GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED
31 DECEMBER 2018 AND 2017

Notice to readers:
The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

To Globe Union Industrial Corp.

Opinion

We have audited the accompanying consolidated balance sheets of Globe Union Industrial Corp. (the "Company") and its subsidiaries as at 31 December 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2018 and 2017, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries (the "Group") as at 31 December 2018 and 2017, and their consolidated financial performance and cash flows for the years ended 31 December 2018 and 2017, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2018 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Goodwill assessment

As at 31 December 2018, the goodwill was carried at NT$780,187 thousand which accounted for 6% of the total assets. The Company performed impairment testing on the cash-generating units according to the International Financial Reporting Standards. The recoverable amount of the cash-generating units has been determined based on the value in use because their fair value cannot be reliably measured. The impairment testing indicated that the value in use of certain cash-generating units was higher than their carrying amount. We determined goodwill assessment to be a key audit matter because the carrying amounts of goodwill were material to the Group, the determination of value in use was complex, and high level of management judgment was involved when making assumptions about cash flow forecasts. Our audit procedures included, but were not limited to, evaluating whether the components of the cash-generating units have significantly changed, including analyzing the sales model and regions involved; evaluating the management's assessment approaches and assumptions of value in use; involving internal expert to assist us in evaluating the reasonableness of key assumptions used by management such as growth rates, discount rates, and gross margin; involving internal expert to assist us in evaluating the reasonableness of key components of discount rates such as cost of equity, company-specific risk premium and market risk premium by comparing them to other companies of similar size with the cash-generating units; interviewing management and assessing the reasonableness of assumptions used in their model such as cash flows, gross margin, growth rates, and the expected future market and economic conditions; comparing the actual financials to date with previously forecast financials and analyzing the Company's historical data and performance to assess the reasonableness of the cash flow forecast. We also assessed the adequacy of the disclosures related to result of impairment test and assumption's sensitivity in Notes 5 and 6.

Inventory valuation

As at 31 December 2018, the net inventories amounted to NT$3,322,556 thousand, which accounted for 26% of the total consolidated assets. The determination of the provisions for obsolete inventories involved a high level of management judgment, and were subject to uncertainty due to product diversity. Furthermore, the cost of inventory included direct labor, raw material, and overhead, and the calculation and allocation were complex. Also, the allocation basis could have a material impact on the financial statements. As such, we determined this to be a key audit matter. Our audit procedures included, but were not limited to: understanding and testing the design and operating effectiveness of internal control over inventory cost and allowance for inventory; performing inventory price testing to verify the allocation of cost, direct labor, and overhead is reasonable; assessing the appropriateness of the policy of provision for excess and obsolete inventory by testing the accuracy of inventory ageing and analyzing movement of the ageing, analyzing the difference between the policy of the current year and the prior year, and analyzing the difference between the historical provisions and the actual write-off amount; verifying that inventories were valued at the lower of cost or net realizable value by comparing the book value of inventories at the balance sheet date with recent sales price on selected samples; verifying the existence and completeness of inventories by tracing items on the final inventory listing to the physical inventory compilation; attending inventory counts to understand the status of the inventories and evaluate the appropriateness of the excess and obsolescence provision. We also assessed the adequacy of the disclosures related to inventories in Notes 5 and 6.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

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

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

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

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

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

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 ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2018 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as at and for the years ended 31 December 2018 and 2017.

Huang Tzu Ping
Lin Hung Kang
Ernst & Young, Taiwan
11 March 2019

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 December 2018 and 31 December 2017
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As at 31 Dec 2018	As at 31 Dec 2017
Current assets			
Cash and cash equivalents	4, 6(1)	$3,101,792	$3,088,625
Financial assets at fair value through profit or loss, current	4, 6(2)	10,492	2,966
Financial assets measured at amortized cost, current	4, 6(3), 8	263,344	-
Notes receivable, net	4, 6(4)	29,560	40,926
Accounts receivable, net	4, 6(5), 8	2,591,745	3,002,072
Inventories, net	4, 6(6)	3,322,556	3,066,191
Prepayment	6(7)	136,902	121,849
Other current assets	7, 8	519,353	926,899
Total current assets		9,975,744	10,249,528
Non-current assets			
Investments accounted for under the equity method	4, 6(8)	22,698	23,799
Property, plant and equipment	4, 6(9), 8	1,541,094	1,574,872
Investment property, net	4, 6(10)	-	11,763
Intangible assets	4, 6(11)	43,035	52,517
Goodwill	4, 6(11),6(12)	780,187	800,856
Deferred tax assets	4, 6(28)	232,286	260,459
Deposits-out		33,986	33,096
Other non-current assets	6(13)	120,067	149,355
Long-term prepaid rent expenses	6(13)	64,084	125,031
Total non-current assets		2,837,437	3,031,748
Total assets		$12,813,181	$13,281,276

(The accompanying notes are an integral part of the consolidated financial statements)

(continued)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 December 2018 and 31 December 2017
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As at 31 Dec 2018	As at 31 Dec 2017
Current liabilities			
Short-term loans	4, 6(14)	$1,280,137	$1,358,471
Financial liabilities at fair value through profit or loss, current	4, 6(15)	375	1,506
Contract liabilities, current	6(22)	276,008	-
Notes payable		86,376	81,780
Accounts payable		2,077,711	2,329,287
Other payables	6(16)	135,997	173,444
Accrued expenses	6(17)	1,156,626	1,097,212
Current tax liabilities	4, 6(28)	98,013	39,139
Current portion of long-term loans	4, 6(18)	61,100	391,020
Other current liabilities	6(19)	53,188	289,862
Total current liabilities		5,225,531	5,761,721
Non-current liabilities			
Long-term loans	4, 6(18)	1,425,533	1,176,633
Deferred tax liabilities	4, 6(28)	37,228	23,457
Other non-current liabilities		12,545	1,838
Net defined benefit obligation, noncurrent	4, 6(19)	137,529	218,389
Total non-current liabilities		1,612,835	1,420,317
Total liabilities		6,838,366	7,182,038
Equity attributable to the parent company	4, 6(20)		
Capital			
Common stock		3,681,600	3,668,560
Advance receipts for common stock		635	7,329
Total capital		3,682,235	3,675,889
Additional paid-in capital		1,032,019	1,026,759
Retained earnings			
Legal reserve		768,519	698,685
Special reserve		470,533	285,914
Retained earnings		656,738	806,937
Total retained earnings		1,895,790	1,791,536
Other components of equity			
Exchange differences on translation of foreign operations		(522,707)	(462,366)
Unearned employee salary		(3,500)	(8,167)
Total other components of equity		(526,207)	(470,533)
Treasury stock		(186,207)	-
Non-controlling interests	6(20)	77,185	75,587
Total equity		5,974,815	6,099,238
Total liabilities and equity		$12,813,181	$13,281,276

(The accompanying notes are an integral part of the consolidated financial statements)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended 31 December 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the Years Ended 31 December 2018	2017
Net sales	6(22)	$17,879,120	$17,910,124
Cost of sales	6(6)(25)	(12,984,762)	(12,833,990)
Gross profit		4,894,358	5,076,134
Operating expenses	6(24)(25)		
Selling and marketing		(1,425,563)	(1,398,904)
General and administrative		(2,597,575)	(2,477,696)
Research and development		(234,619)	(222,187)
Expected credit losses	6(23)	(10,486)	-
Total operating expenses		(4,268,243)	(4,098,787)
Operating income		626,115	977,347
Non-operating income and expenses	6(26)		
Other revenue		149,351	120,619
Other gains and losses		77,036	(57,371)
Financial costs		(48,560)	(51,950)
Share of profit or loss of associates and joint ventures	4, 6(8)	(550)	(1,088)
Subtotal		177,277	10,210
Income from continuing operations before income tax		803,392	987,557
Income tax expense	6(28)	(184,476)	(280,828)
Income from continuing operations, net of tax		618,916	706,729
Other comprehensive income (loss)	6(27)		
Items that may not to be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		43,434	56,120
Income tax related to items that may not to be reclassified subsequently to profit or loss		(6,979)	(9,540)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(59,535)	(188,977)
Share of other comprehensive of associates and joint ventures	6(8)	(551)	(260)
Total other comprehensive income (loss), net of tax		(23,631)	(142,657)
Total comprehensive income (loss)		$595,285	$564,072
Net income attributable to:			
Stockholders of the parent		$618,220	$698,342
Non-controlling interests		696	8,387
		$618,916	$706,729
Comprehensive income attributable to:			
Stockholder of the parent		$593,687	$555,399
Non-controlling interests		1,598	8,673
		$595,285	$564,072
Earnings per share (NTD)	6(29)		
Earnings per share-basic		$1.69	$1.98
Earnings per share-diluted		$1.68	$1.91

