Stock Code:3008

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

LARGAN PRECISION CO., LTD.

Parent Company Only Financial Statements

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

Address: No.11, Jingke Rd., Nantun Dist., Taichung City 40852, Taiwan (R.O.C.)
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The independent auditors' report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of Largan Precision Co., Ltd.:

Opinion

We have audited the financial statements of Largan Precision Co., Ltd. (the "Company") which comprise the balance sheets as of December 31, 2018 and 2017, the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers .

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 Auditors' Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of the Company 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Inventory valuation

   Please refer to Note 4(g), Note 5(a), and Note 6(g) for accounting policies, uncertainty of accounting estimates and assumptions, and related disclosures for inventory valuation.

   Description of key audit matter:

   Inventories are stated at the lower of cost or net realizable value. With the rapid development of technology, and significant changes in market demand, the severe volatility to sales may lead to risks, wherein the costs of inventories may exceed its net realizable values. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include obtaining an inventory aging report, analyzing the movement of inventory aging and evaluating the reasonableness of the Company's accounting policies, such as allowance for inventory valuation and obsolescence; performing a retrospective test of the Company's historical accuracy of judgments with reference to inventory valuation and comparing with the current period to evaluate the appropriateness of the estimation and assumptions used; examining whether the valuation of inventories are in compliance with the accounting policies of the Company; understanding the basis of the selling price the management used to ensure the reasonableness of net realizable value of inventories; reviewing sales in the subsequent period, as well as assessing the basis of the net realizable value the Company used to determine the sufficiency of allowance of inventories and whether the related disclosures are appropriate.

2. Accounts Receivable Valuation

Please refer to Note 4(f), note 5(b), and Note 6(e) for accounting policies, uncertainty of accounting estimates and assumptions, and related disclosures for accounts receivables valuation, respectively.

Description of key audit matter:

The Company's accounts receivable are concentrated within certain customers, and the determination of allowance for accounts receivable relies on the management's subjective judgment. Therefore, the valuation of accounts receivables is one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include estimating the loss allowance of trade receivables that is based on the risk of a default occurring and the rate of expected credit loss; reviewing the historical collection records, understanding the industry economic environment and the credit risk of receivables among limited customers to evaluate whether the method of estimation, assumptions, and related disclosures are appropriate.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the supervisors) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only 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 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 on the investment in other entities accounted for using the equity method in order to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 Tza-Hsin, Chang and Chiun-Mang, Chen.

KPMG

Taipei, Taiwan (Republic of China)
February 25, 2019

Notes to Readers

The accompanying parent company only financial statements are intended only to present the 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 audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

LARGAN PRECISION CO., LTD.

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents(Note6(a) and (w))	$ 56,224,190	42	46,724,786	40
1110	Current financial assets at fair value through profit or loss(Note6(b) and (w))	1,291,809	1	-	-
1120	Current financial assets at fair value through other comprehensive income (Note6(c) and (w))	23,389	-	-	-
1125	Current available-for-sale financial assets(Note6(d) and (w))	-	-	2,010,555	2
1150	Notes receivable, net(Note6(e) and (w))	3	-	-	-
1170	Accounts receivable, net(Note6(e) and (w))	2,639,484	2	4,783,338	4
1180	Accounts receivable from related parties, net(Note6(e)、(w) and7)	7,716,994	6	6,697,809	6
1200	Other receivables(Note6(f) and (w))	213,210	-	170,515	-
1210	Other receivables from related parties(Note6(f)、(w) and7)	68,234	-	100,111	-
1310	Inventories(Note6(g))	3,460,712	3	1,933,334	1
1470	Other current assets(Note6(k) and8)	553,490	-	109,404	-
		72,191,515	54	62,529,852	53
	Non-current assets:				
1550	Investments accounted for using equity method(Note6(h))	30,107,282	23	27,482,428	24
1600	Property, plant and equipment(Note6(i))	27,487,598	21	24,426,973	21
1780	Intangible assets(Note6(j))	80,345	-	83,718	-
1840	Deferred tax assets(Note6(n))	402,872	-	367,511	-
1900	Other non-current assets(Note6(k) and8)	2,772,208	2	2,276,390	2
		60,850,305	46	54,637,020	47
	Total assets	$ 133,041,820	100	117,166,872	100

		December 31, 2018		December 31, 2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings(Note6(l) and (w))	$ 552,868	-	395,774	1
2150	Notes payable(Note6(w))	846	-	2,346	-
2170	Accounts payable(Note6(w))	1,654,392	1	1,558,887	1
2180	Accounts payable to related parties(Note6(w) and7)	708,418	1	2,240,098	2
2200	Other payables(Note6(o) and (w))	18,147,993	14	16,603,841	14
2220	Other payables to related parties(Note6(w) and7)	2,529	-	711	-
2230	Current tax liabilities	4,194,745	3	3,825,097	3
2300	Other current liabilities	62,584	-	48,669	-
		25,324,375	19	24,675,423	21
	Non-Current liabilities:				
2570	Deferred tax liabilities(Note6(n))	15,560	-	598	-
2600	Other non-current liabilities(Note6(w))	4,473	-	3,179	-
2640	Net defined benefit liabilities(Note6(m))	97,841	-	90,441	-
		117,874	-	94,218	-
	Total liabilities	25,442,249	19	24,769,641	21
	Equity attributable to owners of parent:(Note6(p))				
3110	Share capital	1,341,402	1	1,341,402	1
3200	Capital surplus	1,557,011	1	1,556,388	1
3300	Retained earnings	106,503,622	80	91,870,266	79
3400	Other equity interest	(1,802,464)	(1)	(2,370,825)	(2)
	Total equity attributable to owners of parent	107,599,571	81	92,397,231	79
	Total liabilities and equity	$ 133,041,820	100	117,166,872	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

LARGAN PRECISION CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenues(Note6(r)、(s) and 7)**	$ 47,178,620	100	49,497,163	100
5000	**Operating costs(Note6(g) and (m))**	14,668,012	31	15,055,204	30
		32,510,608	69	34,441,959	70
5910	Realized (unrealized) profit from sales	(119,881)	-	3,495	-
5900	**Gross profit from operations**	32,390,727	69	34,445,454	70
6000	**Operating expenses(Note6(m) and 7):**				
6100	Selling expenses	287,239	1	299,024	1
6200	Administrative expenses	1,084,235	2	1,087,938	2
6300	Research and development expenses	3,252,847	7	3,272,770	7
	Total operating expenses	4,624,321	10	4,659,732	10
6900	**Operating income**	27,766,406	59	29,785,722	60
7000	**Non-operating income and expenses:**				
7010	Other income(Note6(u) and 7)	623,077	1	333,771	1
7020	Other gains and losses(Note6(u) and 7)	374,959	1	(709,609)	(1)
7060	Share of profit (losses) of associates accounted for using equity method(Note6(h))	2,149,295	5	2,247,034	4
		3,147,331	7	1,871,196	4
7900	**Profit before income tax**	30,913,737	66	31,656,918	64
7950	**Less: Income tax expense(Note6(n))**	6,544,203	14	5,681,295	11
	Profit for the period	24,369,534	52	25,975,623	53
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss:**				
8311	Remeasurements of defined benefit obligation(Note6(m))	(12,995)	-	(17,775)	-
8316	Unrealized loss on investments in equity instruments measured at fair value through other comprehensive income	(51,935)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(64,930)	-	(17,775)	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss:**				
8361	Exchange differences on translation of foreign financial statement	622,277	1	(1,885,780)	(4)
8362	Unrealized gains on valuation of available-for-sale financial assets(Note6(v))	-	-	1,792	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		622,277	1	(1,883,988)	(4)
	Other comprehensive income (loss) for the period, net of tax	557,347	1	(1,901,763)	(4)
8500	**Total comprehensive income for the period**	**$ 24,926,881**	**53**	**24,073,860**	**49**
	Earnings per share(NT dollars)(Note6(q))				
9750	**Basic earnings per share**	**$ 181.67**		**193.65**	
9850	**Diluted earnings per share**	**$ 180.05**		**191.77**	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

LARGAN PRECISION CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Other equity interest				
	Share Capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity
Balance at January 1, 2017	$ 1,341,402	1,555,729	8,711,955	-	65,720,266	74,432,221	(484,100)	-	(2,737)	(486,837)	76,842,515
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	2,273,302	-	(2,273,302)	-	-	-	-	-	-
Special reserve	-	-	-	486,837	(486,837)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(8,517,903)	(8,517,903)	-	-	-	-	(8,517,903)
	-	-	2,273,302	486,837	(11,278,042)	(8,517,903)	-	-	-	-	(8,517,903)
Other changes in capital surplus	-	659	-	-	-	-	-	-	-	-	659
Profit for the period	-	-	-	-	25,975,623	25,975,623	-	-	-	-	25,975,623
Other comprehensive income for the period	-	-	-	-	(17,775)	(17,775)	(1,885,780)	-	1,792	(1,883,988)	(1,901,763)
Total comprehensive income for the period	-	-	-	-	25,957,848	25,957,848	(1,885,780)	-	1,792	(1,883,988)	24,073,860
Changes in equity of associates accounted for using equity method	-	-	-	-	(1,900)	(1,900)	-	-	-	-	(1,900)
Balance at December 31, 2017	**$ 1,341,402**	**1,556,388**	**10,985,257**	**486,837**	**80,398,172**	**91,870,266**	**(2,369,880)**	**-**	**(945)**	**(2,370,825)**	**92,397,231**
Balance at January 1, 2018	$ 1,341,402	1,556,388	10,985,257	486,837	80,398,172	91,870,266	(2,369,880)	-	(945)	(2,370,825)	92,397,231
Effect of retrospective application	-	-	-	-	1,967	1,967	-	(2,912)	945	(1,967)	-
Balance of January 1, 2018 after adjustments	1,341,402	1,556,388	10,985,257	486,837	80,400,139	91,872,233	(2,369,880)	(2,912)	-	(2,372,792)	92,397,231
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	2,597,562	-	(2,597,562)	-	-	-	-	-	-
Special reserve	-	-	-	1,883,988	(1,883,988)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(9,725,164)	(9,725,164)	-	-	-	-	(9,725,164)
	-	-	2,597,562	1,883,988	(14,206,714)	(9,725,164)	-	-	-	-	(9,725,164)
Other changes in capital surplus	-	623	-	-	-	-	-	-	-	-	623
Profit for the period	-	-	-	-	24,369,534	24,369,534	-	-	-	-	24,369,534
Other comprehensive income for the period	-	-	-	-	(12,995)	(12,995)	622,277	(51,935)	-	570,342	557,347
Total comprehensive income for the period	-	-	-	-	24,356,539	24,356,539	622,277	(51,935)	-	570,342	24,926,881
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	14	14	-	(14)	-	(14)	-
Balance at December 31, 2018	**$ 1,341,402**	**1,557,011**	**13,582,819**	**2,370,825**	**90,549,978**	**106,503,622**	**(1,747,603)**	**(54,861)**	**-**	**(1,802,464)**	**107,599,571**

