact to the company operation. 2. To alter articles of association 3. If the alteration of the articles of association has damage to the equity of special shareholders, requires other special shareholders meeting resolution of special shares. 4. To issue all or part of share dividend and bonus by means of the new share issue.	According to the Cayman lawyer explanation: (1) The special resolution of Cayman decree refers to the resolution reached by over two thirds of resolution right of the shareholders present, and the circumstances of shareholder equity protection item listing In the situation where [the shareholders with over two thirds of total issued shares are present and over half of the shareholders votes counts as the majority.], only the shareholders present possess the right to [Over half of the votes count as the majority.] does not comply with the regulation of the Cayman decree special resolution. (2) The first item of shareholder equity protection shown on the left(if done with the method of reorganization and liquidation), the second, the third and the fifth items (not including division) stated In the situation where [the shareholders with over two thirds of total issued shares are present and over half of the shareholders votes counts as the majority.], only the shareholders present possess the right to [Over half of the votes count as the majority.] does not comply with the regulation of the Cayman decree	Special resolution of Cayman decree refers to the resolution reached by [agreement of over two thirds] of the attending shareholder resolution right with the shareholder equity protection item stating In the situation where [the shareholders with over two thirds of total issued shares are present and over half of the shareholders votes counts as the majority.], only the shareholders present possess the right to [Over half of the votes count as the majority.] does not comply with the regulation of the Cayman decree special resolution. In order to coordinate with the requirement of the regulation concerning the special resolution of Cayman decree and shareholder equity protection item examination form, the [supermajority resolution] is regulated under the special resolution threshold of the listed company in the company articles of association in the Republic of China (Please refer to Article 1 of the company

Different item	Cayman decree and explanation	Regulations and explanation of articles of association
5. The resolution to dissolve, merge or divide. 6. The definition of securities private placement [special resolution]: should have the presence of shareholders representing over two-thirds of the total issued shares and the agreement of over half of the shareholders present. When the total shares of the shareholders present are insufficient of the above-mentioned definite number, shareholders representing over half of the total issued shares should be present and the shareholders present agree with over two-thirds of the resolution rights.	special resolution. (3) According to [Cayman Islands company law] some parts of the items that should be resolved by special resolution include: (i) To change company title (Article 31); (ii) To revise or increase company articles (Article 24); (iii) To revise or increase company articles regarding purpose, power or other special stated items (Article 10); (iv) To reduce company capital and capital redemption reserve (Article 14 and Article 37 (4) (d)); (v) To voluntary dissolute for failing to pay off for other matters when the debt is due (Article 90 (b) (i) and Article 116 (c)); (vi)To approve article rules (Article 25 (2)); (vii) To commission investigator to investigate the company status (Article 67); (viii)To liquidate according to the court order (Article 94 (1)); (ix) To acquire or merge company (Article 233 (6)); and (x) To revise article outline and article rules when the company transfers to Cayman registration (Article 203). (4) In [Cayman Islands company law], there are regulations set for acquisition and merger. Company merger or acquisition should be approved by the special shareholder's resolution or other authorization methods of clear agreement in the article rules of the participating company.	articles of association), and Article 61 respectively regulates [supermajority resolution], and items to pass [supermajority resolution] with presence and percentage of resolution. If the item belongs to that required to be passed by the special resolution of Cayman decree, the Cayman decree regulations should be followed and formulated in the company articles of association (For example Article 155 to change articles by [special resolution]). Also in order to comply with the Cayman decree, Article 61 Item 21 regulation, company [merger] should be by [special resolution](Article 61 Item 2); Article 20 regulates that the change of articles, if the rights of shareholders are damaged, should be agreed by three fourths of the total issued special shareholders in writing or such shareholders by the permission of the special resolution in the shareholders meeting; the reason of [dissolution] differs in Article 151 regulations is to pass different resolution threshold: if the company fails to pay off overdue debt and resolute to arrange voluntary dissolution, only shareholders meeting resolution is required; if because of other reasons to voluntarily dissolute, [special resolution] then will be required.
Directors may be dismissed by shareholders meeting resolution at any time.	According to the Cayman lawyer explanation, [Cayman Islands company law] does not have special specifications to appoint, rotate, retire or dismiss directors. Many common laws derived	Article 120 of the company articles of association regulates that dismissing directors should be passed by common resolution of shareholders meeting,