(The accompanying notes are an integral part of the consolidated financial statements)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended 31 December 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

		Capital				Retained Earnings			Other components of equity					
	Notes	Common Stock	Certificates of Bond-to-Stock Conversion	Advance Receipts for Common Stock	Additional Paid-in Capital	Legal Reserve	Special reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unearned employee salary	Treasury stock	Total	Non-controlling interests	Total equity
Balance as at 1 Jan 2017	6(20)	$3,553,042	$ -	$ -	$940,467	$698,685	$ -	$709,885	$(273,081)	$(12,833)	$(44,868)	$5,571,297	$81,935	$5,653,232
Appropriations of earnings, 2016:														
Special reserve							285,914	(285,914)				-		-
Cash dividends								(350,769)				(350,769)		(350,769)
Other changes in additional paid-in capital														
Share of changes in net assets of associates and joint ventures accounted for using the equity method					5,748							5,748		5,748
Net income in 2017								698,342				698,342	8,387	706,729
Other comprehensive income, net of tax in 2017								46,342	(189,285)			(142,943)	286	(142,657)
Total comprehensive income		-	-	-	-	-	-	744,684	(189,285)	-	-	555,399	8,673	564,072
Conversion of convertible bonds			131,197		69,632							200,829		200,829
Conversion of Certificates of Bond-to-Stock		$131,197	(131,197)									-		-
Acquisition of treasury stock											(10,326)	(10,326)		(10,326)
Retirement of treasury stock		(35,350)			(8,895)			(10,949)			55,194	-		-
Collecion of second convertible coporate bonds					(73)							(73)		(73)
Subsidiaries disposal in equity method													(15,021)	(15,021)
Share-based payment transactions		19,671		7,329	19,880					4,666		51,546		51,546
Balance as at 31 Dec 2017	6(20)	$3,668,560	$ -	$7,329	$1,026,759	$698,685	$285,914	$806,937	$(462,366)	$(8,167)	$ -	$6,023,651	$75,587	$6,099,238
Balance as at 1 Jan 2018	6(20)	$3,668,560	$ -	$7,329	$1,026,759	$698,685	$285,914	$806,937	$(462,366)	$(8,167)	$ -	$6,023,651	$75,587	$6,099,238
Appropriations of earnings, 2017:														
Legal reserve						69,834		(69,834)				-		-
Special reserve							184,619	(184,619)				-		-
Cash dividends								(549,774)				(549,774)		(549,774)
Other changes in additional paid-in capital:														
Share of changes in net assets of associates and joint ventures accounted for using the equity method					192							192		192
Net income in 2018								618,220				618,220	696	618,916
Other comprehensive income, net of tax in 2018								35,808	(60,341)			(24,533)	902	(23,631)
Total comprehensive income		-	-	-	-	-	-	654,028	(60,341)	-	-	593,687	1,598	595,285
Acquisition of treasury stock											(186,207)	(186,207)		(186,207)
Share-based payment transactions-Exercise of employee stock option	Note 1			10,606								10,606		10,606
Share-based payment transactions-Conversion of advance receipts for common stock	Note 2	13,040		(17,300)	4,260							-		-
Share-based payment transactions-Share-based payment expense					808					4,667		5,475		5,475
Balance as at 31 Dec 2018	6(20)	$3,681,600	$ -	$635	$1,032,019	$768,519	$470,533	$656,738	$(522,707)	$(3,500)	$(186,207)	$5,897,630	$77,185	$5,974,815

(The accompanying notes are an integral part of the consolidated financial statements)

Note 1 ：The Company issued employee share option in 2015. During the year of 2018, employees converted their options into 205,000 shares at NT$13.7 per share, and 614,000 shares at NT$12.7 per share, respectively. Total consideration received was $10,606 thousand.

Note 2 ：As at 31 December 2018, 3,271,000 shares have completed the registration process while 50,000 shares have not and were booked as collection in advance in the amount of $635.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended 31 December 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Notes	For the Years Ended 31 December 2018	2017
Cash flows from operating activities:			
Net income before tax		$803,392	$987,557
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		256,986	241,491
Amortization		22,145	49,421
Reversal of allowance for doubtful accounts		-	(7,269)
Expected credit losses		10,486	-
Net gain of financial assets/liabilities at fair value through profit or loss		(12,104)	(40,523)
Interest expense		48,560	51,950
Interest revenue		(71,447)	(59,435)
Share-based payment expense		5,475	17,268
Share of loss of subsidiaries, associates and joint ventures		550	1,088
Loss on disposal of property, plant and equipment		2,012	695
Gain on disposal of subsidiary and financial assets measured at fair value through profit or loss		(48,516)	(45,070)
Changes in operating assets and liabilities:			
Financial assets held for trading		-	43,245
Financial assets at fair value through profit or loss, current		41,072	-
Notes receivable		11,366	(5,375)
Accounts receivable		397,521	(132,888)
Inventories, net		(257,499)	(35,596)
Prepayments		(15,053)	5,824
Other current assets		2,276	100,798
Other assets-others		34,125	(21,974)
Financial liabilities held for trading		(37,625)	(2,836)
Notes payable		4,596	18,139
Accounts payable		(204,936)	68,934
Other payables		(7,977)	(172,924)
Contract liabilities, current		9,416	-
Other current liabilities, current		2,665	(65,338)
Defined benefit obligation		(47,021)	(53,447)
Other liabilities-others		10,706	42,147
Cash generated from operations		961,171	985,882
Interest received		71,447	59,435
Interest paid		(48,507)	(50,198)
Income tax paid		(91,968)	(235,504)
Net cash generated from operating activities		892,143	759,615

(The accompanying notes are an integral part of the consolidated financial statements)
(Continued)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended 31 December 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Notes	For the Years Ended 31 December 2018	2017
(Continued)			
Cash flows from investing activities:			
Acquisition of financial assets measured at fair value through profit or loss		(50,000)	-
Disposal of financial assets measured at fair value through profit or loss		50,038	-
Proceeds from disposal of subsidiary	6(30)	(2,981)	168,905
Acquisition of property, plant and equipment		(389,831)	(296,188)
Disposal of property, plant and equipment		9,024	3,054
(Increase) decrease in deposits-out		(890)	330
Decrease in financial assets measured at amortized cost, current		463,667	-
Increase in other account receievable		-	(485,536)
Acquisition of intangible assets		(13,335)	(11,158)
Net cash generated from (used in) investing activities		65,692	(620,593)
Cash flows from financing activities:			
Increase in short-term loans		998,000	530,775
Decrease in short-term loans		(1,076,333)	(240,775)
Redemption of bonds payable		-	(872)
Increase in long-term loans		1,000,000	-
Decrease in long-term loans		(1,081,020)	(254,655)
Cash dividends		(549,774)	(350,769)
Exercise of employee stock option		10,606	34,278
Increase in treasury stock		(186,207)	(10,326)
Net cash used in financing activities		(884,728)	(292,344)
Effect of changes in exchange rate on cash and cash equivalents		(59,940)	(49,390)
Net increase (decrease) in cash and cash equivalents		13,167	(202,712)
Cash and cash equivalents at beginning of period	6(1)	3,088,625	3,291,337
Cash and cash equivalents at end of period		$3,101,792	$3,088,625

(The accompanying notes are an integral part of the consolidated financial statements)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the Years Ended 31 December 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. HISTORY AND ORGANIZATION

GLOBE UNION INDUSTRIAL CORP. ("the Company") was incorporated on 29 October 1979 to manufacture and sell plumbing products. On 1 December 1995, the Company acquired Chen Ling Industrial Co. Ltd., a company operated in manufacturing and sale of plumbing products. The Company applied to be listed on the GreTai Securities Market on 1 June 1998, and was authorized to trade its shares over the counter on 7 May 1999. The Company applied to be listed on Taiwan Stock Exchange on 16 June 2000 and its shares were authorized to be listed on Taiwan Stock Exchange on 11 September 2000. The Company's registered office and the main business location is at No.22, Jianguo Rd., Taichung Export Processing Zone, Tanzi Dist., Taichung, Taiwan (R.O.C.).