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

LARGAN PRECISION CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018	2017
Cash flows from operating activities:			
Profit before income tax	$	30,913,737	31,656,918
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		2,766,307	2,202,076
Amortization expense		61,476	30,052
Interest income		(613,196)	(326,352)
Share of loss (profit) of subsidiaries accounted for using equity method		(2,149,295)	(2,247,034)
Losses (Gains) on disposal of property, plant and equipment		1,618	(5,016)
Property, plant and equipment transferred to expenses		1,072	-
Gain on disposal of investment		-	(17,541)
Unrealized (realized) profit from sales		119,881	(3,495)
Unrealized foreign exchange loss		38,279	-
Total adjustments to reconcile profit		226,142	(367,310)
Changes in operating assets and liabilities:			
Changes in operating assets:			
Decrease in financial assets mandatorily measured at fair value through profit or loss		680,158	-
(Increase) decrease in notes receivable		(3)	132
Decrease (Increase) in accounts receivable		2,143,854	(1,059,982)
(Increase) decrease in accounts receivable from related parties		(1,019,185)	2,350,733
Increase in inventories		(1,527,378)	(178,515)
Increase in other current assets		(409,355)	(80,584)
Total changes in operating assets		(131,909)	1,031,784
Changes in operating liabilities:			
(Decrease) increase in notes payable		(1,500)	2,247
Increase in accounts payable		95,505	220,523
(Decrease) increase in accounts payable to related parties		(1,531,680)	1,136,104
Increase in other current liabilities		2,108,116	2,898,539
Decrease in net defined benefit liabilities		(5,595)	(2,024)
Total changes in operating liabilities		664,846	4,255,389
Total changes in operating assets and liabilities		532,937	5,287,173
Cash inflow generated from operations		31,672,816	36,576,781
Interest received		567,647	308,592
Income taxes paid		(6,205,748)	(5,370,382)
Net cash flows from operating activities		26,034,715	31,514,991
Cash flows from investing activities:			
Proceeds from disposal of financial assets at fair value through other comprehensive income		1,233	-
Acquisition of investments accounted for using equity method		(8,800)	-
Acquisition of available-for-sale financial assets		-	(14,420,000)
Proceeds from disposal of available-for-sale financial assets		-	15,919,653
Acquisition of property, plant and equipment		(6,398,078)	(7,388,555)
Proceeds from disposal of property, plant and equipment		111	5,584
(Increase) decrease in refundable deposits		(396,100)	2,545
Acquisition of intangible assets		(47,712)	(79,555)
Increase in other non-current assets		(99,718)	(259,149)
Net cash flows used in investing activities		(6,949,064)	(6,219,477)
Cash flows from financing activities:			
Increase in short-term borrowings		137,000	358,167
Increase (decrease) in guarantee deposits received		1,294	(1,349)
Cash dividend paid		(9,725,164)	(8,517,903)
Overdue dividend transferred to capital surplus		623	659
Net cash flows used in financing activities		(9,586,247)	(8,160,426)
Net increase in cash and cash equivalents		9,499,404	17,135,088
Cash and cash equivalents at beginning of period		46,724,786	29,589,698
Cash and cash equivalents at end of period	$	**56,224,190**	**46,724,786**

See accompanying notes to parent company only financial statements.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Largan Precision Co., Ltd. (the "Company") was incorporated in April 1987 as a company limited by shares under the Company Act of the Republic of china (R .O. C). The registered address is No.11, Jingke Rd., Nantun Dist., Taichung City 40852, Taiwan (R.O.C.). The major business activities of the Company are the design, manufacture and sale of lens for perspective mirror, camera, single and double binoculars, fax machine, microscope and scanner etc. Please refer to Note 14.

The Company's common shares were listed on the Taiwan Stock Exchange (TWSE) in March, 2002.

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

The accompanying parent company only financial statements were authorized for issuance by the Board of Directors on February 25, 2019.

(3) New standards, amendments and interpretations adopted

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "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
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

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

(i) 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 Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18, and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon its initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Company 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:

1) Sales of goods

For the sale of the Company's products, in the past, the export sales were recognized when the goods are shipped to the port, the domestic sales were recognized when the goods are delivered to the customer’s 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.

2) Impacts on financial statements

There was no significant impact on the Company’s financial statements upon the adoption of IFRS 15.

(ii) 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.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company’s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

(Continued)

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1) 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, loans and receivables 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. For an explanation of how the Company classifies and measures its financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

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

2) 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, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

3) 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 as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore, is not comparable to the information presented for 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 Company assumes that the credit risk on its asset will not increase significantly since its initial recognition.

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4) 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 the Company's financial assets as of January 1, 2018.

	IAS39		IFRS9	
Financial Assets	**Measurement categories**	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Cash and cash equivalents	Loans and receivables	$ 46,724,786	Amortized cost	$ 46,724,786
Debt securities	Available-for-sale (note 1)	1,971,967	Mandatorily at FVTPL	1,971,967
Equity instruments	Available-for-sale (note 2)	38,588	FVOCI	38,588
Trade and other receivables	Loans and receivables (note 3)	11,641,264	Amortized cost	11,641,264
Other financial assets (Refundable deposits)	Loans and receivables	962,244	Amortized cost	962,244

Note1: The corporate debt securities categorized as available-for-sale under IAS 39 are held by the Company's treasury unit in a separate portfolio to provide interest income; however, they may be sold to meet liquidity requirements arising in the normal course of business. The Company considers that these securities are held within a business model whose objective is achieved by selling securities. These assets have therefore been classified as financial assets at FVTPL under IFRS 9. An allowance for impairment of $1,967 thousand was recognized in opening retained earnings on transition to IFRS 9 on January 1, 2018.

Note2: These equity securities represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI.

Note3: Trade, lease and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings effect	2018.1.1 Other equity effect
Fair value through profit or loss						
Beginning balance of FVTPL (IAS 39)	$ -	-	-		-	-
Additions – debt instruments:						
From available for sale	-	1,971,967	-		1,967	(1,967)
Total	**$ -**	**1,971,967**	**-**	**1,971,967**	**1,967**	**(1,967)**
Fair value through other comprehensive income						
Beginning balance of available for sale (IAS 39)	$ 2,010,555	-	-		-	-
Subtractions – debt instruments:						
To FVTPL– required reclassification based on classification criteria	-	(1,971,967)	-		-	-
Total	**$ 2,010,555**	**(1,971,967)**	**-**	**38,588**	**-**	**-**

(Continued)

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(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 Company present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(z).

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

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

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

(i) IFRS 16“Leases”

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

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

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1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company 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 Company 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 and identified as leases in accordance with IAS 17 and IFRIC 4. The Company is assessing the potential impact of using the practical expedient.

2) Transition

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

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

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Company 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 Company chooses to elect the following practical expedients:

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

(Continued)

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3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Company estimated its right-of-use assets and lease liabilities to increase by $92,749 thousand and $90,364 thousand respectively on January 1, 2019. Besides, The Company 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.

So far, the Company estimated the application of the amendments will not have any significant impact on its deferred tax liabilities and retained earnings on January 1, 2019.

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

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

(Continued)

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(4) Summary of significant accounting policies

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent company only financial statements have been prepared on the historical cost basis:

1) Financial instruments measured at fair value through profit or loss are measured at fair value;

2) Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value.

(ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the entity operates. The Company's financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company 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. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

(Continued)

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

- Fair value through other comprehensive income(available-for-sale) equity investment;
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company's disposes any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from, or payable to, a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) **Classification of current and non-current assets and liabilities**

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.

(i) It expected to be realized, or intended to be sold or consumed, in its normal operating cycle;

(ii) It holds primarily for the purpose of trading;

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

(iv) The asset is cash or a 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.

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A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to settled in the normal operating cycle;

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

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

(iv) It does not have an unconditional right to defer settlement of the liability 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 the issue of equity instruments do not affect its classification.

(e) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) **Financial instruments**

(i) Financial assets (policy applicable commencing January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

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

1) 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 financial assets to collect contractual cash flows; and
- it is contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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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, less any impairment losses. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI and accumulated in other equity-unrealized gains (losses) on financial assests measure at FVOCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company’s right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

(Continued)

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3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

4) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes：

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management' s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company' s management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated － e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(Continued)

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5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial assets on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers：

- contingent events that would change the amount or timing of cash flows；
- terms that may adjust the contractual coupon rate, including variable rate features；
- prepayment and extension features；and
- terms that limit the Company’s claim to cash flows from specified assets（e.g. non-recourse features）

6) Impairment of financial assets

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

The Company measures its 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 the 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.

12-month ECLs are the portion of ECLs resulting 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 Company is exposed to credit risk.

(Continued)

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When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company 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 Company’s historical experience and informed credit assessment, as well as forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade which is considered to be twA or higher per Taiwan Ratings’.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 360 days past due or the borrower is unlikely to fully pay its credit obligations to the Company.

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 Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost 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 360 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 Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

(Continued)

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 Company 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 Company's procedures for recovery of amounts due.

7) Derecognition of financial assets

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

On derecognition of a debt instrument in its entirety, the Company recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presented it in the line item of non-operating income and expenses.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(Continued)

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

Financial assets are classified into the following categories: available-for-sale financial assets and loans and receivables.

1) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and included in non-operating income and expense. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at amortized cost, less any impairment losses and included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in non-operating income and expense.

Interest income from investment in bond security is recognized in profit or loss, under other income of non-operating income and expense.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. 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 expense.

3) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated

(Continued)

reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company 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 considered 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 Company 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 less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

(Continued)

Bad debt expenses and reversal of allowance for doubtful debts for trade receivables are recognized in general and administrative expenses while impairment losses and reversal of impairment for financial assets other than receivables are recognized under non-operating income and expenses.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on available-for-sale financial assets" in profit or loss is included in non-operating income and expenses.

On derecognition of a financial assets other than in its entirely, the Company separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(iii) Financial liabilities and equity instrument

1) Classification of debt or equity

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

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

(Continued)

2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capitalized cost is recognized in profit or loss, and included in non-operating income and expense.

3) Derecognition of financial liabilities

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

4) Offsetting of financial assets and liabilities

The Company presents its financial assets and liabilities on a net basis when the Company has the legally enforceable right 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.

(g) **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. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(h) **Investment in subsidiaries**

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of the parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(Continued)

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(i) **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 is 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 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 depreciation method of that significant part are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other 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 of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the cost of an asset, less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. 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.

Leased assets are depreciated by using the straight-line method during the period of expected use, consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, 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.

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

1)	Buildings	35 ~55years
2)	Machinery and equipment	2 ~ 10 years

Plant constitutes mainly building, electromechanical power engineering and cleanroom air conditioning project. Each such part is depreciated based on its useful life of 35~55 years, 8~ 10 years and 8~10 years, respectively.

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as changes in accounting estimates.

(j) **Leases**

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(ii) Lessee

Leases of the Company are operating leases and are not recognized in the Company's balance sheets. Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight-line basis so that the lease payments is reduced accordingly.

(k) **Intangible assets**

(i) Other intangible assets

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

(ii) 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 expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

The amortizable amount is the cost of an asset, less, its residual value. Except for goodwill and intangible assets with indefinite 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 that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Computer software cost	1~3 years

The residual value, amortization period and the amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any changes shall be accounted for as a changes in accounting estimates.

(l) **Impairment of non-financial assets**

The Company assesses non-derivative financial assets for impairment (except for inventories, assets arising from construction contracts, deferred income tax assets and employee benefits) at every reporting date, and estimates its recoverable amount. 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 Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for an individual asset or a CGU 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 shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

The Company assesses 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. An impairment loss recognized in prior periods for an asset other than goodwill shall be 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 shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.

(m) **Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be 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.

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(n) **Revenue**

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

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company 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 Company's main types of revenue are explained below.

1) Sale of goods

The Company manufactures and sells various multiples lens to mobile phone manufacturers. The Company 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 Company has objective evidence that all criteria for acceptance have been satisfied.

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

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

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

1) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For international shipments, transfer occurs upon loading the goods onto the relevant carrier at the client's designated location. For domestic

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shipments, transfer occurs upon loading the goods delivered to the customer's premises.

2) Services

The Company provides consultancy services and management services to its customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

3) Commissions

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Company.

(iii) Contract costs (policy applicable from January 1, 2018)

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

For general and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations(or partially satisfied performance obligations), the Company recognizes these costs as expenses when

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incurred.

(o) **Employee benefits**

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods based on the discounted present value of the said defined benefit obligation. Any unrecognized past service costs and the fair value of any plan assets are deducted for purposes of determining the Company's net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In calculating the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the pension cost incurred from the portion of the increased benefit relating to service by employees, is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. Remeasurements of the net defined benefit plan of the Group shall be recognized in remained earnings.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gains or losses on curtailment arise from any changes in the fair value of plan assets, any changes in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed when related services are provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(p) **Income taxes**

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

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; they also include tax adjustments related to prior years.

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:

(i) Assets and liabilities that are initially recognized but not related to the business combination, and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments on 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 shall be measured at the 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 fulfill one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intend 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.

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A deferred tax asset should be 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 reevaluated every year on the financial reporting date, and adjusted based on the probability that the future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(q) **Earnings per share**

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee bonus.

(r) **Operating segments**

The Company has disclosed the information on operating segments in its consolidated financial statements. Hence, no further information is disclosed in the parent company only financial statements.

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

The preparation of the parent Company only financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management 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.

The management continues to monitor the accounting estimates and assumptions. It recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(g) for further description of the valuation of inventories.

(Continued)

(b) The loss allowance of trade receivable

The Company has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. For relevant assumptions and input values, please refer to note 6(e).

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Petty cash and cash on hand	$ 536	516
Demand deposits	6,600,393	6,490,310
Time deposits	49,623,261	40,233,960
Cash and cash equivalents in the consolidated statement of cash flows	**$ 56,224,190**	**46,724,786**

Please refer to note 6(w) for the exchange rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Financial assets at fair value through profit or loss

	December 31, 2018	December 31, 2017
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stocks unlisted in domestic markets	$ -	-
Beneficiary Certificate-open-end funds	1,291,809	-
Total	**$ 1,291,809**	**-**

For market risk, please refer to note 6(w).

(c) Financial assets at fair value through other comprehensive income

	December 31, 2018
Equity investments at fair value through other comprehensive income	
Listed common shares	
Domestic Company - AVISION INC.	**$ 23,389**

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(i) Equity investments at fair value through other comprehensive income

On January 1, 2018, the Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes. These investments were classified as available-for-sale financial assets on December 31, 2017.

On March 12, 2018, the Company has sold 165 thousands of its share in AVISION INC. due to financial management reason. The shares sold had a fair value of $1,233 thousand, and the Company realized a gain of $14 thousand, which is already included in other comprehensive income. The gain has been transferred to retained earnings.

(ii) For market risk, please refer to note 6(w).

(iii) As of December 31, 2018, the financial assets at fair value through other comprehensive income of the Company had not been pledged as collateral for long-term borrowing.

(d) **Available-for-sale financial assets**

(i) Available - for-sale financial assets-current was as follows:

	December 31, 2017
Stocks listed on domestic markets	$ 38,588
Beneficiary certificate-open-end funds	1,971,967
Total	**$ 2,010,555**

(ii) These investments were classified as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss on December 31, 2018; please refer to note 6(b) and (c).

(iii) For market risk, please refer to note 6(w).

(iv) As of December 31, 2017, the available-for-sale financial assets of the Company had not been pledged as collateral for long-term borrowings.

(e) **Notes and accounts receivable**

	December 31, 2018	December 31, 2017
Notes receivable from non-operating activities	$ 3	-
Accounts receivable-measured as amortized cost	2,641,734	4,785,588
Accounts receivable from related parties-measured as amortized cost	7,716,994	6,697,809
Less: Loss allowance	(2,250)	(2,250)
	$ 10,356,481	**11,481,147**

(Continued)

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The Company 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, accounts receivable 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 as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 10,041,444	-	-
Overdue 1 to 60 days	317,287	0.7091 %	2,250
	$ 10,358,731		2,250

As of December 31, 2017, the Company applied the incurred loss model to consider the loss allowance on provision for notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, as follows:

	December 31, 2017
Overdue 1 to 60 days	$ 211,472

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

		December 31, 2017	
	December 31, 2018	Individually assessed impairment	Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	$ 2,250	2,250	-
Adjustment on initial application of IFRS 9	-	-	-
Balance on January 1, 2018 per IFRS 9	2,250	-	-
Foreign exchange gains/(losses)	-	-	-
Balance on December 31, 2018 and 2017	$ 2,250	2,250	-

The Company applied the incurred loss model to consider the allowance of its notes and accounts receivable as of December 31, 2017. The allowance for doubtful receivables were assessed by using the reference to collectability of notes and accounts receivable. The Company considered any changes in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. The Company recognized an allowance for impairment loss of 100% against all receivables over one year due to historical experience showing that such receivables are uncollectible. Allowance for impairment loss was recognized against accounts receivable within a year based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

Impairment loss recognized for individually assessed impairment is the difference between the carrying amount and the amount expected to be collected as of December 31, 2017.

(Continued)

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The notes and accounts receivable of the Company had not been pledged as collateral as of December 31, 2018 and 2017.

For further credit risk information, please refer to note 6(w).

(f) **Other receivables**

	December 31, 2018	December 31, 2017
Other accounts receivable-Tax receivables	$ 112,000	110,510
Other accounts receivable-Interest receivables	88,390	42,841
Other accounts receivable-Others	12,820	17,164
Other accounts receivable-Related parties	68,234	100,111
	$ 281,444	**270,626**

As of December 31, 2017, the Company had no past due but not impaired other receivables.

The movement in the allowance for other receivables was as follows:

	Individually assessed impairment	Collectively assessed impairment
Balance as of January 1 and December 31, 2017	$ -	-

For further credit risk information, please refer to note 6(w).

(g) **Inventories**

	December 31, 2018	December 31, 2017
Finished goods	$ 1,426,036	617,717
Work in progress	1,258,289	682,760
Raw materials	733,783	596,156
Supplies	42,604	36,700
Goods	-	1
	$ 3,460,712	**1,933,334**

For the years ended December 31, 2018 and 2017, the amounts of inventories that were charged to cost of sales, and the net of provisions that were charged to cost of sales in the consolidated statement of comprehensive income for inventories written down to net realizable value, were $67,982 thousand and $157,453 thousand, respectively.

As of December 31, 2018 and 2017, the Company did not provide any inventories as collateral for its loans.

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(h) **Investments accounted for using equity method**

A summary of the Company' s financial information for investments accounted for using equity method at the reporting date is as follows:

	December 31, 2018	December 31, 2017
Subsidiary-Largan (Hong Kong) Limited.	$ 341,593	323,482
Subsidiary-Asto International Ltd.	29,566,165	27,014,709
Subsidiary-Ba Fang Co., Ltd.	22,780	23,919
Subsidiary-Largan Digital Co., Ltd.	167,944	120,318
Prepayments for long-term investment	8,800	-
	$ 30,107,282	**27,482,428**

The prepayments for long-term investment was used for the investment in Largan Health AI-Tech Co., Ltd., as of December 31, 2018, wherein the registration of incorporation has yet to be completed.

(i) Subsidiaries

Please refer to the consolidated financial statements of the year 2018.

(ii) Collateral

As of December 31, 2018 and 2017, the Company did not provide any investment accounted for using equity method as collaterals for its loans.

