Stock Code:3081

(English Translation of Financial Statements and Report Originally Issued in Chinese.)

LandMark Optoelectronics Corporation
Financial Statements
With Independent Auditors' Review Report
for the Three Months Ended
March 31, 2018 and 2017

Address: No.12, Nanke 9th Rd, Shanhua Dist., Tainan City, Taiwan R.O.C
Telephone: 886-6-505-8999

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors’ Review Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8～13
(4) Summary of significant accounting policies	13～18
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	19
(6) Explanation of significant accounts	19～32
(7) Related-parties transactions	32
(8) Pledged assets	32
(9) Significant Commitments and contingencies	32
(10) Losses Due to Major Disasters	32
(11) Significant Subsequent Events	32
(12) Other	33
(13) Other disclosures	
(a) Information on significant transactions	33
(b) Information on investees	34
(c) Information on investment in mainland China	34
(14) Segment information	34

Independent Auditors' Report

To the Board of Directors of LandMark Optoelectronics Corporation:

Introduction

We have reviewed the balance sheets of LandMark Optoelectronics Corporation("the Company") as of March 31, 2018 and 2017, and the related statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the financial statements based on our review.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Company as at March 31, 2018 and 2017, and of its financial performance and its cash flows for the three months ended March 31, 2018 and 2017, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, " Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Hui-Yuan Chen and Chen-Lung Hsu.

KPMG

Taipei, Taiwan (the Republic of China)
April 30, 2018

Notes to Readers

The accompanying 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 review such financial statements are those generally accepted and applied in the Republic of China.

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

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

Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2018 and 2017

LandMark Optoelectronics Corporation

Balance Sheets

March 31, 2018, December 31, 2017 and March 31, 2017

(Expressed in Thousands of New Taiwan Dollars)

		March 31, 2018		December 31, 2017		March 31, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current assets:						
1100	Cash and cash equivalents (note 6(a))	$ 2,187,705	51	2,043,337	50	2,687,000	65
1110	Financial assets at fair value through profit or loss－current (note 6(b))	110	-	-	-	476	-
1150	Notes receivable, net (note 6(c))	101,338	2	33,378	1	20,444	1
1170	Accounts receivable, net (note 6(c)(m))	355,271	8	381,408	10	208,454	5
1310	Inventories (note 6(d))	227,628	5	217,709	6	173,005	4
1410	Prepayments	9,323	-	12,050	-	4,395	-
1470	Other current assets	14,499	-	10,839	-	4,439	-
1476	Other financial assets－current (note 8)	18,161	1	16,002	-	12,108	-
		2,914,035	67	2,714,723	67	3,110,321	75
	Non-current assets:						
1600	Property, plant and equipment (note 6(e) and 9)	1,170,132	27	1,111,531	28	1,033,804	25
1780	Intangible assets (note 6(f))	12,802	-	13,602	-	-	-
1840	Deferred tax assets	15,053	1	12,795	-	9,343	-
1980	Other financial assets－non-current (note 8)	12,109	-	11,959	-	3,441	-
1990	Other non-current assets (note 6(g))	202,727	5	185,477	5	10,655	-
		1,412,823	33	1,335,364	33	1,057,243	25
	Total assets	**$ 4,326,858**	**100**	**4,050,087**	**100**	**4,167,564**	**100**

		March 31, 2018		December 31, 2017		March 31, 2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current liabilities:						
2130	Contract liabilities－current (note 6(m))	$ 7,948	-	-	-	-	-
2150	Notes payable	29,105	1	30,678	1	26,711	1
2170	Accounts payable	84,646	2	52,365	1	41,574	1
2200	Other payables	187,030	4	182,489	5	158,924	4
2230	Current tax liabilities	92,727	2	48,252	1	102,153	2
2300	Other current liabilities	4,627	-	11,686	-	1,285	-
		406,083	9	325,470	8	330,647	8
	Non-Current liabilities:						
2570	Deferred tax liabilities	-	-	-	-	700	-
2640	Net defined benefit liability－non-current	3,425	-	3,421	-	4,049	-
		3,425	-	3,421	-	4,749	-
	Total liabilities	409,508	9	328,891	8	335,396	8
	Equity attributable to owners of the Company (note 6(j)(k)):						
3110	Capital stock	905,732	21	905,732	22	906,077	22
3200	Capital surplus	1,655,253	38	1,655,253	41	1,654,908	40
	Retained earnings:						
3310	Legal reserve	342,342	8	342,342	9	254,797	6
3350	Unappropriated earnings	1,038,978	24	857,797	21	1,101,234	26
		1,381,320	32	1,200,139	30	1,356,031	32
3491	Deferred compensation cost arising from issuance of restricted stock	(24,955)	-	(39,928)	(1)	(84,848)	(2)
	Total equity	3,917,350	91	3,721,196	92	3,832,168	92
	Total liabilities and equity	**$ 4,326,858**	**100**	**4,050,087**	**100**	**4,167,564**	**100**

See accompanying notes to financial statements.