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended 31 December 2018 and 2017 were authorized for issue by the Company's board of directors (the Board) on 11 March 2019.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by the Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2018. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

(a) IFRS 15 "Revenue from Contracts with Customers" (including Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers")

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations. In accordance with the transition provision in IFRS 15, the Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (1 January 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Group's principal activities consist of the sale of goods and rendering of services. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

A. Please refer to Note 4 for the accounting policies before or after 1 January 2018.

B. Before 1 January 2018, revenue from sale of goods was recognized when goods have been delivered to the buyer. Starting from 1 January 2018, in accordance with IFRS 15, the Group recognized revenue when (or as) the Group satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Group's revenue recognition from sale of goods. However, for some contracts, if the Group has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets, which is different from the accounting treatment of recognizing trade receivables before the date of initial application. In addition, loss allowance for contract assets was assessed in accordance with IFRS 9. Compared with the requirements of IAS 18, there was no impact on trade receivables as at 31 December 2018.

C. Before 1 January 2018, revenue from rendering of services was recognized by reference to the stage of completion which was measured by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total contract costs. Starting from 1 January 2018, in accordance with IFRS 15, the Group recognized revenue when (or as) the Group satisfies a performance obligation by transferring a promised service to a customer and also by reference to the stage of completion. IFRS 15 has no significant impact on the Group's revenue recognition from rendering of services. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to provide the services subsequently. Before 1 January 2018, the Group recognized the consideration received in advance from customers under other current liabilities. Starting from 1 January 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from other current liabilities to contracts liabilities of the Group as at the date of initial application was NT$266,926. In addition, compared with the requirements of IAS 18, other current liabilities decreased by NT$276,008 and the contract liabilities increased by NT$276,008 as at 31 December 2018.

D. Please refer to Notes 4, 5 and 6 for additional disclosure notes required by IFRS 15.

(b) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transition provision in IFRS 9, the Group elected not to restate prior periods at the date of initial application (1 January 2018). The adoption of IFRS 9 has the following impacts on the Group:

A. The Group adopted IFRS 9 on 1 January 2018 and it adopted IAS 39 before 1 January 2018. Please refer to Note 4 for more details on accounting policies.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at 1 January 2018. The classifications of financial assets and its carrying amounts as at 1 January 2018 are as follows:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Fair value through profit or loss	$2,966	Fair value through profit or loss	$2,966
At amortized cost		At amortized cost (including cash and cash equivalents, notes receivables, trade receivables, financial assets measured at amortized cost and other receivables)	6,856,384
Loans and receivables (including cash and cash equivalents, notes receivables, trade receivables, debt instrument investments for which no active market exists and other receivables)	6,856,384		
Total	$6,859,350	Total	$6,859,350

C. The transition adjustments from IAS 39 to IFRS 9 for the classifications of financial assets and financial liabilities as at 1 January 2018 are as follows:

IAS 39		**IFRS 9**			**Retained earnings**	**Other components of equity**
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference	**Adjustment**	**Adjustment**
Financial assets at fair value through profit or loss						
Held-for-trading	$2,966	Measured at fair value through profit or loss	$2,966	$-	$-	$-
Loans and receivables (Note 1)						
Cash and cash equivalents(exclude cash on hand)	3,086,375	Cash and cash Equivalents (exclude cash on hand)	3,086,375	-	-	-
Notes receivables	40,926	Notes receivables	40,926	-	-	-
Trade receivables	3,002,072	Trade receivables	3,002,072	-	-	-
Other receivables	727,011	Financial assets measured at amortized costs	727,011	-	-	-
Subtotal	6,856,384	Subtotal	6,856,384	-	-	-
Total	$6,859,350	Total	$6,859,350	$-	$-	$-

Notes:

(1) In accordance with IAS 39, the cash flow characteristics for held-to-maturity investments and loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that existed as at 1 January 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Additionally, in accordance with IFRS 9, there was no adjustment arising from the assessment of impairment losses for the aforementioned assets as at 1 January 2018. Therefore, there is no impact on the carrying amount as at 1 January 2018.

D. Other impact

The Group adopted the requirements of IFRS 9 on 1 January 2018. No adjustments were made with respect to investment using equity method and retained earnings.

E. Please refer to Notes 4, 5, 6 and 12 for the related disclosures required by IFRS 7 and IFRS 9.

(c) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 “The Effects of Changes in Foreign Exchange Rates”, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

The Group originally recorded their foreign currency sales transactions based on the exchange rate on the date of revenue recognition and converted into its functional currency. The exchange difference was recognized when the foreign currency advance payment was written off. The Group elected to apply this interpretation prospectively on 1 January 2018. This change in accounting principle did not significantly impact the Group's recognition and measurement.

(d) Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”:

The Group required to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Please refer to Note 12 for more details.

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(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
A	IFRS 16 "Leases"	1 January 2019
B	IFRIC 23 "Uncertainty Over Income Tax Treatments"	1 January 2019
C	IAS 28 "Investment in Associates and Joint Ventures" — Amendments to IAS 28	1 January 2019
D	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019
E	Improvements to International Financial Reporting Standards (2015-2017 cycle)	1 January 2019
F	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019

(a) *IFRS 16"Leases"*

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors' classification remains unchanged as operating or finance leases, but additional disclosure information is required.

(b) IFRIC 23 "*Uncertainty Over Income Tax Treatments*"

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments.

(c) *IAS 28"Investment in Associates and Joint Ventures" — Amendments to IAS 28*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

(d) *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

(e) *Improvements to International Financial Reporting Standards (2015-2017 cycle):*

IFRS 3 "Business Combinations"

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 "Joint Arrangements"

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 "Income Taxes"

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 "Borrowing Costs"

The amendments clarify that an entity should treats as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

(f) *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2019. Apart from item (1) explained below, the remaining standards and interpretations have no material impact on the Group.

(1) IFRS 16 "Leases"

IFRS 16 "Leases" replaces 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". The impact arising from the adoption of IFRS 16 on the Group are summarized as follows:

A. For the definition of a lease, the Group elects not to reassess whether a contract is, or contains, a lease at the date of initial application (1 January 2019) in accordance with the transition provision in IFRS 16. Instead, the Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

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(a) Leases classified as operating leases

For leases that were classified as operating leases applying IAS 17, the Group expects to measure and recognize those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 January 2019; and the Group chooses, on a lease-by-lease basis, to measure the right-of-use asset at either:

i. its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate on 1 January 2019; or

ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before 1 January 2019.

The Group expects the right-of-use asset will increase by NT$1,613,582 thousand, accrued lease payments will decrease by NT$19,759 thousand, prepayment will decrease by NT$20,191 thousand and long-term prepaid rent expenses will decrease by NT$66,003 thousand (including current portion with maturity of less than one year); meanwhile, the lease liability will increase by NT$1,547,147 thousand on 1 January 2019.

B. The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

(3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Group's financial statements are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	1 January 2021
c	Definition of a Business (Amendments to IFRS 3)	1 January 2020
d	Definition of Material (Amendments to IAS 1 and 8)	1 January 2020

(a) IFRS 10*"Consolidated Financial Statements" and IAS 28"Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 "*Insurance Contracts*"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(1) estimates of future cash flows
(2) discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows
(3) a risk adjustment for non-financial risk

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach mainly for short-duration contracts (Premium Allocation Approach).

(c) Definition of a Business (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

(d) *Definition of Material* (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The abovementioned standards and interpretations issued by IASB have not yet been endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. All the standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended 31 December 2018 and 2017 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations"), IFRSs, IASs, IFRIC and SIC, which are endorsed by the FSC (collectively referred to as "TIFRSs").

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("$") unless otherwise stated.