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(i) **Property, plant and equipment**

The cost, depreciation, and impairment of the property, plant and equipment of the Company in 2018 and 2017, were as follows:

	Land	Building and Construction	Machinery and equipment	Transportation equipment	Office equipment and other facilities	Rental assets	Construction in progress and testing equip	Total
Cost or deemed cost:								
Balance on January 1, 2018	$ 4,709,398	1,887,298	15,613,060	19,363	5,556,219	54,898	9,071,986	36,912,222
Additions	771,850	231,464	3,276,857	1,723	970,015	-	588,215	5,840,124
Disposal	-	-	(5,992)	(534)	(3,500)	-	-	(10,026)
Reclassification	-	3,854,971	683,695	-	4,019,513	-	(8,569,677)	(11,498)
Balance on December 31, 2018	**$ 5,481,248**	**5,973,733**	**19,567,620**	**20,552**	**10,542,247**	**54,898**	**1,090,524**	**42,730,822**
Balance on January 1,2017	$ 3,694,827	1,851,985	12,696,552	17,948	4,966,450	54,898	6,847,120	30,129,780
Additions	1,014,571	31,386	2,710,125	1,415	603,590	-	2,470,393	6,831,480
Disposal	-	-	(21,981)	-	(27,057)	-	-	(49,038)
Reclassification	-	3,927	228,364	-	13,236	-	(245,527)	-
Balance on December 31, 2017	**$ 4,709,398**	**1,887,298**	**15,613,060**	**19,363**	**5,556,219**	**54,898**	**9,071,986**	**36,912,222**
Depreciation and impairment loss:								
Balance on January 1,2018	$ -	323,050	8,320,609	13,280	3,807,880	20,430	-	12,485,249
Depreciation for the year	-	93,802	1,812,134	2,220	857,745	406	-	2,766,307
Disposal	-	-	(4,426)	(371)	(3,500)	-	-	(8,297)
Reclassification	-	-	-	-	(35)	-	-	(35)
Balance on December 31, 2018	**$ -**	**416,852**	**10,128,317**	**15,129**	**4,662,090**	**20,836**	**-**	**15,243,224**
Balance on January 1, 2017	$ -	281,945	6,813,935	10,602	3,205,137	20,024	-	10,331,643
Depreciation for the year	-	41,105	1,528,320	2,678	629,567	406	-	2,202,076
Disposal	-	-	(21,646)	-	(26,824)	-	-	(48,470)
Balance on December 31, 2017	**$ -**	**323,050**	**8,320,609**	**13,280**	**3,807,880**	**20,430**	**-**	**12,485,249**
Carrying amounts:								
Balance on December 31, 2018	**$ 5,481,248**	**5,556,881**	**9,439,303**	**5,423**	**5,880,157**	**34,062**	**1,090,524**	**27,487,598**
Balance on January 1, 2017	**$ 3,694,827**	**1,570,040**	**5,882,617**	**7,346**	**1,761,313**	**34,874**	**6,847,120**	**19,798,137**
Balance on December 31,2017	**$ 4,709,398**	**1,564,248**	**7,292,451**	**6,083**	**1,748,339**	**34,468**	**9,071,986**	**24,426,973**

In 2013, the Company acquired a piece of land, for the expansion of its factory, amounting to $120,086 thousand, which was recognized under property, plant and equipment. The title of the said land cannot be transferred to the Company due to its classification. Therefore, it was registered under the name of a different person. To ensure the right of both parties (including that of the Company's shareholders), the two parties entered into an agreement, with the notarization of the court. In the future, the Company will file an application to the relevant authorities, and go through proper procedures, for the land to be reclassified in order to make it possible for the deed to be transferred to the Company.

(Continued)

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(j) **Intangible assets**

The costs and amortization of the intangible assets of Company in 2018 and 2017 were as follows:

	Computer Software
Costs:	
Balance at January 1, 2018	$ 191,715
Additions	47,712
Disposals	(483)
Reclassification	10,391
Effect of movement in exchange rates	-
Balance at December 31,2018	**$ 249,335**
Balance at January 1, 2017	$ 119,758
Additions	79,555
Disposals	(7,598)
Balance at December 31,2017	**$ 191,715**
Amortization and impairment Loss:	
Balance at January 1, 2018	$ 107,997
Amortization for the year	61,476
Disposals	(483)
Balance at December 31, 2018	**$ 168,990**
Balance at January 1, 2017	$ 85,543
Amortization for the year	30,052
Disposals	(7,598)
Balance at December 31, 2017	**$ 107,997**
Carrying value:	
Balance at December 31, 2018	**$ 80,345**
Balance at December 31, 2017	**$ 83,718**
Balance at January 1,2017	**$ 34,215**

The following amortizations of intangible assets are included in the statement of comprehensive income:

	2018	2017
Operating cost	$ 21,515	7,131
Operating expense	39,961	22,921
	$ 61,476	**30,052**

(Continued)

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(k) **Other current assets and other non-current assets**

The other current assets and other non-current assets of the Company were as follows:

	December 31, 2018	December 31, 2017
Other current financial assets	$ 6,000	13,133
Other current assets	547,490	96,271
Other non-current financial assets	315,296	312,847
Refundable deposits	1,032,364	636,264
Prepayment for equipment	1,424,548	1,327,279
	$ 3,325,698	**2,385,794**

(i) Other current (non-current) financial assets were restricted deposits pledged as collateral; please refer to note 8.

(ii) Other current assets were prepaid expense and temporary payments.

(iii) Refundable deposits had been pledged as collateral; please refer to note 8.

(iv) For further credit risk information, please refer to note6 (w).

(l) **Short-term borrowings**

The short-term borrowings were summarized as follows:

	December 31, 2018	December 31, 2017
Letters of credit	**$ 552,868**	**395,774**
Unused credit Lines	**$ 747,132**	**904,226**
Range of interest rates	**0.89%~1.05%**	**0.88%~0.93%**

(m) **Employee benefits**

(i) Defined benefit plans

Reconciliation of the defined benefit obligations at present value and plan asset at fair value are as follows:

	December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	$ 156,042	143,579
Fair value of plan assets	(58,201)	(53,138)
Net defined benefit liability	**$ 97,841**	**90,441**

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The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of the Labor Funds, Ministry of Labor. With regards to the utilization of the funds, minimum earnings in the annual distribution on the final financial statements shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $57,836 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Company were as follows:

		2018	2017
Defined benefit obligations at January 1	$	143,579	125,266
Benefit paid by the plan		(5,030)	(1,808)
Current service costs and interest cost (income)		3,056	2,428
Remeasurements loss (gain):			
-Financial assumptions		14,437	17,693
Defined benefit obligations at December 31	**$**	**156,042**	**143,579**

3) Movements of the fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets of the Company were as follows:

		2018	2017
Fair value of plan assets at January 1	$	53,138	50,576
Contributions paid by the employer		7,955	3,858
Benefits paid from plan assets		(5,030)	(1,808)
Remeasurements loss (gain):			
—Return on plan assets excluding interest income		696	594
—Financial assumptions		1,442	(82)
Fair value of plan assets at December 31	**$**	**58,201**	**53,138**

(Continued)

LARGAN PRECISION CO., LTD.
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4) Expenses recognized in profit or loss

The expenses recognized in profits or losses for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Current service costs	$ 916	828
Net interest of net liabilities for the defined benefit obligations	2,140	1,601
Remeasurements loss (gain) —Return on plan assets excluding interest income	(696)	(594)
	$ 2,360	1,835
Operating Costs	$ 1,806	1,380
Selling expenses	19	18
Administrative expenses	117	95
Research and development expenses	418	342
	$ 2,360	1,835
Return on plan assets	$ 2,138	512

5) Remeasurement in net defined benefit liability recognized in other comprehensive income

The Company's remeasurement in the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Accumulated amount at January 1	$ 49,445	31,670
Recognized during the period	12,995	17,775
Accumulated amount at December 31	$ 62,440	49,445

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2018	December 31, 2017
Discount rate	1.375 %	1.625 %
Increase in future salary rate	2 %	2 %

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The expected allocation payment to be made by the Company to the defined benefit plans for the one year period after the reporting date is $3,090 thousand.

The weighted average lifetime of the defined benefit plans is 18.44 years.

7) Sensitivity analysis

On December 31, 2018 and 2017, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increase0.25%	**Decrease0.25%**
December 31, 2018		
Discount rate	$ (4,356)	4,548
Future salary increases rate	4,412	(4,248)
December 31, 2017		
Discount rate	$ (4,177)	4,367
Future salary increases rate	4,276	(4,111)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $159,102 thousand and $133,863 thousand for the years ended December 31, 2018 and 2017, respectively.

(iii) Short-term employee benefit

The Company's employee benefit liabilities were as follows:

	December 31, 2018	December 31, 2017
Compensated absences liability	$ 81,064	67,331

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(n) **Income taxes**

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 commencing 2018.

(i) Income tax expense

The components of income tax in the years 2018 and 2017 were as follows:

	2018	2017
Current tax expense:		
Current period	$ 5,465,763	4,601,510
10% surtax on unappropriated earnings	1,174,827	1,144,521
Adjustment for prior periods	(75,989)	(16)
Deferred tax expense：		
Origination and reversal of temporary differences	44,351	(64,720)
Adjustment in tax rate	(64,749)	-
	$ 6,544,203	**5,681,295**

Reconciliation of income tax and profit before tax 2018 and 2017 is as follows:

	2018	2017
Profit before income tax	$ 30,913,737	31,656,918
Income tax using the Company's domestic tax rate	6,182,747	5,381,676
Adjustment in tax rate	(64,749)	-
Investment tax credits	(239,818)	(198,114)
Changes in unrecognized temporary differences	(429,859)	(381,995)
Gains on disposal of investment	(2,962)	(2,982)
Five-year exemption	-	(264,931)
Others income tax adjustments	6	3,136
Changes in provision in prior periods	(75,989)	(16)
10% surtax on unappropriated earnings	1,174,827	1,144,521
Total	**$ 6,544,203**	**5,681,295**

(Continued)

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Notes to the Parent Company Only Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with the investments in subsidiaries as of December 31, 2018 and 2017. Also, the management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2018	December 31, 2017
Aggregated amount of temporary differences related to investments in subsidiaries	$ 30,739,784	28,134,950

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

Deferred Tax Assets:

	Unrealized profit from associates	Others	Total
Balance at January 1, 2018	$ 224,749	142,762	367,511
Recognized profit or loss	63,172	(27,811)	35,361
Balance at December 31, 2018	**$ 287,921**	**114,951**	**402,872**
Balance at January 1, 2017	$ 225,739	87,842	313,581
Recognized profit or loss	(990)	54,920	53,930
Balance at December 31, 2017	**$ 224,749**	**142,762**	**367,511**

Deferred Tax Liabilities:

	Unrealized exchange gains	Other	Total
Balance at January 1, 2018	$ -	598	598
Recognized profit or loss	13,738	1,224	14,962
Balance at December 31, 2018	**$ 13,738**	**1,822**	**15,560**
Balance at January 1, 2017	$ 11,135	253	11,388
Recognized profit or loss	(11,135)	345	(10,790)
Balance at December 31, 2017	**$ -**	**598**	**598**

(Continued)

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3) Assessment of tax

The Company’ s tax returns for the years through 2016 were assessed by the Taipei National Tax Administration.