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

Reviewed only, not audited in accordance with generally accepted auditing standards

LandMark Optoelectronics Corporation

Statements of Comprehensive Income

For the three months ended March 31, 2018 and 2017

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

		For the three months ended March 31,			
		2018		2017	
		Amount	%	Amount	%
4100	**Operating revenue (note 6(m)(n))**	$ 577,654	100	376,225	100
5000	**Operating costs (note 6(d)(h)(k)(o), 7 and 12)**	261,620	45	196,474	52
5900	**Gross profit**	316,034	55	179,751	48
6000	**Operating expenses (note 6(c)(h)(k)(o), 7 and 12):**				
6100	Selling and marketing expenses	7,826	1	9,175	3
6200	General and administrative expenses	22,290	4	18,365	5
6300	Research and development expenses	54,840	10	30,826	8
		84,956	15	58,366	16
6900	**Operating income**	231,078	40	121,385	32
7000	**Non-operating income and expenses (note 6(p)):**				
7100	Interest income	3,389	1	1,632	-
7020	Other gains and losses	(10,813)	(2)	(18,059)	(4)
		(7,424)	(1)	(16,427)	(4)
7900	**Profit before income tax**	223,654	39	104,958	28
7950	**Income tax expenses (note 6(i))**	42,473	8	17,835	5
8200	**Net profit**	**181,181**	**31**	**87,123**	**23**
8300	**Other comprehensive income (note 6(i))**	-	-	-	-
8500	**Total comprehensive income**	**$ 181,181**	**31**	**87,123**	**23**
	Earnings per share (in dollars), after tax (note 6(l))				
9750	**Basic earnings per share**	**$**	**2.01**		**0.97**
9850	**Diluted earnings per share**	**$**	**2.00**		**0.96**

See accompanying notes to financial statements.

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

Reviewed only, not audited in accordance with generally accepted auditing standards

LandMark Optoelectronics Corporation

Statements of Changes in Equity

For the three months ended March 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				
	Capital stock	Capital surplus	Legal reserve	Unappropriated earnings	Deferred compensation cost	Treasury stock	Total equity
Balance at January 1, 2017	$ 912,577	1,665,787	254,797	1,144,248	(99,821)	(146,181)	3,731,407
Net Profit	-	-	-	87,123	-	-	87,123
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	87,123	-	-	87,123
Compensation cost arising from restricted stock	-	-	-	-	14,973	-	14,973
Treasury stock repurchase	-	-	-	-	-	(1,335)	(1,335)
Treasury stock retired	(6,500)	(10,879)	-	(130,137)	-	147,516	-
Balance at March 31, 2017	**$ 906,077**	**1,654,908**	**254,797**	**1,101,234**	**(84,848)**	**-**	**3,832,168**
Balance at January 1,2018	$ 905,732	1,655,253	342,342	857,797	(39,928)	-	3,721,196
Net Profit	-	-	-	181,181	-	-	181,181
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	181,181	-	-	181,181
Compensation cost arising from restricted stock	-	-	-	-	14,973	-	14,973
Balance at March 31, 2018	**$ 905,732**	**1,655,253**	**342,342**	**1,038,978**	**(24,955)**	**-**	**3,917,350**

See accompanying notes to financial statements.

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

Reviewed only, not audited in accordance with generally accepted auditing standards

LandMark Optoelectronics Corporation

Statements of Cash Flows

For the three months ended March 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31,	
	2018	**2017**
Cash flows from (used in) operating activities:		
Profit before tax	$ 223,654	104,958
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	74,712	63,373
Amortization expense	915	195
Expected credit gain	(2,579)	-
Unrealized net gains on change in fair value of financial assets or liabilities through profit or loss	(110)	(829)
Interest income	(3,389)	(1,632)
Compensation cost arising from restricted stocks	14,973	14,973
Property, plant and equipment transferred to expenses	-	299
Unrealized foreign exchange losses	2,075	4,589
Total adjustments to reconcile profit (loss)	86,597	80,968
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes receivable	(68,783)	14,421
Decrease in accounts receivable	27,526	5,369
Decrease (increase) in inventories	(9,919)	10,793
Decrease (increase) in prepayments	2,727	(1,312)
Decrease (increase) in other current assets	(3,660)	798
Decrease in other financial assets－current	852	386
Total changes in operating assets	(51,257)	30,455
Changes in operating liabilities:		
Increase in contract liabilities－current	7,948	-
Decrease in notes payable	(531)	(11,986)
Increase in accounts payable	32,643	12,437
Decrease in other payables	(1,043)	(2,712)
Decrease in other current liabilities	(7,059)	(4,695)
Increase (decrease) in defined benefit liability－non-current	4	(62)
Total changes in operating liabilities	31,962	(7,018)
Net changes in operating assets and liabilities	(19,295)	23,437
Total adjustments	67,302	104,405
Cash generated from operations	290,956	209,363
Interest received	3,389	1,632
Income tax paid	(256)	(32)
Net cash generated from operating activities	294,089	210,963
Cash flows from (used in) investing activities:		
Increase in other financial assets－current and non-current	(3,161)	(3,500)
Acquisition of property, plant and equipment	(128,530)	(67,798)
Increase in other non-current assets	(17,365)	(5,609)
Net cash used in investing activities	(149,056)	(76,907)
Cash flows from (used in) financing activities:		
Repurchase of restricted stock	-	(924)
Repurchase of treasury stock	-	(1,335)
Net cash used in financing activities	-	(2,259)
Effects of exchange rate changes on balance of cash held in foreign currencies	(665)	(2,238)
Net increase in cash and cash equivalents	144,368	129,559
Cash and cash equivalents at the beginning of year	2,043,337	2,557,441
Cash and cash equivalents at end of year	$ **2,187,705**	**2,687,000**

See accompanying notes to financial statements.