Different item	Cayman decree and explanation	Regulations and explanation of articles of association
	from the case law have covered Table A of company articles of association outline of Cayman Islands company law, one of which is the article outline template, but the company established in the Cayman Islands does not the obligation to adopt the article's Table A as its articles outline. As for the matters of appointing, rotating, retiring or dismissing directors, the companies established in the Cayman Islands mostly adopt similar articles Table A in their articles outline. The companies established in the Cayman Islands may under no violation of Cayman Islands law and other applicable laws, in their articles outline, regulated proper specifications to appoint, rotate, retire and dismiss directors.	different from that of Article 199 Item 1 and Item 2 of the company law of the Republic of China; the company will revise the article to dismiss directors so as to comply with the company law of the Republic of China.
The remuneration of directors, if without being stated clearly in the articles, should be agreed by the shareholders meeting and not be subsequently ratified.	According to the Cayman lawyer explanation, [Cayman Islands company law] does not regulate for this, and it can be regulated by the company itself in the article's rules.	The revised Articles 89, directors' remuneration should be agreed at the time electing directors in the shareholders meeting, and not be subsequently ratified.
1. The company set supervisors, to be elected by the shareholders meeting, one of whom at least should have a residence in the country. 2. The term of supervisors should not exceed three years. But they can be re-elected. 3. When all supervisors are dismissed, the board of directors should hold a temporary shareholder meeting within 60 days to elect to replace. 4. Supervisors should monitor the execution of the company business and may at any time	According to the explanation of the Cayman lawyer, [Cayman Islands company law] does not request the company to have a supervisor.	Revised articles or organization document, articles or organization document sequence: Article 138 (the number of supervisors, term and election, supervisors may not concurrently serve other company jobs), Article 139 (a) (supervisors monitor and audit company business), Article 140 (supervisors audit the book of tables prepared by board of directors and the report of shareholders meeting), Article 139 (supervisors represent the company to commission accountants or lawyers and may each perform the monitor authority), Article 141 and

Different item	Cayman decree and explanation	Regulations and explanation of articles of association
investigate the business and financial status, audit book, and documents as well as requesting the board of directors or managers to provide reports. 5. Supervisors should audit various books of tables edited and presented by the board of directors and report opinions to the shareholders meeting. 6. Supervisors deal with the auditing matters and may represent the company to commission accountant and lawyer to audit. 7. Supervisors may sit in the board of directors meeting to state opinions. When the board of directors or directors have behaviors of violating decrees, articles or the resolutions of shareholders meeting in carrying out business, supervisors should notify the board of directors or directors at once to stop them. 8. Supervisors may perform the monitor authority by oneself. 9. Supervisors may not concurrently serve as directors, managers or other staff.		Article 139 (b) (supervisors may sit in the board of directors meeting and state opinions and request the board of directors to stop the law violation behaviors).
1. The shareholders who continue holding company issued shares over 3% in total may request supervisors in writing to file a lawsuit against company	According to Cayman lawyer explanation, in [Cayman Islands company law], there are no equivalent articles, but generally speaking, Cayman Islands court will follow English case law precedent, that is to allow minority shareholders to	Revised Article 141, specifying minority shareholders may request supervisors for the right to represent the company to file lawsuits against directors and have Taipei, Taiwan local court as a

Different item	Cayman decree and explanation	Regulations and explanation of articles of association
directors and may have Taipei, Taiwan local court as the first instance court. 2. After the shareholders raise requests, within thirty days, when supervisors do not file lawsuits, shareholders may file a lawsuit for the company, and have Taipei, Taiwan local court as the first instance court.	file lawsuits for shareholders representatives or in the name of filing shareholders derivative lawsuits and thus raise objections for several particular situations.	jurisdictional court.