(o) Other payables

The other payables were summarized as follows:

		December 31, 2018	December 31, 2017
Payables on remuneration to employees, directors and supervisors	$	14,574,957	12,626,213
Payables for plant and equipment		2,051,257	2,592,704
Others		1,521,779	1,384,924
	$	**18,147,993**	**16,603,841**

(p) **Capital and other equity**

(i) Ordinary Shares

As of December 31, 2018 and 2017, the Company's authorized ordinary shares each amounted to $2,000,000 thousand (including the amount of $100,000 thousand allocated for the exercise of employee stock options), and the outstanding ordinary shares each amounted to $1,341,402 thousand, with a par value of $10 per share.

(ii) Capital Surplus

The balance of capital surplus was as following:

		December 31, 2018	December 31, 2017
Additional paid-in capital	$	817,574	817,574
Capital surplus-premium from merger		738,155	738,155
Dividend timeout not received by shareholder		1,282	659
	$	**1,557,011**	**1,556,388**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

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(iii) Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, until the accumulated legal reserve equals the Company's paid-in capital. In addition, a special, reserve in accordance with applicable laws and regulations shall also be set aside. Then, any remaining profit, together with any undistributed retained earnings, shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of its stockholders, as well as its programs to maintain its operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, dividend to be distributed shall be no less than 10% of the current-year retained earnings available for distribution. The cash dividends shall not be less than 30% of the total dividends.

1) Legal reserve

According to the amendment of the R.O.C. Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with the regulation set by the Financial Supervisory Commission, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. The special reserve for the years ended December 31, 2018 and 2017 were \$2,370,825 thousand and \$486,837 thousand, respectively.

3) Earnings distribution

The earnings distribution for 2017 and 2016 were decided by the general meeting of the shareholders held on June 12, 2018 and June 14, 2017 as follows:

	2017		2016	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Dividends distributed to common shareholders:				
Cash	**\$ 72.5**	**9,725,164**	**63.5**	**8,517,903**

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4) Other equity interests (net-of-taxes)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets
Balance at January 1, 2018	$ (2,369,880)	-	(945)
Effects of retrospective application	-	(2,912)	945
Balance at January 1, 2018 after adjustments	(2,369,880)	(2,912)	-
Exchange differences on foreign operations:			
The Company	623,090	-	-
Subsidiaries	(813)	-	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
The Company	-	(13,966)	-
Subsidiaries	-	(37,969)	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(14)	-
Balance at December 31, 2018	**$ (1,747,603)**	**(54,861)**	**-**
Balance at January 1, 2017	$ (484,100)	-	(2,737)
Exchange differences on foreign operations:			
The Company	(1,880,244)	-	-
Subsidiaries	(5,536)	-	-
Unrealized gains(losses) on available-for-sale financial assets:			
The Company	-	-	1,792
Balance at December 31, 2017	**$ (2,369,880)**	**-**	**(945)**

(Continued)

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(q) **Earnings per share**

The calculation of basic earnings per share and diluted earnings per share for years 2018 and 2017 were as follows:

	2018	2017
Basic earnings per share		
Profit of the Company for the year	$ 24,369,534	25,975,623
Weighted-average number of outstanding ordinary shares (in thousands)	134,140	134,140
	$ 181.67	193.65
Diluted earnings per share		
Profit of the Company for the year	$ 24,369,534	25,975,623
Weighted-average number of outstanding ordinary shares (in thousands)	134,140	134,140
Effect of dilutive potential common shares (thousand shares)		
Effect of employee share bonus	1,212	1,309
Weightier-average number of ordinary shares (in thousands) (after adjustment of potential diluted ordinary shares)	135,352	135,449
	$ 180.05	191.77

(r) **Revenue from contracts with customers**

Disaggregation of revenue

	2018
Primary geographical markets	
China	$ 27,081,768
Japan	8,599,298
Korea	7,234,368
Other	4,263,186
	$ 47,178,620
Major products	
Optical lens	$ 47,178,620

For details on revenue in 2017, please refer to note 6 (s).

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(s) **Revenue**

The details of revenue for the years ended December 31, 2017 were as follows:

		2017
Sale of goods	$	49,497,163

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

(t) **Employee compensation and directors' and supervisors' remuneration**

According to the Company' s articles of incorporation, the Company should distribute its remuneration of not less than 1%~30% and not more than 5% of annual profits to its employees and directors respectively, after offsetting accumulated deficits, if any. Employees, including employees of affiliate companies that meet certain conditions, are subject to the abovementioned remuneration, which is to be distributed in stock or cash.

For the year ended December 31, 2018 and 2017, the Company estimated its employee remuneration amounting to $4,383,828 thousand and $4,677,131 thousand, and directors' and supervisors' remuneration amounting to $328,787 thousand and $350,785 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2018 and 2017. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2018 and 2017.

(u) **Non-operating income and expenses**

(i) Other income

The details of other income for the years 2018 and 2017 were as follows:

		2018	2017
Interest income－bank deposits	$	613,196	326,352
Rent income		9,881	7,419
	$	623,077	333,771

(Continued)

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(ii) Other gains and losses

The details of other gains and losses for the years 2018 and 2017 were as follows:

	2018	2017
Foreign exchange gains (loss)	$ 239,481	(927,689)
Gains (Losses) on disposals of property, plant and equipment	(1,618)	5,016
Gains on disposals of available-for-sale financial assets	-	17,541
Gains on disposals of financial assets at fair value through profit or loss	14,809	-
Losses on financial assets at fair value through profit or loss	(1,157)	-
Others	123,444	195,523
	$ 374,959	**(709,609)**

(v) **Reclassification adjustments on components of other comprehensive income**

The details of the reclassification adjustments on components of other comprehensive income for the years 2018 and 2017 were as follows:

	2018	2017
Available-for-sale financial assets		
Net change in fair value	$ -	19,333
Net change in fair value reclassified to profit or loss	-	(17,541)
Net change in fair value recognized in other comprehensive income	**$ -**	**1,792**

(w) **Financial Instruments**

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting trade receivables. Besides, the Company monitors and reviews the recoverable amount of its trade receivables to ensure the uncollectible amount are recognized appropriately as impairment loss. As of December 31, 2018 and 2017, 90% and 97%, respectively, of accounts receivable were derived from several major customers. Thus, the credit risk is significantly centralized.

(Continued)

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3) Receivables

For credit risk exposure of notes and accounts receivable, please refer to note 6 (e).
Other financial assets at amortized cost includes other receivables, refundable deposits and other financial assets. For the details and loss allowance on December 31, 2017, please refer to note 6 (f). All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4 (f). The loss allowance provision as of December 31, 2018 was determined as follows:

	Other financial assets at amortized cost
Balance on January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	-
Balance on January 1 per IFRS 9	-
Impairment loss recognized	-
Balance on December 31	$ -

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, without the impact of netting agreements.

	Carrying amount	**Contractual cash flows**	**Within a year**	**Over 1 year**
December 31, 2018				
Non-derivative financial liabilities				
Short-term borrowings	$ 552,868	552,868	552,868	-
Accounts and notes payable (including related parties)	2,363,656	2,363,656	2,363,656	-
Other payables (including related parties)	2,967,286	2,967,286	2,967,286	-
Guarantee deposits received	4,473	4,473	-	4,473
	$ 5,888,283	**5,888,283**	**5,883,810**	**4,473**
December 31, 2017				
Non-derivative financial liabilities				
Short-term borrowings	$ 395,774	395,774	395,774	-
Accounts and notes payable (including related parties)	3,801,331	3,801,331	3,801,331	-
Other payables (including related parties)	3,458,518	3,458,518	3,458,518	-
Guarantee deposits received	3,179	3,179	-	3,179
	$ 7,658,802	**7,658,802**	**7,655,623**	**3,179**

(Continued)

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The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2018			December 31, 2017		
	Foreign Currency	Exchange Rates	New Taiwan Dollars	Foreign Currency	Exchange Rates	New Taiwan Dollars
Financial Assets						
Monetary items						
USD	$ 569,680	30.715	17,497,713	593,580	29.76	17,664,953
JPY	4,074,162	0.2782	1,133,432	3,159,214	0.2642	834,664
CNY	2,962,785	4.472	13,249,577	1,837,914	4.565	8,390,076

	December 31, 2018			December 31, 2017		
	Foreign Currency	Exchange Rates	New Taiwan Dollars	Foreign Currency	Exchange Rates	New Taiwan Dollars
Financial Liabilities						
Monetary items						
USD	62,766	30.715	1,927,843	112,189	29.76	3,338,758
JPY	3,502,869	0.2782	974,498	3,704,636	0.2642	978,765

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) 1% of the TWD against the USD, JPY, and CNY as of December 31, 2018 and 2017 would have increased (decreased) the net profit after tax by $231,827 thousand and $187,349 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years 2018 and 2017, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to $239,481 thousand and $(927,689) thousand, respectively.

(Continued)

(iv) Interest rate analysis

Please refer to the note on liquidity risk management and the interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate which increases or decreases by 1% when reporting to the internal management, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate increases/decreases by 1%, with all other variable factors that remaining constant, the Company's net income would have decreased/increased by $4,423 thousand and $3,285 thousand for the years ended December 31, 2018 and 2017, respectively. This is mainly due to the Company's borrowings in variable rates.

(v) Other market price risk

For the years ended December 31, 2018 and 2017, the sensitivity analysis for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss with all other variable factors remaining constant as illustrated below:

	For the years ended December 31,			
	2018		2017	
Prices of securities at the reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing1%	$ 234	12,918	20,106	-
Decreasing1%	$ (234)	(12,918)	(20,106)	-

(vi) Fair value of financial instruments

1) Categories and fair value of financial instruments

The fair value of financial assets at fair value through profit or loss (available-for-sale financial assets) and financial assets at fair value through other comprehensive income (available-for-sale financial assets) is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy, were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

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The Company uses observable market data to evaluate its assets and liabilities when it is possible. The different levels have been defined as follows:

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

● 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).