LandMark Optoelectronics Corporation

Notes to the Financial Statements

March 31, 2018 and 2017

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

(1) Company history

LandMark Optoelectronics Corporation (the “Company”) was incorporated on June 2, 1997 as a company limited by shares under the laws of the Republic of China (ROC). The Company is primarily engaged in the manufacturing, processing and selling of optical semi-conductors, laser diodes, and high brightness InAlGaP/AlGalnAs.

In response to the government's policy about enterprises consolidating or merging operations, the Company improves its capital structure, reduces its operating cost, and promotes reasonable operation. In accordance with the Business Mergers and Acquisitions Act, the Company merged with “ TJ Optoelectronics Corporation” on January 1, 2008, the basis date of the merger which was decided through a special meeting of the shareholders.

The Company’s stock was listed as a general stock on the Taipei Exchange on July 22, 2015.

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

The financial statements were authorized for issuance by the Board of the Company on April 30, 2018.

(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. In addition, based on the announcement issued by the FSC on December 12, 2017, the Company can, and therefore, elected to early adopt the amendments to IFRS 9 “Prepayment features with negative compensation”:

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
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
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

(Continued)

LandMark Optoelectronics Corporation
Notes to the Financial Statements

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

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

2) Impacts on financial statements

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

(Continued)

LandMark Optoelectronics Corporation
Notes to the Financial Statements

Impacted line items on the balance sheet		March 31, 2018			January 1, 2018	
	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balances upon adoption of IFRS 15	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balances upon adoption of IFRS 15
Contract liabilities－current	$ -	7,948	7,948	-	11,014	11,014
Other current liabilities	12,575	(7,948)	4,627	11,686	(11,014)	672
Impact on liabilities		-			-	

(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.

The Company adopted the consequential amendments to IFRS 7 "Financial Instruments: Disclosures" that are applied to disclosure 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:

1) Classification and measurement of financial assets and 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). Under IFRS 9, the classification of financial assets 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 financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets 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 financial assets and accounts for related gains and losses under IFRS 9, please see note 4(b).

The adoption of IFRS 9 did not have any a 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. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(b).

3) Transition

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

LandMark Optoelectronics Corporation
Notes to the Financial Statements

- Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for 2017 did 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 to be made on the basis of the facts and circumstances that exist 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 the investments of debt security had low credit risk at the date of initial application. The Company assumes that credit risk of assets has not increase significantly since initial recognition.

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.

	2018.1.1			
	IAS39		IFRS9	
	Measurement categories	**Carrying amount**	**Measurement categories**	**Carrying amount**
Financial assets				
Cash and cash equivalents	Loans and receivables	2,043,337	Amortized cost	2,043,337
Trade and other receivables, net	Loans and receivables	414,786	Amortized cost	414,786
Other financial assets	Loans and receivables	27,961	Amortized cost	27,961

The carrying amount of financial assets measured at amortized cost under IFRS 9 are consistent with those under IAS 39 as of January 1, 2018.

(b) 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 IASB, but not yet endorsed by the FSC:

(Continued)

LandMark Optoelectronics Corporation
Notes to the Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to the Company are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.
February 7, 2018	Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	The amendments clarify that: • on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the remainder of the reporting period after the change to the plan; and • the effect of the asset ceiling is disregarded when calculating past service cost and the gain or loss on settlement. Any change in that effect is recognized in other comprehensive income.

(Continued)

LandMark Optoelectronics Corporation
Notes to the Financial Statements

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.

(4) Summary of significant accounting policies

(a) Statement of compliance

The 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 financial statements, the Chinese version shall prevail.

These financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 "Interim Financial Reporting" which are endorsed and issued into effect by FSC and do not include all of the information required by the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations) and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for full annual financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the financial statements are the same as those in the financial statement for the year ended December 31, 2017. For the related information, please refer to note 4 of the financial statements for the year ended December 31, 2017.

(b) Financial instruments（applicable from January 1, 2018）

(1) Financial assets

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.

(i) Financial assets measured at amortized cost

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

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

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

(Continued)

LandMark Optoelectronics Corporation
Notes to the Financial Statements

(ii) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. 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.

(iii) 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.

(iv) 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

(Continued)

LandMark Optoelectronics Corporation
Notes to the Financial Statements

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).

(v) Impairment of financial assets

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

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

Loss allowance for accounts receivable 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 that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the 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 BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or 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 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more

than 180 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

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).

At each reporting date, the Company assesses whether financial assets measured 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 180 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. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the 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.

(vi) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset 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 in the statement of comprehensive income.