(3) Basis of consolidation

(a) Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

a. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
b. exposure, or rights, to variable returns from its involvement with the investee, and
c. the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a. the contractual arrangement with the other vote holders of the investee
b. rights arising from other contractual arrangements
c. the Group's voting rights and potential voting rights

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The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

a. derecognizes the assets (including goodwill) and liabilities of the subsidiary
b. derecognizes the carrying amount of any non-controlling interest
c. recognizes the fair value of the consideration received
d. recognizes the fair value of any investment retained
e. recognizes any surplus or deficit in profit or loss
f. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

(b) The consolidated entities are as follows:

			Percentage of ownership (%)		
Investor	Subsidiary	Main Business	31 December 2018	31 December 2017	Note
Globe Union Industrial Corp.	Home Boutique International Co., Ltd.	Selling sanitary ceramic wares	86.319%	86.319%	
Home Boutique International Co., Ltd.	YI SHEH CO., LTD.	Selling and distributing kitchen and bathroom products	100.00%	100.00%	
Home Boutique International Co., Ltd.	Great Hope Management Consulting Inc.	Holding company	100.00%	100.00%	

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

			Percentage of ownership (%)		
Investor	Subsidiary	Main Business	31 December 2018	31 December 2017	Note
Great Hope Management Consulting Inc.	HBS CO., LTD	Selling and distributing kitchen and bathroom products	-	-	Note1
Home Boutique International Co., Ltd.	Home Boutique Co., Ltd.	Selling and distributing kitchen and bathroom products	100.00%	100.00%	
Globe Union Industrial Corp.	Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Holding company	100.00%	100.00%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Shenzhen Globe Union Enterprise Co., Ltd.	Manufacturing and selling bathroom products	100.00%	100.00%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Qingdao Globe Union Technology Industrial Corp.	Manufacturing faucets, kitchen products and related parts	-	100.00%	Note5
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Qingdao Lin Hon Precision Industrial Corp.	Manufacturing faucets, kitchen products and related parts	-	-	Note2
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	10.71%	13.99%	Note4
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	HBS CO., LTD	Selling and distributing kitchen and bathroom products	-	-	Note1
Globe Union Industrial Corp.	Globe Union Cayman Corp.	Holding company	100.00%	100.00%	
Globe Union Cayman Corp.	Globe Union Verwaltungs GmbH	Holding company	100.00%	100.00%	
Globe Union Cayman Corp.	Globe Union Germany GmbH & Co.KG	Manufacturing and selling faucets and parts	100.00%	100.00%	
Globe Union (Canada) Inc.	Aquanar Inc.	Product design and development	-	-	Note3
Globe Union Industrial Corp.	Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Holding company	100.00%	100.00%	
Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Globe Union Group, Inc.	Holding company	100.00%	100.00%	
Globe Union Group, Inc.	Danze Inc.	Sales and maintenance center	100.00%	100.00%	

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Investor	Subsidiary	Main Business	Percentage of ownership (%) 31 December 2018	31 December 2017	Note
Globe Union Group, Inc.	Globe Union (Canada) Inc.	Sales and customer service center	100.00%	100.00%	
Globe Union Group, Inc.	Gerber Plumbing Fixtures, LLC	Manufacturing and selling faucets and sanitary ceramic wares	100.00%	100.00%	
Globe Union Group, Inc.	Globe Union Services Inc.	Customer service center	100.00%	100.00%	
Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	89.29%	86.01%	Note4
Globe Union Cayman Corp.	Globe Union UK Ltd.	Holding company	100.00%	100.00%	
Globe Union UK Ltd	PJH Trustees Limited	Trust industry	100.00%	100.00%	
Globe Union UK Ltd	PJH Group Limited	Selling kitchen and bathroom products	100.00%	100.00%	
Globe Union UK Ltd	PJH (HK) Limited	Holding company	100.00%	100.00%	
PJH (HK) Limited	PJH Business Consultancy Shanghai Company Limited	Consulting industry	100.00%	100.00%	

Note 1:Great Hope Management Consulting Inc. and Globe Union Industrial (B.V.I) Corp. sold HBS CO., Ltd to Radiant Sky Ltd., in December 2017. Therefore, the percentage of ownership that Great Hope Management Consulting Inc. held in HBS CO., Ltd decreased from 63.61% to 0%, and Globe Union Industrial (B.V.I.) Corp. from 36.39% to 0%.

Note 2:One of the subsidiaries, Globe Union Industrial (B.V.I.) Corp., sold Qingdao Lin Hon Precision Industrial Corp. to DeHeng Building Technology Co., Ltd. in June 2017. Therefore, the percentage of ownership that Globe Union Industrial (B.V.I.) Corp. held in Qingdao Lin Hon Precision Industrial Corp. reduced from 100% to 0%.

Note 3:One of the subsidiaries, Globe Union (Canada) Inc. sold Aquanar Inc. to Novex Design & Technologies Inc. in October 2017. Therefore, the percentage of ownership that Globe Union (Canada) Inc. held in Aquanar Inc. decreased from 60% to 0%.

Note 4:Globe Union (Bermuda) Ltd. increased share capital in Milim G&G Ceramics Co., Ltd. in the amount of US$3 million, US$3 million and US$0.82 million on 11 April, 10 May and 20 June 2018. The total amount was US$6.82 million. Milim G&G Ceramics Co., Ltd. completed change of registration in June 2018. The ownership of Globe Union (Bermuda) Ltd. Held in Milim G&G Ceramics Co., Ltd. increased from 86.01% to 89.29% and Globe Union Industrial (B.V.I.) Corp.'s ownership in Milim G&G Ceramics Co., Ltd. decreased from 13.99% to 10.71%.

Note 5:One of the subsidiaries, Globe Union Industrial (B.V.I.) Corp., sold Qingdao Globe Union Technology Industrial Corp. to Qingdao Kaili Xiangtong Investment Management Co., Ltd. in December 2018. Therefore, the percentage of ownership that Globe Union Industrial (B.V.I.) Corp. held in Qingdao Globe Union Technology Industrial Corp. reduced from 100% to 0%.

(4) Foreign Currency Transactions

The Group's consolidated financial statements are presented in NT$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b) Foreign currency items within the scope of IFRS 9 Financial Instruments (Before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement) are accounted for based on the accounting policy for financial instruments.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

(a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
(b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction

An asset is classified as current when:
(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Group holds the asset primarily for the purpose of trading

(c) The Group expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:
(a) The Group expects to settle the liability in its normal operating cycle
(b) The Group holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within twelve months after the reporting period
(d) The Group 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.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial Instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments (Before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1)Financial instruments: Recognition and Measurement

The accounting policy from 1 January 2018 is as follows:

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

A. the Group's business model for managing the financial assets and

B. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

(a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

(c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

   (i) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(ii) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

In addition, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial assets at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

The accounting policy before 1 January 2018 as follow:

The Group accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit or loss. A financial asset is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

(2) Impairment of financial assets

The accounting policy from 1 January 2018 is as follows:

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes

B. the time value of money

C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The loss allowance is measured as follows:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

The accounting policy before 1 January 2018 is as follows:

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

i significant financial difficulty of the issuer or obligor
ii. a breach of contract, such as a default or delinquency in interest or principal payments
iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganization
iv. the disappearance of an active market for that financial asset because of financial difficulties

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

(3) Derecognition of financial assets

A financial asset is derecognized when:

i. The rights to receive cash flows from the asset have expired.
ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial liabilities and equity

<u>Classification between liabilities or equity</u>

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

<u>Equity instruments</u>

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 Financial Instruments (before 1 January 2018: IAS 39 *Financial Instruments: Recognition and Measurement*).

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments (before 1 January 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. A financial liability is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Before 1 January 2018, if the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in equity.

Before 1 January 2018, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are separated from the host contract and accounted for as a derivative. The aforementioned policy are applicable to host contracts as financial liabilities or non-financial assets since 1 January 2018.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on a weighted average basis

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Starting from 1 January 2018, rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(12) Investments accounted for under the equity method

The Group’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group’s share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group’s related interest in the associate or joint venture.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group’s percentage of ownership interests in the associate, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro-rata basis.

When the associate or joint venture issues new stock, and the Group’s interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in additional paid-in capital and investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures (before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement). If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or

(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets.*

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Useful Lives
Buildings	5～54 years
Machinery and equipment	4～10 years
Transportation equipment	5 years
Furniture, fixtures and equipment	2～7 years
Other equipment	2～7 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(14) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured using the cost model in accordance with the requirements of IAS 16 for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	20	years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Assets are transferred to or from investment properties when there is a change in use.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(15) Leases

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(16) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets is as follows:

	Customer relationships	Trademarks	Computer software
Useful lives	10 years	10～15 years	3～5 years
Amortization method used	Amortized on a straight-line basis	Amortized on a straight-line basis	Amortized on a straight-line basis
Internally generated or acquired	Acquired	Acquired	Acquired

(17) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(18) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee’s name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group’s consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(19) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The liability for a levy is recognised progressively if the obligating event occurs over a period of time

Sales returns and allowances

Starting from 1 January 2018, sales returns and allowances are accounted in accordance with IFRS 15. Before 1 January 2018, a provision has been recognized for sales returns and allowances based on past experience and other known factors.