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

The categories and fair value of financial instruments were as follows:

	December 31, 2018				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	$ 1,291,809	1,291,809	-	-	1,291,809
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and foreign markets	23,389	23,389	-	-	23,389
Financial assets measured at amortized cost					
Cash and cash equivalents	56,224,190	-	-	-	-
Notes and accounts receivable and other receivables (including related parties and excluding tax receivable)	10,525,925	-	-	-	-
Other financial assets-current and non-current	321,296	-	-	-	-
Refundable deposits	1,032,364	-	-	-	-
Subtotal	68,103,775	-	-	-	-
Total	**$ 69,418,973**	**1,315,198**	**-**	**-**	**1,315,198**
Financial liabilities at amortized cost					
Short-term borrowings	$ 552,868	-	-	-	-
Notes and accounts payable (including related parties)	2,363,656	-	-	-	-
Other payables (including related parties)	2,967,286	-	-	-	-
Guarantee deposits received	4,473	-	-	-	-
Total	**$ 5,888,283**	**-**	**-**	**-**	**-**

(Continued)

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	December 31, 2017				
		Fair Value			
	Book Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for sale financial assets	$ 2,010,555	2,010,555	-	-	2,010,555
Loans and receivable					
Cash and cash equivalent	46,724,786	-	-	-	-
Notes and accounts receivable and other receivables (including related parties and excluding tax receivable)	11,641,264	-	-	-	-
Other financial assets-current and non-current	325,980	-	-	-	-
Refundable deposits	636,264	-	-	-	-
Subtotal	59,328,294	-	-	-	-
Total	**$ 61,338,849**	**2,010,555**	**-**	**-**	**2,010,555**
Financial liabilities at amortized cost					
Short-term borrowings	$ 395,774	-	-	-	-
Notes and accounts payable (including related parties)	3,801,331	-	-	-	-
Other payables (including related parties)	3,458,518	-	-	-	-
Guarantee deposits received	3,179	-	-	-	-
Total	**$ 7,658,802**	**-**	**-**	**-**	**-**

2) Valuation techniques of financial instruments not measured at fair value

The Company estimates its financial instruments, that are not measured at fair value, by methods and assumption as follows:

If there is quoted price generated by transactions for financial liabilities at amortized cost, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values. In addition, if the expiration date is approaching, or the future payable or receivable price is similar to the carrying amount, the fair value shall be assumed in the carrying amount in the balance sheets.

3) Valuation techniques for financial instruments measured at fair value.

Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

(Continued)

If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities, and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The fair value of the listed common shares and funds held by the Company are determined by reference to the market quotation.

4) Transfer between Level 1 and Level 2

There were no transfers from one level to another level in 2018 and 2017.

(x) **Financial risk management**

(i) Overview

The Company is exposed to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Company's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Company minimizes the risk exposure through derivative financial instruments. The Board of Directors regulates the use of derivative financial instruments in accordance with the Company's policy on risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investments of excess liquidity. The internal auditors of the Company continue to review the amount of the risk exposure in accordance with the Company's policies and the risk management's policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

(Continued)

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1) Accounts receivable and other receivables

The Company's customers is significantly concentrated in a few customers, In order to reduce credit risk, the Company continuously evaluates the financial status of its major customers and their condition, and also regularly assesses the possibility of receivables recovery.

The Company did not have any collateral or other credit enhancement to avoid credit risk of the financial assets.

The Company has losses allowance for bad debts to reflect the estimated losses of its accounts receivable, other receivables and investments. The main components of the allowance account contain specific losses associated with individual major risks. The component, and the component of the combined loss established for the loss of a similar group of assets, has occurred but not yet identified. The loss allowance account is based on the occurring risk of a default and the rate of expected credit loss.

2) Investments

The exposure to credit risk for bank deposits, fixed income investments, and other financial instruments, is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any of the counterparties above to fail in meeting their obligations; hence, there is no significant credit risk arising from these counterparties.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the New Taiwan Dollars (NTD). The currencies used in these transactions are the NTD, USD, CNY and JPY.

(Continued)

2) Interest rate risk

Please refer to note on the liquidity risk for interest rate risk of financial assets and financial liabilities.

3) Other market price risk

Please refer to note 6(w) for the sensitivity analysis of equity price risk.

(y) **Capital management**

The Company must maintain sufficient capital to establish and expand production capacity and equipment. Because the optical lens industry is highly subject to fluctuations in the booming cycle; the capital management of the Company is to ensure that it has sufficient and necessary financial resources to support its working capital requirements, capital expenditures, research and development activities, dividends and other business needs in the next 12 months.

(z) **Investing and financing activities not affecting current cash flow**

During 2018 and 2017, the Company's investment activity (without affecting its current cash flow) was to acquire equipment under finance lease.

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes		
	January 1,2018	**Cash flows**	**Foreign exchange movement**	**Fair value changes**	**December 31,2018**
Short-term borrowings	$ 395,774	137,000	20,094	-	552,868
Guarantee deposits received	3,179	1,294	-	-	4,473
Total liabilities from financing activities	**$ 398,953**	**138,294**	**20,094**	**-**	**557,341**

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(7) Related-party transactions

(a) For details of subsidiaries of the Company, please refer to note 4 (c) of the year 2018 consolidated financial report.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the parent Company only financial statements.

Name of related party	Relationship with the Company
Amtai Internation Ltd. (Amtai)	Subsidiaries
Largan Digital Co., Ltd. (Largan Digital)	Subsidiaries
Largan Medical Co., Ltd. (Largan Medical)	Subsidiaries
Suzhou Largan Co., Ltd. (Suzhou Largan)	Subsidiaries
Largan (Dongguan) Optronic Ltd. (Largan dongguan)	Subsidiaries
Largan Health Technology Inc. (LHT)	Subsidiaries
Largan Health Technology Co., Ltd. (Largan Health)	Subsidiaries
Ba Fang Co., Ltd. (Ba Fang)	Subsidiaries

(c) Significant related-party transactions

(i) Sale of goods to related parties

The amounts of significant sales and receivables by the Company to its related parties were as follows:

	Sale		Receivables from related parties	
	2018	**2017**	**December 31, 2018**	**December 31, 2017**
Subsidiaries-Largan Dongguan	$ 13,052,869	-	6,650,134	-
Subsidiaries-Amtai	11,950,301	15,128,493	1,054,264	1,996,248
Subsidiaries-Suzhou Largan	9,881,631	19,013,543	-	4,667,876
Subsidiaries-Others	137,676	193,507	12,596	33,685
	$ 35,022,477	**34,335,543**	**7,716,994**	**6,697,809**

The sales price of the Company to its related parties is not comparable to other sales due to the differences in the sales of the goods. During 2018 and 2017, the collection terms for sales to related parties were month-end 30 to 120 days, which were not materially different from those of the third parties.

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(ii) Purchases from related parties

1) The amounts of significant purchases and payables by the Company from its related parties were as follows:

	Purchases		Payables to related parties	
	2018	2017	December 31, 2018	December 31, 2017
Subsidiaries-Amtai	$ 2,692,182	5,238,397	695,917	2,233,083
Subsidiaries-Other	116,793	100,866	12,501	7,015
	$ 2,808,975	**5,339,263**	**708,418**	**2,240,098**

The purchases price of the Company to its related parties is not comparable to other purchases due to the differences in the purchases of the goods. During 2018 and 2017, the payment terms for purchases to related parties were month-end 30 to 120 days, which were not materially different from those of the third parties.

2) The disposed amount of both the purchased finished goods from related parties, and the purchased part of raw materials components from the Company, were included in financial statements as follows:

	2018	2017
Subsidiaries	**$ 1,405,291**	**2,307,291**

(iii) Provides and purchase technical services to related parties

During 2018 and 2017, the Company's income from providing technical services to its related parties were as follows (classified under the other gains):

	2018	2017
Subsidiaries−Amtai	$ 27,311	29,727
Subsidiaries−Largan Medical	49,865	32,156
	$ 77,176	**61,883**

During 2018 and 2017, the Company's expense from technical services from its related parties were as follows (classified under the other expense):

	2018	2017
Subsidiaries−Largan Digital	**$ 3,168**	**2,929**

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(iv) Purchases and disposals of property, plant and equipment

1) During 2018 and 2017, the Company's disposals of its equipment to its related parties are summarized as follows:

	2018			2017		
Subsidiaries:	Carrying amount	Disposal price	Gain from disposal	Carrying amount	Disposal price	Gain from disposal
Amtai	$ -	-	-	233	1,500	1,267
Largan Digital	68	73	5	148	156	8
Largan Medical	38	38	-	118	128	10
	$ 106	**111**	**5**	**499**	**1,784**	**1,285**

2) During 2018 and 2017, the Company's purchase of its equipment from its related parties are summarized as follows:

	2018	2017
Subsidiaries	**$ 103,696**	**123,174**

3) During 2018 and 2017, the Company assisted its related parties to purchase other facilities as follows:

	2018	2017
Subsidiaries−Amtai	$ 2,720	3,536
Subsidiaries−Largan Digital	1,048	69,274
Subsidiaries−Largan Medical	7,654	13,003
Subsidiaries−Suzhou Largan	1,038	4,222
Subsidiaries−Largan Dongguan	16	-
	$ 12,476	**90,035**

(v) Rental income

During 2018 and 2017, the Company's rental income on offices to the subsidiaries are summarized as follows:

	2018	2017
Subsidiaries−Largan Digital	$ 2,694	1,474
Subsidiaries−Largan Medical	3,415	2,585
	$ 6,109	**4,059**

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(vi) Other

For the years ended December 31, 2018 and 2017, the amounts of receivables and payables from property transactions、rental income, technical service and other transactions, which were classified under other receivables from related parties, and other payables to related parties, are summarized as follows:

	December 31, 2018		December 31, 2017	
	other receivables from related parties	**other payables to related parties**	**other receivables from related parties**	**other payables to related parties**
Subsidiaries−Amtai	$ 52,592	241	55,441	196
Subsidiaries−Largan Digital	1,961	472	35,691	455
Subsidiaries−Other	13,681	1,816	8,979	60
	$ 68,234	**2,529**	**100,111**	**711**

(d) Key management personnel compensation

Key management personnel compensation comprised the following:

	2018	**2017**
Short-term employee benefits	$ 247,236	221,721
Post-employment benefits	338	326
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	$ 247,574	**222,047**

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(8) Pledged assets:

The carrying values of pledged assets were as follow:

Pledged assets	Object	December 31, 2018	December 31, 2017
Time deposit (classified under other current assets)	Customs office deposit	$ 6,000	6,000
Time deposit (classified under other current assets))	Completion deposit	-	7,133
Time deposit (classified under other non-current assets)	Litigation deposit	1,021,711	625,711
Time deposit (classified under other non-current assets)	Completion deposit	315,296	312,847
		$ 1,343,007	**951,691**

(9) Commitments and contingencies

(i) As at December 31, 2018 and 2017, the Company's outstanding letters of credit were $40,317 thousand and $0, respectively.