On derecognition of a part of debt instrument in which the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference

(Continued)

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 it in the line item of non-operating income and expenses in the statement of comprehensive income.

(2) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income and expenses in the statement of comprehensive income. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the non-financial asset's host contract are not closely related to the embedded derivatives and the host contract is not measured at FVTPL.

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

(1) Sale of goods

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 revenue from the sale of goods are as follows:

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 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.

(d) **Contract costs (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

(Continued)

LandMark Optoelectronics Corporation
Notes to the Financial Statements

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:

(i) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;

(ii) 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

(iii) the costs are expected to be recovered.

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 incurred.

(e) **Employee benefits**

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

(f) **Income taxes**

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

For a change in tax rate that is substantively enacted in an interim period, the effect of the change immediately should be recognized in the interim period in which the change occurs.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(Continued)

LandMark Optoelectronics Corporation
Notes to the Financial Statements

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

The preparation of the financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and endorsed by the FSC) 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.

Except for the following, the preparation of the interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the financial statements for the year ended December 31, 2017. For the related information, please refer to note 5 of the financial statements for the year ended December 31, 2017.

(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the financial statements for the year ended December 31, 2017. Please refer to Note 6 of the 2017 annual financial statements.

(a) **Cash and cash equivalents**

		March 31, 2018	December 31, 2017	March 31, 2017
Cash on hand	$	427	540	321
Demand and checking deposits		239,074	208,045	667,123
Time deposits		1,744,325	1,700,800	1,819,800
Repurchase agreements collateralized by commercial paper		203,879	133,952	199,756
Cash and cash equivalents in the statement of cash flows	$	**2,187,705**	**2,043,337**	**2,687,000**

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

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

		March 31, 2018	December 31, 2017	March 31, 2017
Mandatorily measured at fair value through profit or loss:				
Derivative instruments not used for hedging —forward exchange contracts	$	**110**	-	-
Financial assets held for trading:				
Derivative instruments not used for hedging —forward exchange contracts	$	-	-	**476**

For the net gain or loss on fair value on financial instruments at FVTPL, please refer to note 6(p).

(Continued)

LandMark Optoelectronics Corporation
Notes to the Financial Statements

The Company holds derivative financial instruments to hedge certain foreign exchange risk it is exposed to, arising from its operating activities.

The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss on March 31, 2018 and held for trading financial instruments on March 31, 2017:

	March 31, 2018		
	Contract amount (in thousands)	**Currency**	**Maturity period**
Forward exchange sold	$ **824**	**USD**	**2018.5.14~2018.6.14**

	March 31, 2017		
	Contract amount (in thousands)	**Currency**	**Maturity period**
Forward exchange sold	$ **800**	**USD**	**2017.5.5~2017.6.8**

(c) **Notes and accounts receivable**

	March 31, 2018	**December 31, 2017**	**March 31, 2017**
Notes receivable from operating activities	$ 101,338	33,378	20,444
Accounts receivable－measured as amortized cost	356,773	385,489	211,293
Less: Loss allowance	1,502	4,081	2,839
	$ **456,609**	**414,786**	**228,898**

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all notes and accounts receivable on March 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision as of March 31, 2018 were determined as follows:

	Gross carry amount of notes and accounts receivable	**Range of loss rate**	**Loss allowance provision**
Current	$ 395,320	0%~0.13%	385
1 to 90 days past due	61,595	1.46%	902
91 to 180 days past due	1,196	17.99%	215
More than 181 days past due	-	100%	-
Total	$ **458,111**		**1,502**

(Continued)

LandMark Optoelectronics Corporation
Notes to the Financial Statements

As of December 31 and March 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the details of notes and accounts receivable that were past due but not impaired were as follows:

	December 31, 2017	March 31, 2017
1 to 60 days past due	$ 86,668	41,440
More than 61 days past due	4,670	3,403
	$ 91,338	**44,843**

The movements in the allowance for notes and accounts receivable were as follows:

	For the three months ended March 31,	
		2017
	2018	Collectively assessed impairment
Balance at beginning of the year	$ 4,081	2,839
Expected credit gain	(2,579)	-
Balance at end of the year	**$ 1,502**	**2,839**

The aforementioned notes and accounts receivable were not pledged as collateral or restricted in any way.

(d) **Inventories**

	March 31, 2018	December 31, 2017	March 31, 2017
Raw materials and supplies	$ 144,129	118,101	93,381
Work in progress	28,813	41,289	18,905
Finished goods	54,686	58,319	60,719
	$ 227,628	**217,709**	**173,005**

For the three months ended March 31, 2018 and 2017, the losses on valuation of inventories recognized as operating cost were $4,500 and $6,200, respectively.

As of March 31, 2018, December 31 and March 31, 2017, the inventories were not pledged as collateral or restricted in any way.