(20) Treasury shares

The parent company’s own shares which are reacquired by the Group (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(21) Revenue recognition

The accounting policy from 1 January 2018 is as follows:

The Group's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies are explained as follows:

Sale of goods

The Group manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group are faucets and plumbing products and revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. So the Group estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers, and the warranty is accounted for in accordance with IAS 37.

The credit period of the Group's sale of goods is from 60 to 90 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

The accounting policy before 1 January 2018 is as follows:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

(a) the significant risks and rewards of ownership of the goods have transferred to the buyer
(b) neither continuing managerial involvement nor effective control over the goods sold have been retained
(c) the amount of revenue can be measured reliably
(d) it is probable that the economic benefits associated with the transaction will flow to the entity
(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably

Interest income

For all financial assets measured at amortized cost (including loans and receivables), interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividends

Revenue is recognized when the Group's right to receive the payment is established.

(22) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(23) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(24) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(25) Income Tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved at the shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(26) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 *Financial Instruments* (before 1 January 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Investment Property

The purpose of some real estate held by the Group was to earn rentals or for capital appreciation, some others were for the Group's own use. If the parts can be sold separately, they are treated as investment property, and property, plant and equipment. If any of the parts cannot be sold separately, it is classified as investment property only when the part for the Group's own use is an insignificant portion.

(b) Operating lease commitment－Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flow model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Impairment of goodwill

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

(c) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the discount rate and expected salary raise/cut or changes. Please refer to Note 6 for more details.

(d) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

(e) Revenue recognition – sales returns and allowance

Starting from 1 January 2018:

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6 for more details.

Before 1 January 2018:

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. Please refer to Note 6 for more details.

(f) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for unrecognized deferred tax assets.

(g) Accounts receivables–estimation of impairment loss

<u>Starting from 1 January 2018:</u>

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

<u>Before1 January 2018:</u>

The Group considers the estimation of future cash flows when there is objective evidence showing indications of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. However, as the impact from the discounting of short-term receivables is not material, the impairment of short-term receivables is measured as the difference between the asset's carrying amount and the estimated undiscounted future cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(h) Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As at 31 December	
	2018	2017
Cash on hand	$1,245	$2,250
Demand deposits	2,027,419	1,575,808
Time deposits	1,073,128	1,236,187
Cash equivalents		
Funds	-	274,380
Total	$3,101,792	$3,088,625

(2) Financial assets at fair value through profit or loss-current

	As at 31 December	
	2018	2017(Note)
Mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments		
Forward foreign exchange contracts	$10,492	
Total	$10,492	

	As at 31 December	
	2018(Note)	2017
Held for trading:		
Derivatives not designated as hedging instruments		
Forward foreign exchange contracts		$2,966
Total		$2,966

Note: The Group adopted IFRS 9 on 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Financial assets at fair value through profit or loss were not pledged.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Please refer to Note 12(8) for more details on forward foreign exchange contracts.

(3) Financial assets measured at amortized cost-current

	As at 31 December	
	2018	2017 (Note)
Bank deposits- time deposit (longer than three months)	$107,800	
Bank deposits- time deposit- pledged	47,101	
Bank deposits- reserve account	108,443	
	$263,344	

Note: The Group adopted IFRS 9 on 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Group classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge. Please refer to Note 12 for more details on credit risk.

(4) Notes receivables

	As at 31 December	
	2018	2017
Notes receivables	$29,560	$40,926

Notes receivables were all generated from operating activities and were not pledged.

The Group adopted IFRS 9 for impairment assessment on 1 January 2018. Please refer to Note 6.(23) for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Trade receivables, net

	As at 31 December	
	2018	2017
Trade receivables	$2,851,655	$3,282,062
Less: allowance for sales discounts	(223,583)	(244,100)
Less: loss allowance	(36,327)	(35,890)
Total	$2,591,745	$3,002,072

Trade receivables are generally on 60-90 day terms. The Group adopted IFRS 9 for impairment assessment on 1 January 2018. Please refer to Note 6(23) for more details on impairment of trade receivables. The Group adopted IAS 39 for impairment assessment before 1 January 2018. The movements in the provision for impairment of trade receivables and trade receivables-related parties for the year period ended 31 December 2017 are as follows: (Please refer to Note 12 for more details on credit risk management.)

	Individually impaired	Collectively impaired	Total
As at 1 Jan. 2017	$-	$88,036	$88,036
Charge for the current period	-	(7,269)	(7,269)
Write-off	-	(43,914)	(43,914)
Foreign exchange effects	-	(963)	(963)
As at 31 Dec. 2017	$-	$35,890	$35,890

Aging analysis of overdue trade receivables is as follows:

		Past due but not impaired				
	Neither past due nor impaired	1-90 days	90-180 days	181-365 days	Upon 366 days	Total
31 Dec. 2017	$2,381,877	$620,195	$-	$-	$-	$3,002,072

Please refer to Note 8 for more details on trade receivables under pledge.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6) Inventories

(a) Details as follows

	As at 31 December	
	2018	2017
Raw materials	$319,455	$298,916
Supplies & parts	10,171	10,210
Work in progress	401,961	357,165
Finished goods	326,964	275,865
Merchandise	2,264,005	2,124,035
Total	$3,322,556	$3,066,191

(b) The cost of inventories recognized in expenses for the years ended 31 December 2018 and 2017 were $12,984,762 and $12,833,990, respectively. The profit and loss related to cost of goods sold are as follows:

	For the years ended 31 December	
	2018	2017
Gain (losses) on obsolete inventory price recovery	$(9,407)	$89,172
Scraps	(15,942)	(31,828)
Net	$(25,349)	$57,344

(c) The gain on obsolete inventory in the year ended 31 Dec. 2017 was due to the scrap of obsolete inventory, which reduced the book quantities of obsolete inventory.

No inventories were pledged.

(7) Prepayments

	As at 31 December	
	2018	2017
Prepayment for purchases	$31,322	$11,123
VAT paid	19,650	23,632
Other prepayments	85,930	87,094
Total	$136,902	$121,849

Prepayments were not pledged.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(8) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Group:

	As at 31 December			
	2018		2017	
Investees	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in associates:				
Chengxinzhao (Zhangzhou) Hardware Co., Ltd.	$22,698	49.00%	$23,799	49.00%
Arte En Bronce, S.A. DE C.V.	-	48.89%	-	48.89%
Total	$22,698		$23,799	

After the interest in the associate - Arte En Bronce, S.A. DE C.V. was reduced to zero, additional losses were provided for, and a liability was recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

The Group's investments in Chengxinzhao (Zhangzhou) Hardware Co., Ltd. and Arte En Bronce, S.A. DE C.V. are not individually material. The aggregate financial information based on Group's share of associates is as follows:

	For the years ended 31 December	
	2018	2017
Loss from continuing operations	$(550)	$(1,088)
Other comprehensive loss	(551)	(260)
Total comprehensive loss	$(1,101)	$(1,348)

The associates had no contingent liabilities or capital commitments a as at 31 December 2018 and 2017, and did not provide any guarantee.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(9) Property, plant and equipment