(ii) As at December 31, 2018 and 2017, the Company's outstanding purchase commitments for construction in progress, property and plant were $2,106,300 thousand and $2,738,897 thousand, respectively；The amount of construction that has not yet occurred were $261,638 thousand and $712,159 thousand, respectively.

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

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(12) Other:

The followings are the summary statement of employee benefits, depreciation, depletion, and amortization expenses by function in the current period:

By function / By item	2018			2017		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salary	4,755,201	3,150,512	7,905,713	4,265,379	3,336,893	7,602,272
Labor and health insurance	314,333	100,010	414,343	254,735	85,921	340,656
Pension	118,679	42,783	161,462	99,378	36,320	135,698
Remaneration directors	-	230,751	230,751	-	246,149	246,149
Others	140,068	30,853	170,921	112,351	25,386	137,737
Depreciation	2,581,604	184,703	2,766,307	2,056,016	146,060	2,202,076
Amortization	21,515	39,961	61,476	7,131	22,921	30,052

The average number of employee of the Company in 2018 and 2017 were 6,394 and 5,243, respectively, excluding the 5 directors.

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions, required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", of the Company

(i) Loans to other parties:None

(ii) Guarantees and endorsements for other parties:None

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(iii) Securities held as of December 31, 2018 (excluding those investments in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stock -Micro Win Tech Inc.	-	Non-current financial assets at fair value through profit or loss	1.25	-	20.66	-	(Note)
The Company	Stock -Kintech Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	570	-	0.33	-	(Note)
The Company	Stock-AETAS TECHNOLOGY INCORPORATED	-	Non-current financial assets at fair value through profit or loss	125	-	0.25	-	(Note)
The Company	Open-end fund-Franklin Templeton Sinoam Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	38,815	400,605	-	400,605	
The Company	Open-end fund-Yuanta Wan Tai Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	23,144	350,067	-	350,067	
The Company.	Open-end fund-Jih Sun Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	4,799	71,000	-	71,000	
The Company	Open-end fund-TCB Taiwan Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	26,620	270,075	-	270,075	
The Company	Open-end fund-Taishin 1699 Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	14,811	200,062	-	200,062	
The Company	Stock－AVISION INC.	-	Current Equity Investments at fair value through other comprehensive income	5,452	23,389	-	23,389	

Note：The shares were not listed on public market and had no specific fair value. Therefore, the Company discloses the net equity at the percentage of its ownership. As of December 31, 2018, all shares have been recognized as impairment losses, without value.

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(iv) Individual securities acquired, or disposed, with an accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Open-end fund-Franklin Templeton Sinoam Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	32,161	330,399	58,254	600,000	51,600	531,725	530,000	1,725	38,815	400,605
The Company	Open-end fund-capital money market fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	-	-	75,617	1,215,000	75,617	1,215,752	1,215,000	752	-	-
The Company	Open-end fund-Yuanta Wan Tai Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	-	-	78,174	1,180,000	55,030	830,496	830,000	496	23,144	350,067
The Company	Open-end fund-Jih Sun Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	13,597	200,248	78,013	1,151,000	86,811	1,281,437	1,280,000	1,437	4,799	71,000
The Company	Open-end fund-FSITC Taiwan Money Market	Current financial assets mandatorily measured fair value through profit or loss	-	-	36,176	550,132	42,004	640,000	78,180	1,191,830	1,190,000	1,830	-	-
The Company	Open-end fund-FSITC Money Market	Current financial assets mandatorily measured fair value through profit or loss	-	-	-	-	4,729	840,000	4,729	840,491	840,000	491	-	-
The Company	Open-end fund-Eastspring Investments Well Pool Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	-	-	67,248	910,000	67,248	911,282	910,000	1,282	-	-
The Company	Open-end fund-Union Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	15,996	210,014	7,611	100,000	23,607	310,438	310,000	438	-	-
The Company	Open-end fund-TCB Taiwan Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	49,614	501,174	41,444	420,000	64,438	652,802	650,000	2,802	26,620	270,075
The Company	Open-end fund-UPAMC James Bond Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	-	-	31,566	525,000	31,566	525,942	525,000	942	-	-

(Continued)

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Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Open-end fund-Fubon Chi-Hsiang Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	-	-	51,832	810,000	51,832	810,577	810,000	577	-	-
The Company	Open-end fund-Taishin 1699 Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	13,386	180,000	109,066	1,470,000	107,641	1,451,140	1,450,000	1,140	14,811	200,062
The Company	Open-end fund-Cathay Taiwan Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	-	-	40,319	500,000	40,319	500,476	500,000	476	-	-
The Company	Open-end fund-Fuh Hwa Money Market	Current financial assets mandatorily measured fair value through profit or loss	-	-	-	-	23,615	340,000	23,615	340,090	340,000	90	-	-

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land and buildings	2018.9	804,648	As of December 31, 2018, $804,648 thousand has been paid	Natural Person	None				-	Professional Appraisal Report	Future Operational Needs	None

(vi) Disposal of individual real estate with an amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Amtai International Ltd.	The Company's subsidiary	Purchases	2,692,182	34 %	120Days	-	-	(695,917)	(29)%	
The Company	Amtai International Ltd.	The Company's subsidiary	Sale	(11,950,301)	(25) %	30Days	-	-	1,054,264	10%	
The Company	Suzhou Largan Co., Ltd.	The Company's subsidiary	Sale	(9,881,631)	(20) %	120Days	-	-	-	-%	
The Company	Largan (Dongguan) Optronic Ltd.	The Company's subsidiary	Sale	(13,052,869)	(27) %	120Days	-	-	6,650,134	64%	

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Related-party	Nature of relationship	Ending balance(Note2)	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
The Company	Amtai International Ltd.	The Company's subsidiary	1,106,856	7.83	-	None	922,470 (Note1)	-
The Company	Largan (Dongguan) Optronic Ltd.	The Company's subsidiary	6,650,134	3.92	-	None	1,970,270 (Note1)	-

Note1: Until February 5, 2019.

Note2: Including other receivables.

(ix) Trading in derivative instruments:None

(b) Information on investees:

The following is the information on investees (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Largan Digital Co., Ltd.	Taichung, Taiwan	Manufacturing of image capture device、image reader、camera and player etc.	411,359	411,359	26,636	49.37 %	167,944	61,890	54,546	The Company's subsidiary
The Company	Largan (Hong Kong) Ltd.	Hong Kong	Investment	658,555	658,555	31,100	100 %	341,593	7,611	7,611	The Company's subsidiary
The Company	Astro International Ltd.	Samoa	Investment	247,104	247,104	7,600	100 %	29,566,165	1,974,133	2,088,277	The Company's subsidiary
The Company	Ba Fang Co., Ltd.	Taichung, Taiwan	Investment、building construction etc.	28,000	28,000	2,800	100 %	22,780	(1,139)	(1,139)	The Company's subsidiary
Largan Digital Co., Ltd.	Largan Medical Co. Ltd.	Taichung, Taiwan	Manufacturing of Optical Instruments、Medical and Photo instruments sale etc.	428,252	428,252	40,497	40.5 %	267,917	13,326	5,397	The Company's subsidiary
Largan Digital Co., Ltd.	Alpha Holding Inc.	Samoa	Investment	118,415	118,415	3,700	100 %	35,686	(6,967)	(6,967)	The Company's subsidiary
Astro International Ltd.	Net International Trading Ltd.	British Virgin Islands	Investment	756,599	756,599	24,300	100 %	6,391,334	783,070	783,070	The Company's subsidiary
Astro International Ltd.	Amtai International Ltd.	Samoa	Manufacturing of Optical part etc.	50,600	50,600	1,500	100 %	21,053,600	1,114,190	1,121,708	The Company's subsidiary
Astro International Ltd.	Largan Health Technology Inc.	Samoa	Investment	110,898	110,898	1,476	12 %	32,701	(57,916)	(6,950)	The Company's subsidiary
Ba Fang Co., Ltd.	Fang Yuan Co., Ltd.	Taichung, Taiwan	Investment	14,800	14,800	1,480	100 %	9,692	(1,133)	(1,133)	The Company's subsidiary
Largan Medical Co. Ltd.	Beta International Ltd.	Samoa	investment	120,334	120,334	3,700	100 %	79,867	(18,550)	(18,550)	The Company's subsidiary
Alpha Holding Inc.	Largan Health Technology Inc.	Samoa	investment	110,898	110,898	1,476	12 %	32,701	(57,916)	(6,950)	The Company's subsidiary
Beta International Ltd.	Largan Health Technology Inc.	Samoa	investment	110,898	110,898	3,936	32 %	76,881	(57,916)	(18,533)	The Company's subsidiary
Largan Health Technology Inc.	Dynadx Corporation	U.S.A	Development of the software	10,629	8,483	10,617	100 %	6,557	(2,007)	(2,007)	The Company's subsidiary
Largan Health Technology Inc.	Largan Health Technology Co., Ltd.	Taichung, Taiwan	Sales of medical equipment	40,797	34,797	2,845	100 %	2,586	(18,397)	(18,397)	The Company's subsidiary

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
LARGAN (DONGGUAN) OPTRONIC LTD.	Production and sales of camera lenses, scanner lens optoelectronic devices, viewing windows, digital electronic cameras	HK$ 178,076	Note1(a)	HK$ 85,986 US$ 7,474	-	-	HK$ 85,986 US$ 7,474	RMB$ 85,948	100.00%	NT$ 393,041	NT$ 2,659,889	-
Suzhou Largan Co., Ltd.	Production of digital cameras and key components, optoelectronic devices	US$ 5,000	Note1(a)	US$ 5,000	-	-	US$ 5,000	RMB$ 85,435	100.00%	NT$ 389,463	NT$ 3,712,916	US$ 5,206
Nanjing Largan Health Technology Co., Ltd.	Health management, computer and medical device technology development, production and sales of medical devices	US$ 3,000	Note1(b)	-	-	-	-	RMB$ (7,217)	24.32%	NT$ (8,054)	NT$ 11,238	-
NEO (Shanghai) Medical Technology Co., Ltd.	Technical development and technical services in the field of medical device technology	RMB$20,000	Note1(b)	-	-	-	-	RMB$ (737)	9.80%	NT$ (331)	NT$ 8,341	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	**Investment Amounts Authorized by Investment Commission, MOEA**	**Upper Limit on Investment**
NT$720,290 (HK$85,986 and US$12,474)	NT$881,421 (HK$85,986 and US$17,720)	NT$64,559,743

Note 1(a): Indirectly investment in Mainland China through an existing company registered in the third region.