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

The movement of cost, accumulated depreciation, and impairment loss on property, plant and equipment were as follows:

LandMark Optoelectronics Corporation
Notes to the Financial Statements

	Buildings and improvements	Machinery equipment	Transportation equipment	Electrical equipment	Office and other equipment	Construction in process and testing equipment	Total
Cost or deemed cost:							
Balance at January 1, 2018	$ 171,300	614,961	3,859	15,350	984,913	295,261	2,085,644
Additions	-	-	-	-	-	133,313	133,313
Reclassification	-	80,998	-	-	66,044	(147,042)	-
Balance at March 31, 2018	**$ 171,300**	**695,959**	**3,859**	**15,350**	**1,050,957**	**281,532**	**2,218,957**
Balance at January 1, 2017	$ 171,300	576,888	3,859	16,493	781,864	206,802	1,757,206
Additions	-	-	-	-	10,375	36,795	47,170
Reclassification	-	29,363	-	-	64,170	(89,902)	3,631 (Note)
Balance at March 31, 2017	**$ 171,300**	**606,251**	**3,859**	**16,493**	**856,409**	**153,695**	**1,808,007**
Accumulated depreciation and impairment loss:							
Balance at January 1, 2018	$ 18,623	452,145	1,958	4,606	496,781	-	974,113
Depreciation	1,207	24,963	161	220	48,161	-	74,712
Balance at March 31, 2018	**$ 19,830**	**477,108**	**2,119**	**4,826**	**544,942**	**-**	**1,048,825**
Balance at January 1, 2017	$ 13,797	355,694	1,315	4,868	335,156	-	710,830
Depreciation	1,206	23,982	161	220	37,804	-	63,373
Balance at March 31, 2017	**$ 15,003**	**379,676**	**1,476**	**5,088**	**372,960**	**-**	**774,203**
Carrying amounts:							
Balance at January 1, 2018	**$ 152,677**	**162,816**	**1,901**	**10,744**	**488,132**	**295,261**	**1,111,531**
Balance at March 31, 2018	**$ 151,470**	**218,851**	**1,740**	**10,524**	**506,015**	**281,532**	**1,170,132**
Balance at January 1, 2017	**$ 157,503**	**221,194**	**2,544**	**11,625**	**446,708**	**206,802**	**1,046,376**
Balance at March 31, 2017	**$ 156,297**	**226,575**	**2,383**	**11,405**	**483,449**	**153,695**	**1,033,804**

Note： Prepayments have been reclassified to machinery and equipment with $500. Other non-current assets－prepayment for equipment have been reclassified to testing equipment with $3,430. Testing equipment have been reclassified to expense with $299.

Property, plant and equipment were not pledged as collateral or restricted in any way.

(f) **Intangible assets**

The movement of cost and accumulated amortization for intangible assets were as follows:

	Computer software
Carrying amounts:	
Balance at January 1 , 2018	**$ 13,602**
Balance at March 31, 2018	**$ 12,802**

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2018. Information on amortization for the period is discussed in Note 12. For other relevant information, please refer to note 6(f) of the financial statements for the year ended December 31, 2017.

LandMark Optoelectronics Corporation
Notes to the Financial Statements

(g) **Other non-current assets**

	March 31, 2018	December 31, 2017	March 31, 2017
Prepayment for equipment	$ 194,444	180,939	8,511
Prepayment for computer software	5,719	1,859	-
Others	2,564	2,679	2,144
Total	**$ 202,727**	**185,477**	**10,655**

The amount under " others" is the line subsidy expense and the instalment of technology authorization.

(h) **Employee benefits**

1. Defined benefit plan

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2017 and 2016.

The expenses recognized in profit or loss for the Company were as follows:

	January to March, 2018	January to March, 2017
Cost of sales	$ 57	13
Selling expenses	7	1
General and administrative expenses	-	1
Research and development expenses	18	1
	$ 82	**16**

2. Defined contribution plans

A summary of pension costs under the defined contribution method is as follows. Payment was made to the Bureau of Labor Insurance.

	January to March, 2018	January to March, 2017
Cost of sales	$ 1,520	1,480
Selling expenses	133	107
General and administrative expenses	197	208
Research and development expenses	239	127
	$ 2,089	**1,922**

(Continued)

LandMark Optoelectronics Corporation
Notes to the Financial Statements

(i) **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 upon filing the corporate income tax return commencing fiscal year 2018. For the three months ended March 31, 2018, the Company recognized the effect of the change amounting to $2,258 as deferred tax benefit.

1. The amounts of income tax expense were as follows:

		January to March, 2018	January to March, 2017
Current tax expense			
Current period	$	44,731	17,835
Deferred tax benefit			
Reduction in tax rate		(2,258)	-
Income tax expense	**$**	**42,473**	**17,835**

There were no income tax expense recognized in equity and other comprehensive income for the three months ended March 31, 2018 and 2017.

2. The Company's income tax returns for all fiscal years up to 2016 have been examined and approved by the tax authority.

(j) **Share capital and other equity**

As of March 31, 2018, December 31 and March 31, 2017, the authorized common stock of the Company were $1,000,000, comprising 100,000 thousand shares with a par value of $10 per share. The issued shares were 90,573 thousand shares, 90,573 thousand shares and 90,608 thousand shares, respectively. All the capitals were fully received.