V. Other necessary supplementary explanation items: N/A.

VI. Uncompleted over the cabinet commitment items:

Over the cabinet commitment items	**The dealing status of omitted items**
(1) Committed in [Obtaining and disposing assets dealing procedure] to revise and enlarge [the company must not give up the future capital increase for Prosper Link International Limited (hereafter called Prosper Link) and Yung Shen Optical Co. Ltd., (hereafter called Yung Shen Optical), Prosper Link must not give up future annual capital increase for Haichang International Limited (hereafter called Haichang), Haichang must not give up future capital increase for Haichang Contact Lens Co. Ltd. (hereafter called Haichang Co.) and Jiangsu Horien Contact Lens Co. Ltd., (hereafter called Horien Co.), Haichang Co. must not give up future annual capital increase for Horien Co.; in the future if that company for strategic federation consideration or others with the agreement of this center and must give up the above-mentioned company capital increase or disposing the above-mentioned company, agreement must pass the special resolution of the board of directors of Ginko International Co. Ltd. Also, those dealing rules if revision is to make in the future, should be keyed into the public information observatory site as major information to disclose and report in writing to the center for future reference.	The company passed the board of directors meeting on February 22, 2012, and shareholders general meeting March 30, to put the article listed on the left revised and enlarged in the company [Obtaining and disposing assets dealing procedure] Article 12 Item 4.
(II) Committed that after being listed on the cabinet, Haichang Co., Horien Co., and Yung Shen Optical should have a special person to diligently execute internal auditing annually.	The company has already installed full-time auditing personnel in Haichang, Jiangsu Horien and Yung Sheng Optical Co., Ltd. and included the three subsidiaries into the annual auditing range.
(III) Committed that after being listed on the cabinet, the director's election method should adopt a cumulative voting system.	The company articles Article 120 regulates the director's election method is to adopt the cumulative voting system and on January 16, 2012, issued

Over the cabinet commitment items	The dealing status of omitted items
	a letter of commitment[after being listed in the cabinet the director's election method should adopt cumulative voting system].
(IV) The company chairman Kuo- Chou Tsai is committed to bearing relative expenses if in the future Haichang Co., Horien Co., and Haichang Shanghai subsidiary for the existing private account received company payment before May 2010, part of sales trading invoices that had not been issued or transfer goods trading, etc. violated local tax decree regulations or being considered to assist others to evade taxes and thus to pay for the relative overdue taxes, fines, and derivative lawsuits and lawyers' fees.	The company chairman issued a letter of commitment on January 16, 2012, for the items listed on the left. Up to the present, none of the relative items listed on the left has occurred.

Nine. In the recent year and up to the issue of the annual report, if Securities Exchange Act Article 36 Item 3 -2 regulates the item that has a major impact for the shareholder equity or securities price: None of the situation.

【2018 Consolidated Financial Statements with Subsidiaries Audited by CPA】

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.

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**

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 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.

(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.

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

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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.

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**		**Measurement categories**	**Carrying amount**	
		CNY	**TWD**		**CNY**	**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

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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.

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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.

(Continued)

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.

(Continued)

- 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.

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(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	Shareholding ratio 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)

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
㈱ユニビューティー (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.

(Continued)

(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.

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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.

(Continued)

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 (usual
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

(Continued)

(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.

(Continued)

(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.

(Continued)

(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)

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

	Gross carrying amount		Weight-average loss rate	Loss allowance provision	
	CNY	TWD		CNY	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	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		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.

(Continued)

(f) Property, plant and equipment

	2018									
	Beginning balance		Additions		Disposals		Reclassification and exchange rate difference		Ending balance	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	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		Additions		Disposals		Reclassification and exchange rate difference		Ending balance	
	CNY	TWD	CNY	TWD	CNY	TWD	CNY	TWD	CNY	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.

(Continued)

(g) Intangible assets

i) Goodwill

	December 31, 2018		December 31, 2017	
	CNY	TWD	CNY	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		December 31, 2017	
	CNY	TWD	CNY	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		December 31, 2017	
	CNY	TWD	CNY	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		December 31, 2017	
	CNY	TWD	CNY	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.

(Continued)

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.

(Continued)

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.

(Continued)

(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.

(Continued)

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.

(Continued)

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)
Less: 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)

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		January 1, 2018	
	CNY	**TWD**	**CNY**	**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		January 1, 2018	
	CNY	**TWD**	**CNY**	**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	**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.

(Continued)

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.

(Continued)

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)

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.

(Continued)

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**

(Continued)

(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**

(Continued)

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**

(Continued)

(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			2017		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	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			2017		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	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

(Continued)

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

(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.	エイショウ光学株式会社	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		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
		Company	Relation (Note 3)										
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.	エイショウ光学株式会社	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.

(Continued)

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

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.	エイショウ光学株式会社	1	Sales	76,386	Note 2	1.03%
3	Yung Sheng Optical Co., Ltd.	エイショウ光学株式会社	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.	エイショウ光学株式会社	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

(Continued)

(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会社	Janpan	Sale of contact lenses and care solution	23,472 (USD90,000)	-	9,000	100.00%	5,752	(17,720)	(17,720)	

(Continued)

(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.

(Continued)

(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.

Ginko International Co., Ltd.

Chairman Kuo- Chou Tsai