Note 2(b): Other method of investment.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in the “Information on significant transactions”.

(14) Segment information

Please refer to the 2018 consolidated financial statement.

LARGAN PRECISION CO., LTD.

Statement of cash on hand and demand deposits

December 31, 2018

(Expressed in Thousands of NTD; Expressed in Dollars of Foreign Currencies)

Items	Description	Amount
Cash	Cash	$ 58
	Cash on foreign Currency	478
	Subtotal	536
Cash in banks	Demand deposits	4,288,875
	Demand deposit on foreign Currency	
	(USD35,606,287.03×30.715	
	GBP59,967.27×38.88	
	JPY4,073,792,215.33×0.2782	
	EUR1,954,760.85×35.20	
	HKD1,060.36×3.921	
	CNY2,993,594.69 ×4.472	
	CHF348.96×31.185)	2,311,518
	Time deposits	30,392,900
	Time deposits on foreign currency	
	(USD412,500,000×30.715	
	CNY1,467,000,000.00×4.472)	19,230,361
	Subtotal	56,223,654
Total		**$ 56,224,190**

LARGAN PRECISION CO., LTD.

Statement of Current Financial Assets at Fair Value through Profit or Loss

December 31, 2018

(Expressed in Thousands of NTD; Expressed in Dollars of Unit cost and price)

Names of financial investment	Description	Unit in thousands	Acquisition	Fair Value Unit price	Fair Value Total amount
Franklin Templeton Sinoam Money Market Fund	Open-end fund	38,815	$ 400,000	10.32	400,605
Yuanta Wan Tai Money Market Fund	Open-end fund	23,144	350,000	15.13	350,067
TCB Taiwan Money Market Fund	Open-end fund	26,620	270,000	10.15	270,075
Taishen 1699 Money Market Fund	Open-end fund	14,811	200,000	13.51	200,062
Jih Sun Money Market Fund	Open-end fund	4,799	71,000	14.79	71,000
			$ 1,291,000		**1,291,809**

Statement of Current Financial Assets at Fair Value through Comprehensive Income

Equity Securities

AVISION	Stock	5,452	$ 40,280	4.29	**23,389**

LARGAN PRECISION CO., LTD.

Statement of Notes and Accounts Receivable

December 31, 2018

(Expressed in Thousands of NTD)

Client No.	Description	Amount
Accounts receivable-unrelated parties		
653021	Operating	$ 924,678
643006	Operating	683,381
633036	Operating	538,986
Other (Note)	Operating	494,689
Total		2,641,734
Impairment loss on allowance		(2,250)
Net amount		**$ 2,639,484**

Note: The amount of each item in others does not exceed 5% of the account balance.

Statement of Other Receivables

Items	Description	Amount
Tax receivables	Income tax refund of exercise tax	$ 112,000
Interest receivables	Income interest of cash in bank	88,390
Others (Note)		12,820
Total		**$ 213,210**

Note: The amount of each item in others does not exceed 5% of the account balance.

LARGAN PRECISION CO., LTD.

Statement of Inventories

December 31, 2018

(Expressed in Thousands of NTD)

Item	Amount		Note
	Cost	Market Value	
Goods	$ -	-	Market value of net realizable value
Finish goods	1,944,693	5,638,250	Market value of net realizable value
Work in progress	1,258,289	3,823,060	Market value of net realizable value
Raw materials	807,863	776,386	Market value of net realizable value
	4,010,845	**10,237,696**	
Loss on allowance for doubtful accounts	(550,133)		
Total	**$ 3,460,712**		

Statement of Other Current Assets

Items	Description	Amount
Other current assets	Temporary payment	$ 538,641
	Others (Note)	14,849
		$ 553,490

Note: The amount of each item in others does not exceed 5% of the account balance.

LARGAN PRECISION CO., LTD.

Statement of Changes in Investments Accounted for Equity Method

January 1, 2018 to December 31, 2018

(Expressed in Thousands of NTD)

	Beginning balance			Addition		Decrease			Amount of exchange on translation of foreign financial statement			Ending balance			
Names of Investee	Shares	Percentage of ownership	Amount	Shares	Amount	Shares	Amount	Profit or loss of investment		Retained earnings	Other (Note)	Shares	Percentage of ownership	Amount	Pledge of collateral
Largan (Hong Kong) Limited	31,100	100.00	323,482	-	-	-	-	7,611	10,500	-	-	31,100	100.00	341,593	None
Largan Digital Co., Ltd.	26,636	49.37	120,318	-	-	-	-	54,546	(814)	-	(6,106)	26,636	49.37	167,944	None
Astro International Ltd.	7,600	100.00	27,014,709	-	-	-	-	2,088,277	612,591	(37,969)	(111,443)	7,600	100.00	29,566,165	None
Ba Fang Co., Ltd.	2,800	100.00	23,919	-	-	-	-	(1,139)	-	-	-	2,800	100.00	22,780	None
Prepayments for long-term investment	-	-	-	-	8,800	-	-	-	-	-	-	-	-	8,800	None
Total			**27,482,428**		**8,800**		**-**	**2,149,295**	**622,277**	**(37,969)**	**(117,549)**			**30,107,282**	

Note: The unrealized gain (loss) is refer to the downstream transactions and upstream transactions.

LARGAN PRECISION CO., LTD.

Statement of changes in Property, Plant, and Equipment

January 1, 2018 to December 31, 2018

(Expressed in Thousands of NTD)

Please refer to note (6)(i).

Statement of Other Non-current Assets

December 31, 2018

Items	Description	Amount
Refundable deposits	Litigation deposit	$ 1,021,711
	Others (Note)	10,653
		1,032,364
Restricted cash in bank-non-current	Completion deposit	315,296
Prepayment for equipment	Prepaid machine equipment	1,424,548
Total		**$ 2,772,208**

Note: The amount of each item in others does not exceed 5% of the account balance.

LARGAN PRECISION CO., LTD.

Statement of Bank Loan

December 31, 2018

(Expressed in Thousands of NTD)

Creditor	Type of loan	Ending balance	Contract Period	Range of interest rate	Loan Commitment	Collateral
Mega Bank	Credit loan	**552,868**	Due within a year	0.89~1.05%	**1,300,000**	None

Statement of Notes and Accounts Payable

Vendor Name	Description	Amount
Notes payable-unrelated parties	non-operating	**$ 846**
Accounts payable-unrelated parties		
110185	operating	$ 438,499
110181	operating	234,929
100230	operating	201,730
100236	operating	161,885
110059	operating	151,638
110184	operating	138,973
170426	operating	84,950
Others (Note)	operating	241,788
Total		**$ 1,654,392**

Note: The amount of each item in others does not exceed 5% of the account balance.

LARGAN PRECISION CO., LTD.

Statement of Other Payables

December 31, 2018

(Expressed in Thousands of NTD)

Please refer to note (6)(o).

Statement of Other Non-current Liabilities

Items	Description	Amount
Other non-current liabilities	Guarantee deposits received	$ 4,473

LARGAN PRECISION CO., LTD.

Statement of Operating Income

For 2018

(Expressed in Thousands of NTD)

Items	Quantity (unit in thousands)	Amount
Lens	1,211,972	$ 46,890,530
Others (Note)		288,090
Total		**$ 47,178,620**

Note: The amount of each item in others does not exceed 10% of the account balance.

LARGAN PRECISION CO., LTD.

Statement of Opening Costs

For 2018

(Expressed in Thousands of NTD)

Items	Amount
Goods	
Goods, beginning of year	$ 1
Goods purchased	14,280
Goods, end of year	-
Cost of goods	14,281
Raw materials and supplies	
Raw materials and supplies, beginning of year	651,647
Addition：Raw materials and supplies purchased	5,194,139
Raw materials and supplies surplus	1,183
Decrease：Raw materials and supplies, end of year	807,863
Sale of raw materials and supplies	3,565
Others	452,420
Raw materials and supplies used	4,583,121
Direct labor	1,841,127
Manufacturing expense	8,424,124
Manufacturing Cost	14,848,372
Addition ：Work in progress, beginning of year	682,760
Decrease： Work in progress, end of year	1,258,289
Cost of finished goods	14,272,843
Addition：Finished goods, beginning of year	1,149,059
Finished goods purchased	1,289,323
Finished goods surplus	2,176
Decrease：Finished goods, end of year	1,944,693
Scrapped	137,570
Other	60,367
Production and marketing costs	14,570,771
Processing cost	11,413
Sale of raw materials and supplies	3,565
Inventory surplus and shortage	(3,359)
Revenue from sale of scraps	(66,266)
Inventory scrap loss	137,570
Inventories related to profit or loss	37
Operating costs	**$ 14,668,012**

LARGAN PRECISION CO., LTD.

Statement of Operating Expenses

For 2018

(Expressed in Thousands of NTD)

Items	Selling expenses	Administrative Expenses	Research and development expenses
Payroll	$ 193,120	540,820	2,416,572
Import and export expense	54,061	-	-
Consumable expense	-	-	452,766
Others (note)	40,058	543,415	383,509
	$ 287,239	**1,084,235**	**3,252,847**

Note: The amount of each item in others does not exceed 5% of the account balance.