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As at 1 Jan. 2018	$139,340	$1,247,748	$1,596,100	$51,822	$521,283	$729,408	$68,340	$4,354,041
Additions	-	15,800	36,816	4,903	29,685	44,450	258,177	389,831
Disposals	-	(34,327)	(37,084)	(1,647)	(10,140)	(33,956)	-	(117,154)
Transfers	-	913	224,905	-	13,331	26,749	(267,585)	(1,687)
Effect of losing control of a subsidiary (Note)	-	(227,727)	(61,586)	(133)	(11,473)	(108,013)	(6,756)	(415,688)
Exchange differences	-	(20,002)	(36,680)	(1,166)	(2,770)	(12,069)	(1,607)	(74,294)
As at 31 Dec. 2018	$139,340	$982,405	$1,722,471	$53,779	$539,916	$646,569	$50,569	$4,135,049
As at 1 Jan. 2017	$139,340	$1,471,865	$1,652,677	$57,666	$555,239	$748,441	$21,232	$4,646,460
Additions	-	27,332	80,198	217	30,121	68,369	89,951	296,188
Disposals	-	(419)	(109,286)	(1,601)	(34,098)	(29,982)	-	(175,386)
Transfers	-	-	21,494	-	29	17,464	(40,441)	(1,454)
Effect of losing control of a subsidiary	-	(235,851)	(30,959)	(4,664)	(15,254)	(62,465)	(2,191)	(351,384)
Exchange differences	-	(15,179)	(18,024)	204	(14,754)	(12,419)	(211)	(60,383)
As at 31 Dec. 2017	$139,340	$1,247,748	$1,596,100	$51,822	$521,283	$729,408	$68,340	$4,354,041
Depreciation and impairment:								
As at 1 Jan. 2018	$-	$676,641	$1,062,519	$40,328	$463,516	$529,244	$6,921	$2,779,169
Depreciation	-	60,351	91,003	3,834	25,747	75,159	-	256,094
Disposals	-	(32,483)	(33,369)	(1,369)	(10,015)	(28,882)	-	(106,118)
Transfers	-	-	-	-	-	-	-	-
Effect of losing control of a subsidiary (Note)	-	(102,856)	(61,586)	(133)	(11,473)	(108,013)	(6,756)	(290,817)
Exchange differences	-	(11,208)	(20,135)	(942)	(2,595)	(9,328)	(165)	(44,373)
As at 31 Dec. 2018	$-	$590,445	$1,038,432	$41,718	$465,180	$458,180	$-	$2,593,955
As at 1 Jan. 2017	$-	$763,378	$1,111,047	$41,893	$500,839	$544,663	$6,990	$2,968,810
Depreciation	-	62,492	82,495	4,517	24,562	66,543	-	240,609
Disposals	-	(244)	(99,200)	(1,593)	(33,615)	(29,162)	-	(163,814)
Transfers	-	-	-	-	-	-	-	-
Effect of losing control of a subsidiary	-	(139,306)	(25,001)	(4,664)	(14,656)	(43,115)	-	(226,742)
Exchange differences	-	(9,679)	(6,822)	175	(13,614)	(9,685)	(69)	(39,694)
As at 31 Dec. 2017	$-	$676,641	$1,062,519	$40,328	$463,516	$529,244	$6,921	$2,779,169
Net carrying amount:								
As at 31 Dec. 2018	$139,340	$391,960	$684,039	$12,061	$74,736	$188,389	$50,569	$1,541,094
As at 31 Dec. 2017	$139,340	$571,107	$533,581	$11,494	$57,767	$200,164	$61,419	$1,574,872

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Note: The Group's subsidiary: Globe Union Industrial (B.V.I.) Corp sold Qingdao Globe Union Technology Industrial Corp. to Qingdao Kaili Xiangtong Investment Management Co., Ltd. in December 2018, so the Group lost control of Qingdao Globe Union Technology Industrial Corp. Please refer to Note 6(30) for the effect of disposal of a subsidary.

(a) Please refer to Note 8 for more details on property, plant and equipment under pledge.
(b) There is no occurrence of capitalization of interest due to purchasing property, plant and equipment for the years ended 31 December 2018 and 2017.

(10) Investment property

	Buildings
Cost:	
As at 1 Jan. 2018	$19,769
Additions from subsequent expenditure	-
Effect of losing control of a subsidiary	(19,298)
Exchange differences	(471)
As at 31 Dec. 2018	$-
As at 1 Jan. 2017	$19,968
Additions from subsequent expenditure	-
Exchange differences	(199)
As at 31 Dec. 2017	$19,769
Depreciation and impairment:	
As at 1 Jan. 2018	$8,006
Depreciation	892
Effect of losing control of a subsidiary	(8,684)
Exchange differences	(214)
As at 31 Dec. 2018	$-
As at 1 Jan. 2017	$7,188
Depreciation	882
Exchange differences	(64)
As at 31 Dec. 2017	$8,006
Net carrying amount:	
As at 31 Dec. 2018	$-
As at 31 Dec. 2017	$11,763

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	For the years ended 31 December	
	2018	2017
Rental income from investment property	$4,116	$4,067
Less:		
Direct operating expenses from investment property generating rental income	(892)	(882)
Total	$3,224	$3,185

No investment property was pledged.

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties was $19,890 as at 31 December 2017. The Group contacted a real estate agency to investigate the final prices of the same types of buildings sold to determine the current fair value.

(11) Intangible assets and goodwill

	Computer software	Trademarks	Customer relationships	Goodwill	Total
Cost:					
As at 1 Jan. 2018	$187,208	$122,718	$508,553	$1,493,356	$2,311,835
Addition-acquired separately	13,335	-	-	-	13,335
Derecognitions (Note)	-	-	(492,221)	-	(492,221)
Exchange differences	(2,005)	(2,206)	(16,332)	(41,696)	(62,239)
As at 31 Dec. 2018	$198,538	$120,512	$-	$1,451,660	$1,770,710
As at 1 Jan. 2017	$176,263	$121,760	$501,463	$1,475,281	$2,274,767
Addition-acquired separately	11,158	-	-	-	11,158
Exchange differences	(213)	958	7,090	18,075	25,910
As at 31 Dec. 2017	$187,208	$122,718	$508,553	$1,493,356	$2,311,835

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	Computer software	Trademarks	Customer relationships	Goodwill	Total
Amortization and impairment:					
As at 1 Jan. 2018	$161,122	$96,287	$508,553	$692,500	$1,458,462
Amortization	16,575	5,570	-	-	22,145
Derecognitions (Note)	-	-	(492,221)	-	(492,221)
Exchange differences	(1,848)	(1,691)	(16,332)	(21,027)	(40,898)
As at 31 Dec. 2018	$175,849	$100,166	$-	$671,473	$947,488
As at 1 Jan. 2017	$136,676	$90,197	$481,262	$683,372	$1,391,507
Amortization	24,540	5,336	19,545	-	49,421
Exchange differences	(94)	754	7,746	9,128	17,534
As at 31 Dec. 2017	$161,122	$96,287	$508,553	$692,500	$1,458,462
Net carrying amount:					
As at 31 Dec. 2018	$22,689	$20,346	$-	$780,187	$823,222
As at 31 Dec. 2017	$26,086	$26,431	$-	$800,856	$853,373

Amortization expense of intangible assets under the statement of comprehensive income:

	2018	2017
Operating costs	$1,911	$1,888
Operating expenses	$20,234	$47,533

Note: Customer relationships are intangible assets with finite useful life acquired in business combinations. It is fully amortized and therefore derecognized in current period.

(12) Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to two cash-generating units, which are also reportable operating segments, for impairment testing as follows:

(a) Channel cash-generating unit
(b) Manufacturing cash-generating unit

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Carrying amount of goodwill allocated to each of the cash-generating units:

	As at 31 December	
	2018	2017
Goodwill		
- Channel unit 1	$627,251	$648,063
- Channel unit 2	70,550	70,550
- Manufacturing unit	82,386	82,243
Total	$780,187	$800,856

Channel cash-generating unit

Channel cash-generating unit 1

The recoverable amount of the channel unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The discount rate applied to cash flow projections was 11.1% as at 31 December 2018 (2017: 11%) and cash flows beyond the five-year period are extrapolated using a 0% growth rate (2017: 0%) that is the same as the long-term average growth rate for the electronics industry. As a result of this analysis, management did not identify any impairment for goodwill of $627,251 which is allocated to this cash-generating unit.

Channel cash-generating unit 2

The recoverable amount of the channel unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The discount rate applied to cash flow projections was 12.1% as at 31 December 2018 (2017: 11.9%) and cash flows beyond the five-year period are extrapolated using a 2% growth rate (2017: 2%) that does not exceed the long-term average growth rate for the electronics industry. As a result of this analysis, management did not identify any impairment for goodwill of $70,550 which is allocated to this cash-generating unit.