Except as stated below, there were no material changes in the share capital and other equity during the three months ended March 31, 2018 and 2017. For more information, please refer to note 6(j) of the financial statements for the year ended December 31, 2017.

1. Retirement of common stock

On February 14, 2017, the Company's board of directors approved a resolution to retire 650 thousand treasury shares in order to protect the Company's integrity and shareholders' equity. The basis date of the decrease in capital was February 15, 2017, and the registration procedures have been completed.

2. Capital surplus

The balance of capital surplus at the reporting date were as follows:

		March 31, 2018	December 31, 2017	March 31, 2017
Additional paid-in capital	$	1,516,555	1,516,555	1,516,555
Restricted stock		138,698	138,698	138,353
Total	**$**	**1,655,253**	**1,655,253**	**1,654,908**

(Continued)

LandMark Optoelectronics Corporation
Notes to the Financial Statements

3. Retained earnings

According to the Company's articles of incorporation, 10% of annual earnings must be set aside as legal reserve after offsetting any accumulated deficit. When the balance of such legal reserve reaches an amount equal to the paid-in capital, the appropriation to legal reserve is discontinued. The Company may, under its articles of incorporation or by resolution of the meeting of shareholders, set aside another sum as special reserve. Distribution of the remainder is at the stockholders' discretion.

The appropriations of earnings for 2017 and 2016 were approved by the board of directors and the shareholders' meetings on February 6, 2018 and May 3, 2017, respectively. The relevant dividend distributions to shareholders were as follows:

Unit per share: dollar

	2017		2016	
	TWD/per share	**Amount**	**TWD/per share**	**Amount**
Dividend distributed to common shareholders				
Cash dividends	$ 5.0	452,861	8.0	724,717

There were no differences between the actual amounts of appropriation of earning for 2016 and which approved by the board of directors. The related information can be accessed through the Market Observation Post System.

4. Treasury stock

For the three months ended March 31, 2017 in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 5 thousand shares as treasury shares, in order to protect the Company's integrity and shareholders' equity. As of 31 March 2017, the accumulated 650 treasury shares amounting to $147,516 have been retired.

In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. The number and the value of the aforementioned shares repurchased were in compliance with the Securities and Exchange Act.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(k) **Share-based payment**

For the three months ended March 31, 2018 and 2017, the compensation cost of restricted stock amounted to $14,973, which were recognized as operating cost or operating expenses. There were no significant changes in the Company's share-based payments for the three months ended March 31, 2018 and 2017. For other relevant information, please refer to note 6(k) of the financial statements for the year ended December 31, 2017.

(l) **Earnings per share**

The basic and diluted earnings per share (expressed in New Taiwan dollars) were calculated as follows:

(Continued)

LandMark Optoelectronics Corporation
Notes to the Financial Statements

Unit of share: thousand

	January to March, 2018	January to March, 2017
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	$ 181,181	87,123
Weighted-average number of common shares outstanding	90,234	90,242
	$ 2.01	**0.97**
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (diluted)	$ 181,181	87,123
Weighted-average number of common shares outstanding	90,234	90,242
Effect of employee stock compensation	129	346
Effect of restricted stock	231	6
Weighted-average number of common shares outstanding (diluted)	90,594	90,594
	$ 2.00	**0.96**

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

1. Disaggregation of revenue

	January to March, 2018
Primary geographical markets:	
Taiwan	$ 177,341
China	211,418
United States	175,884
Others	13,011
	$ 577,654
Major products:	
Wafer	$ 575,037
Others	2,617
	$ 577,654

Please refer to note 6(n) for details on revenue for the three months ended March 31, 2017.

LandMark Optoelectronics Corporation
Notes to the Financial Statements

2. Contract balances

	March 31, 2018	January 1, 2018
Accounts receivable	$ 356,773	385,489
Less: allowance for impairment	(1,502)	(4,081)
	$ 355,271	**381,408**
Contract liabilities	**$ 7,948**	**11,014**

Please refer to note 6(c) for details on accounts receivable and allowance for impairment.

The amount of revenue recognized for the three months ended March 31, 2018 that was included in the contract liability balance at the beginning of the period was $3,634 thousand.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(n) **Revenue**

Details of revenue for the three months ended March 31, 2017 were as follows:

	January to March, 2017
Sale of goods	$ 371,700
Others	4,525
	$ 376,225

Please refer to note 6(m) for details on revenue for the three months ended March 31, 2018.

(o) **Employees compensation and director's remuneration**

According to the articles of the incorporation, if the Company has profit as a result of the yearly account closing, the Company should distribute 1% to directors as compensation and no less than 8% as employee compensation. When the Company still has an accumulated loss, the Company shall keep the profit for making up an accumulated loss.

For the three months ended March 31, 2018 and 2017, the remuneration to employees amounted to $19,794 and $9,223, respectively, and the remuneration of directors amounted to $2,474 and $1,153, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the appropriate percentage in compliance with the Company's articles. These expenses were recognized in operating costs and operating expenses for the current period. For any change after the issuance date of the financial statements, the difference shall be accounted for as a change in accounting estimate and recognized in profit or loss in the following year.