Manufacturing cash-generating unit

The recoverable amount of the manufacturing unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The discount rate applied to cash flow projections was 14.4% as at 31 December 2018 (2017: 14.5%) and cash flows beyond the five-year period are extrapolated using a 0% growth rate (2017: 0%) that does not exceed the long-term average growth rate for the electronics industry. As a result of this analysis, management did not identify any impairment for goodwill of $82,386 which is allocated to this cash-generating unit.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for both channel and manufacturing units are most sensitive to the following assumptions:

(a) Gross margin
(b) Discount rates; and
(c) Growth rate used to extrapolate cash flows beyond the budget period.

Gross margins – Gross margins are based on average values achieved in the one year preceding the start of the budget period. These exclude the possibility of margin increase over the budget period for anticipated efficiency improvements. The gross margins applied for the channel unit and the manufacturing unit remained the same.

Discount rates – Discount rates reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Group, taking into account the particular situations of the Group and its operating segments. The WACC includes both the cost of liabilities and cost of equities. The cost of equities is derived from the expected returns of the Group's investors on capital, where the cost of liabilities is measured by the interest bearing loans that the Group has obligation to settle. Specific risk relating to the operating segments is accounted for by considering the individual beta factor which is evaluated annually and based on publicly available market information.

Growth rate estimates – Rates are based on industry average growth rates or local industry research. For the reasons explained above, the long-term average growth rates used to extrapolate the budget for the channel unit and the manufacturing unit have been adjusted based on industry average growth rates.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the channel unit and the manufacturing unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

The implications of the key assumptions for the recoverable amount are discussed below:

Raw materials price inflation – Management didn't consider the possibility of raw material price inflation. Budgeted price inflation remains the same because currently the international raw materials price movements are small. Management believes there is no raw materials price deviating from the budget for the years ended 31 December 2018 and 2017, and therefore no further impairment may arise.

Growth rate assumptions – Management recognizes that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts included in the budget. The estimated long-term growth rate of channel unit 1, channel unit 2, and manufacturing unit were 0%, 2%, 0%, and 0%, 2%, 0% for the years ended 31 December 2018 and 2017, respectively. Management deemed these growth rates reasonable after considering the long-term growth rate and the economic environment for the years ended 31 December 2018 and 2017. Therefore, no further impairment may result.

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(13) Other non-current assets (including long-term prepaid rent)

	As at 31 December	
	2018	2017
Long-term prepaid rent	$64,084	$125,031
Other assets	116,268	147,736
Others	3,799	1,619
Total	$184,151	$274,386

Long-term prepaid rent included land use rights in the amount of $64,084 and $125,031 as at 31 December 2018, and 2017, respectively.

(14) Short-term loans

	As at 31 December	
	2018	2017
Unsecured bank loans	$998,000	$851,000
Secured bank loans	282,137	507,471
Total	$1,280,137	$1,358,471
Interest Rates (%)	0.90%-3.00%	0.95%-2.75%

The Group's unused short-term lines of credits amounted to $1,620,263 and $1,325,599 as at 31 December 2018 and 2017, respectively.

Please refer to Note 8 for further details on secured loans.

(15) Financial liabilities at fair value through profit or loss – current

	As at 31 December	
	2018	2017
Held for trading:		
Derivatives not designated as hedging Instruments		
Forward foreign exchange contracts	$375	$1,506

Financial liabilities at fair value through profit or loss were not pledged.

Please refer to Note 12(8) for more details on forward foreign exchange contracts.

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(16) Other payables

	As at 31 December	
	2018	2017
Accrued VAT payables	$33,030	$36,094
Others	102,967	137,350
Total	$135,997	$173,444

(17) Accrued expenses

	As at 31 December	
	2018	2017
Accrued payroll and bonus	$373,861	$422,247
Accrued sales discounts	288,004	232,346
Accrued freight	106,851	106,128
Others	387,910	336,491
Total	$1,156,626	$1,097,212

(18) Long-term loans

Details of long-term loans as at 31 December 2018 and 2017 are as follows:

(a) As at 31 Dec. 2018

Lenders	Type	As at 31 Dec. 2018	Maturity date and terms of repayment	Guarantee
CTBC Bank (Leading Bank of Syndicated Loan)	Syndicated bank loans	$1,000,000	2018/07-2023/07 Interest is paid monthly; repayable annually starting from 2 years after the drawdown of the loan. The annual payment of each year is 100 million, 200 million, 300 million, and 400 million.	None
KGI Bank	Credit	140,000	2018/10-2020/10 Interest is paid monthly.	None
CTBC Bank	Credit	100,000	2018/12-2020/12 Interest is paid monthly.	None
Far Eastern International Bank	Credit	100,000	2018/12-2020/12 Interest is paid monthly.	None

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Lenders	Type	As at 31 Dec. 2018	Maturity date and terms of repayment	Guarantee
Chang Hwa Commercial Bank	Secured loan	90,864	2014/03-2034/03 Interest is paid monthly, with a grace period of 36 months. Payable monthly after the grace period. Due within 204 payments.	Land and buildings, Time deposits
O-Bank	Credit	30,769	2014/11-2019/10 Interest is paid monthly. With a grace period of 2 years. Payable quarterly after the grace period	None
The Shanghai Commercial & Savings Bank, Ltd.	Credit	25,000	2016/12-2019/12 Interest is paid monthly. With a grace period of 1 year. Payable in principle 12.5 million half of a year after the grace period.	None
Subtotal		1,486,633		
Less: current portion		(61,100)		
Total		$1,425,533		
Interest rate		1.263%-1.797%		

(b) As at 31 Dec. 2017

Lenders	Type	As at 31 Dec. 2017	Maturity date and terms of repayment	Guarantee
Yuanta Bank (Leading Bank of Syndicated Loan)	Syndicated bank loans	$770,000	2014/06-2019/06 interest is paid monthly; repayable annually starting from 2 years after the drawdown of the loan. The annual payment of each year is 110 million, 220 million, 330 million, and 440 million.	None
Yuanta Bank (Leading Bank of Syndicated Loan)	Syndicated bank loans	250,000	2014/06-2019/06 Interest is paid monthly.	None
KGI Bank	Credit	140,000	2017/09-2019/09 Interest is paid monthly.	None
CTBC Bank	Credit	100,000	2016/12-2018/12 Interest is paid monthly.	None
Far Eastern International Bank	Credit	100,000	2017/12-2019/10 Interest is paid monthly.	None

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Lenders	Type	As at 31 Dec. 2017	Maturity date and terms of repayment	Guarantee
Chang Hwa Commercial Bank	Secured loan	96,115	2014/03-2034/03 Interest is paid monthly, with a grace period of 36 months. Payable monthly after the grace period. Due within 204 payments.	Land and buildings
O-Bank	Credit	61,538	2014/11-2019/10 Interest is paid monthly. With a grace period of 2 years. Payable quarterly after the grace period.	None
The Shanghai Commercial & Savings Bank, Ltd.	Credit	50,000	2016/12-2019/12 Interest is paid monthly. With a grace period of 1 year. Payable in principle 12.5 million half of a year after the grace period.	None
Subtotal		1,567,653		
Less: current portion		(391,020)		
Total		$1,176,633		
Interest rate		1.263%-1.647%		

Please refer to Note 8 for further details on secured loans. Please refer to Note 9(3) for further details on syndicated bank loans.

(19) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended 31 December 2018 and 2017 were $190,706 and $166,605 respectively.

Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees’ total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is managed by the in-house managers or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute $20,824 to its defined benefit plan in the next year starting from 31 December 2018.

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The average duration of the defined benefits plan obligation as at 31 December 2018 and 2017, were 21.1 years and 22.2 years.