For the years ended December 31, 2017 and 2016, the remuneration to employees amounted to $69,592 and $92,974, respectively, and the remuneration of directors amounted to $8,699 and $11,622. The remuneration of employees and of directors have no differences between the estimated amounts and the amounts approved by the board of directors. The related information can be accessed through the Market Observation Post System.

(Continued)

LandMark Optoelectronics Corporation
Notes to the Financial Statements

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

1. Interest income

	January to March, 2018	January to March, 2017
Bank deposits	$ 3,389	1,632

2. Other gains and losses

	January to March, 2018	January to March, 2017
Foreign exchange losses, net	$ (11,162)	(20,090)
Gains on valuation of financial assets by fair value, net	325	1,140
Others	24	891
	$ (10,813)	(18,059)

(q) **Financial instruments**

Except as stated below, there were no material changes in fair value of financial instruments and financial instruments exposed to credit risk, liquidity risk, and market risk. For more information, please refer to note 6(p) to the financial statements for the year ended December 31, 2017.

1. Credit risk

(1) Credit risk exposure

The maximum exposure to credit risk is mainly from the carrying amount of financial assets.

(2) Concentration of credit risk

As of March 31, 2018, December 31 and March 31, 2017, a few customers of the Company accounted for 79%, 67% and 62%, respectively, of accounts receivable. However, 28%, 10% and 6%, respectively, of the above receivables were irrevocable letters of credit with extended maturities. As of the end of the reporting period, the Company did not suffer any significant credit risk losses due to these customers. The Company periodically evaluates customers' financial position and the possibility of recovery of receivables in order to reduce credit risk.

(3) Credit risk exposure of receivables

For credit risk exposure on notes and accounts receivable, please refer to note 6(c).

Other financial assets at amortized cost include other receivables and pledged time deposits (classified as other financial assets－current). The Company did not recognize and reverse any loss allowance provision for the three months ended March 31, 2017.

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(b). The Company did not recognize and reverse any loss allowance provision for the three months ended March 31, 2018.

(Continued)

LandMark Optoelectronics Corporation
Notes to the Financial Statements

2. Liquidity risk

The following were the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
March 31, 2018							
Non-derivative financial liabilities							
Non-interest-bearing liabilities	$ **170,675**	**170,675**	**170,675**	**-**	**-**	**-**	**-**
December 31, 2017							
Non-derivative financial liabilities							
Non-interest-bearing liabilities	$ **138,893**	**138,893**	**138,893**	**-**	**-**	**-**	**-**
March 31, 2017							
Non-derivative financial liabilities							
Non-interest-bearing liabilities	$ **87,540**	**87,540**	**87,540**	**-**	**-**	**-**	**-**

The Company does not expect that the cash flows could occur significantly earlier or at significantly different amounts.

3. Market risk

(1) Exposure to foreign currency risk

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

Unit of foreign currency: thousand

	March 31, 2018			**December 31, 2017**			**March 31, 2017**		
	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount	Foreign currency	Exchange rate	TWD amount
Financial assets									
Monetary items									
USD	$ 25,588	29.105	744,749	17,418	29.76	518,370	11,127	30.33	337,492
CNY	103	4.647	478	1,106	4.565	5,050	1,265	4.407	5,573
Non-Monetary items									
USD	824	29.105	23,983	-	-	-	800	30.33	24,264
Financial liabilities									
Monetary items									
USD	2,360	29.105	68,684	905	29.76	26,952	841	30.33	25,493
JPY	4,116	0.2739	1,127	47,900	0.2642	12,655	-	-	-

(Continued)

LandMark Optoelectronics Corporation
Notes to the Financial Statements

Exchange gains or losses (including realized and unrealized) that resulted from monetary items translated to the functional currency were as follows:

	January to March, 2018		January to March, 2017	
	Exchange gain (loss)	Average rate	Exchange gain (loss)	Average rate
TWD	$ (11,162)	-	(20,090)	-

(2) Sensitivity analysis

The foreign currency risk was mainly incurred from the translation of cash and cash equivalents, accounts receivable, accounts payable, and other payables. If the exchange rate of the TWD versus the USD, CNY and JPY had increased or decreased by 3%, given no changes in other factors, profit after tax would have increased or decreased by $16,210 and $7,908 for three months ended March 31, 2018 and 2017, respectively.

4. Fair value information

(1) Fair value and carrying amounts

Other than those listed below, the Company considers the carrying amounts of its financial assets and liabilities measured at amortized cost to be a reasonable approximation of fair value:

	March 31, 2018				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 110	-	110	-	110
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 2,187,705	-	-	-	-
Notes and accounts receivable	456,609	-	-	-	-
Other financial assets－current and non-current	30,270	-	-	-	-
Total	$ 2,674,584				
Financial liabilities measured at amortized cost					
Payables	$ 170,675	-	-	-	-

	December 31, 2017				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Loans and receivable					
Cash and cash equivalents	$ 2,043,337	-	-	-	-
Notes and accounts receivable	414,786	-	-	-	-
Total	$ 2,458,123				
Other financial assets－current and non-current	$ 27,961	-	-	-	-
Financial liabilities measured at amortized cost					
Payables	$ 138,893	-	-	-	-

(Continued)

LandMark Optoelectronics Corporation
Notes to the Financial Statements

	March 31, 2017				
	Carrying	Fair Value			
	amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets	$ 476	-	476	-	476
Loans and receivable					
Cash and cash equivalents	$ 2,687,000	-	-	-	-
Notes and accounts receivable	228,898	-	-	-	-
Total	$ 2,915,898				
Other financial assets－current and non-current	$ 15,549	-	-	-	-
Financial liabilities measured at amortized cost					
Payables	$ 87,540	-	-	-	-

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

－Level 1: quoted prices (unadjusted) in active markets for identified 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).

There was no reclassification of levels during the three months ended March 31, 2018 and 2017.

(2) Valuation techniques for financial instruments measured at fair value

Measurement of the fair value of derivative financial instruments is based on the valuation techniques widely accepted by market participants such as the discounted cash flow model. The fair value of forward currency contracts is usually determined the forward currency exchange rate.

(r) **Financial risk management**

The financial risk management goals, policies and procedures were consistent with those stated in the note 6(q) of the financial statements for the year ended December 31, 2017.

(s) **Capital management**

The capital management goals, policies and procedures were consistent with those stated in the financial statements for the year ended December 31, 2017. The quantitative data on capital management stated in the notes to the financial statements for the year ended December 31, 2017 had no material changes during 2017. For more information, please refer to the note 6(r) of the financial statements for the year ended December 31, 2017.

LandMark Optoelectronics Corporation
Notes to the Financial Statements

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

There were no impact on the current cash flow resulting from investing and financing activities for the three months ended March 31, 2018 and 2017.

(7) Related-parties transactions:

Key management personnel compensation comprised:

	January to March, 2018	January to March, 2017
Short-term employee benefits	$ 9,850	6,454
Post-employment benefits	113	130
Share-based payments	3,244	3,244
	$ **13,207**	**9,828**

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	March 31, 2018	December 31, 2017	March 31, 2017
Other financial assets－current and non-current (restricted bank deposits)	Post-release duty payment of import cargo, Southern Taiwan Science Park's lease and notional forward exchange deposits	$ **29,735**	**26,723**	**15,108**

(9) Significant Commitments and contingencies:

(a) The Company signed contracts with domestic and foreign vendors for purchasing property, plant and equipment. As of March 31, 2018, December 31 and March 31, 2017, the contracts amounted to \$539,335, \$590,673, and \$159,489, respectively, and the unpaid payment were \$79,517, \$135,056 and \$18,774, respectively.

(b) The Company entered into rental agreements with the Southern Taiwan Science Park for land ranging from August 1, 2010, to October 20, 2037. The future rental commitments are as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Less than one year	$ 10,507	10,507	2,368
Between one and five years	42,026	42,026	9,471
More than five years	136,055	138,682	19,731
	$ **188,588**	**191,215**	**31,570**

(10) Losses Due to Major Disasters: None.

(11) Significant Subsequent Events: None.

LandMark Optoelectronics Corporation
Notes to the Financial Statements

(12) Other:

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	January to March, 2018			January to March, 2017		
	Classified as cost of sales	Classified as operating expenses	Total	Classified as cost of sales	Classified as operating expenses	Total
Employee benefits						
Salary	52,110	34,100	86,210	38,858	28,986	67,844
Labor and health insurance	2,897	1,084	3,981	2,834	881	3,715
Pension	1,577	594	2,171	1,493	445	1,938
Others	1,541	827	2,368	1,318	848	2,166
Depreciation	60,526	14,186	74,712	53,963	9,410	63,373
Amortization	115	800	915	195	-	195

(b) Seasonality of operations

The Company were not affected seasonality or cyclicality factors.

(13) Other disclosures:

(a) Information on significant transactions

The following is the information on significant transactions required by "the Regulations" for the Company:

1. Lending to other parties: None.
2. Guarantees and endorsements for other parties: None.
3. Information regarding securities held at reporting date (excluding investments in subsidiaries, associates, and joint ventures): None.
4. Information regarding purchase or sale of securities for the period exceeding NT$300 million or 20% of the company's paid-in capital: None.
5. Information on the acquisition of real estate with purchase amount exceeding NT$300 million or 20% of the company's paid-in capital: None.
6. Information regarding receivables from disposal of real estate exceeding NT$300 million or 20% of the company's paid-in capital: None.
7. Information regarding related-parties purchases and sales exceeding NT$100 million or 20% of the company's paid-in capital: None.
8. Information regarding receivables from related-parties exceeding NT$100 million or 20% of the company's paid-in capital: None.
9. Information regarding trading in derivative financial instruments: Please refer to note 6(b).
10. Business relationships and significant intercompany transactions: None.

(Continued)

LandMark Optoelectronics Corporation
Notes to the Financial Statements

(b) Information on investees: None.

(c) Information on investment in Mainland China: None.

(14) Segment information

The Company has one reportable segment and is mainly engaged in single-product manufacturing and selling of wafers. Financial segment information is consistent with the above financial information for the Company as a whole. The accounting policies of the operating segment are the same as those described in note 4.