Pension costs recognized in profit or loss for the years ended 31 December 2018 and 2017:

	For the years ended 31 December	
	2018	2017
Current period service costs	$4,259	$(887)
Interest income or expense	10,093	18,586
Prior period service costs	9,175	-
Total	$23,527	$17,699

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As at		
	31 December 2018	31 December 2017	1 January 2017
Defined benefit obligation	$1,167,359	$1,403,916	$1,391,642
Plan assets at fair value	(1,009,006)	(1,153,776)	(1,065,853)
Defined benefit obligation	$158,353	$250,140	$325,789
Other non-current liabilities	-	(3,188)	(45,310)
Other non-current liabilities - the Group expects to contribute in the coming year	(20,824)	(28,563)	(27,229)
Other non-current liabilities - defined benefit obligation	$137,529	$218,389	$253,250

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Reconciliation of liability (asset) of the defined benefit plan is as follows:

	As at		
	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As at 1 January 2017	$1,391,642	$(1,065,853)	$325,789
Current period service costs	(887)	-	(887)
Net interest expense (income)	34,742	(16,156)	18,586
Subtotal	$1,425,497	$(1,082,009)	$343,488
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	124	-	124
Actuarial gains and losses arising from changes in financial assumptions	20,048	-	20,048
Experience adjustments	(1,881)	(74,411)	(76,292)
Subtotal	$18,291	$(74,411)	$(56,120)
Payments from the plan	(47,925)	47,925	-
Contributions by employer	-	(73,955)	(73,955)
Effect of changes in foreign exchange rates	8,053	28,674	36,727
As at 31 December 2017	$1,403,916	$(1,153,776)	$250,140
Current period service costs	4,259	-	4,259
Net interest expense (income)	31,354	(21,261)	10,093
Past service cost	9,175	-	9,175
Subtotal	$1,448,704	$(1,175,037)	$273,667
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(6,399)	-	(6,399)
Actuarial gains and losses arising from changes in financial assumptions	(84,423)	-	(84,423)
Experience adjustments	(14,971)	-	(14,971)
Remeasurements of the net defined benefit asset	-	62,359	62,359
Subtotal	$(105,793)	$62,359	$(43,434)
Payments from the plan	(142,879)	142,879	-
Contributions by employee	428	(428)	-
Contributions by employer	-	(67,921)	(67,921)
Effect of changes in foreign exchange rates	(33,101)	29,142	(3,959)
As at 31 December 2018	$1,167,359	$(1,009,006)	$158,353

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As at 31 December	
	2018	2017
Discount rate	1.05%-4.25%	1.39%-4.25%
Expected rate of salary increases	0.00%-3.00%	0.00%-3.00%

A sensitivity analysis for significant assumption as at 31 December 2018 and 2017 is, as shown below:

	Effect on the defined benefit obligation			
	2018		2017	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	-	7,378	-	10,228
Discount rate decrease by 0.5%	8,821	-	11,182	-
Future salary increase by 0.5%	8,668	-	10,765	-
Future salary decrease by 0.5%	-	7,331	-	10,121

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(20) Equities

(a) Common stock

As at 31 December 2016, the Company’s authorized capital was $6,000,000, divided into 600,000,000 shares with par value of NT$10 each. The issued and outstanding capital stocks were $3,553,042, divided into 355,304,224 shares. Each share has one voting right and a right to receive dividends.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A summary of the employee stock options and the bondholders’ exercising conversions for the year ended 31 December 2017, is as follows:

	Employee stock option certificates	Convertible Bonds
Shares conversion		
First quarter	- shares	- shares
Second quarter	- shares	7,433,093 shares
Third quarter	- shares	5,666,645 shares
Fourth quarter	2,502,000 shares	20,000 shares
Total	2,502,000 shares	13,119,738 shares

A summary of the employee stock options and the bondholders’ exercising conversions for the year ended 31 December 2018, is as follows:

	Employee stock option certificates
Shares conversion	
First quarter	185,000 shares
Second quarter	20,000 shares
Third quarter	349,000 shares
Fourth quarter	265,000 shares
Total	819,000 shares

The Company issued employee share option in 2015. As at 31 December 2017, Employees converted their options into 2,502,000 shares at NT$13.7 per share. 1,967,000 shares have completed the registration process while 535,000 shares have not and were booked as collection in advance in the amount of $7,329.

The Company issued employee share option in 2015. As at 31 December 2018, employees had converted their options into 2,707,000 shares at NT$13.7 per share, and 614,000 shares at NT$12.7 per share. 3,271,000 shares have completed the registration process while 50,000 shares have not and were booked as collection in advance in the amount of $635.

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The Company resolved at its board of directors meeting held on 3 March 2017 to retire 3,535,000 shares of treasury stock. The record date of capital decrease was 10 March 2017. The abovementioned transaction was approved by the competent authority on 22 March 2017.

As at 31 December 2018, the Company's authorized capital was $6,000,000, divided into 600,000,000 shares with par value of NT$10 each. The issued and outstanding capital stocks were $3,681,600, divided into 368,159,962 shares. Each share has one voting right and a right to receive dividends.

(b) Capital surplus

	As at 31 December	
	2018	2017
Additional paid-in capital	$984,616	$980,356
Share of changes in net assets of associates and joint ventures accounted for using the equity method	9,127	8,935
Premium from merger	1,895	1,895
Share-based payment transactions	32,381	31,573
Restricted stocks for employees	4,000	4,000
Total	$1,032,019	$1,026,759

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

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(c) Treasury stock

	Buying back to write off the stock (in thousand shares)	Total (in thousand dollars)
1 Jan 2017	2,917	$44,868
Increase	618	10,326
Decrease	(3,535)	(55,194)
31 Dec. 2017	-	$-
Increase	12,000	186,207
Decrease	-	-
31 Dec. 2018	12,000	$186,207

According to Securities and Exchange Act, the treasury stock held by the Company cannot be pledged, and has no voting right nor right to receive dividends.

(d) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

A. Payment of all taxes and dues
B. Offset prior years' operation losses
C. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve
D. Set aside or reverse special reserve in accordance with law and regulations
E. The distribution of the remaining portion, if any, will be recommended by the board of directors and resolved in the shareholders' meeting

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The board of directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that no more than 90% of the dividends to shareholders, if any, could be paid in the form of share dividends. Accordingly, at least 10% of the dividends must be paid in the form of cash.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Company did not have any special reserve due from first-time adoption of the TIFRS.

Details of the 2017 and 2016 earnings distribution and dividends per share as resolved by the shareholders' meeting on 25 May 2018 and 26 May 2017, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2017	2016	2017	2016
Legal reserve	$69,834	$-		
Special reserve	184,619	285,914		
Common stock -cash dividend	549,774	350,769	$1.50	$1.00

Please refer to Note 6(25) for further details on employees' compensation and remuneration to directors and supervisors.

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(e) Unearned employee salary

Restricted stocks for employees issuance as approved and resolved by the shareholder's meeting. Please refer to Note 6 (21) for details.

	2018	2017
Beginning balance	$(8,167)	$(12,833)
Recognized shared-based payment expense	4,667	4,666
Ending balance	$(3,500)	$(8,167)

(f) Non-controlling interests

	For the years ended 31 December	
	2018	2017
Beginning balance	$75,587	$81,935
Net income (loss) attributable to non-controlling interests	696	8,387
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	255	48
Remeasurements of defined benefit plans	647	238
Subsidiary disposal by equity method	-	(15,021)
Ending balance	$77,185	$75,587

(21) Share-based payment plans

(a) On 2 October 2015, the Company was authorized by the Financial Supervisory Commission Republic of China (Taiwan), Executive Yuan, to issue non-compensatory employee share options with a total number of 10,500 units. Each unit entitles an optionee to subscribe for 1,000 shares of the Company's common shares. Settlement upon the exercise of the options will be made through the issuance of new shares. The exercise price of the option was set at the closing price of the Company's common share on the grant date. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan. The contractual term of each option granted is five years. If there are changes in the common shares of the Company, the exercise price of share options will be recalculated and adjusted in proportion to the number of shares being held by each of the optionee.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

a. For the 1,800 units firstly issued, the optionee may exercise 50% of the options starting two years and three years from the grant date. The contractual term of each option granted is five years. If there are changes in the common shares of the Company, the exercise price of share options will be recalculated and adjusted in proportion to the number of shares being held by each of the optionee.

b. For the 8,700 units secondly issued, the optionee may exercise 100% of the options starting two years from the grant date. The contractual term of each option granted is five years. If there are changes in the common shares of the Company, the exercise price of share options will be recalculated and adjusted in proportion to the number of shares being held by each of the optionee.

As at 31 December 2018, the Company has not cancelled or modified the share-based payment plan proposed for employees. The relevant details of the aforementioned share-based payment plan are as follows:

Date of grant	Total number of share options granted (unit)	Total number of share options outstanding (unit)	Shares to be subscribed (unit)	Exercise price of share options (NT$)
29 Oct 2015	10,500	4,534	4,534	12.70

c. The following table contains further details on the aforementioned share-based payment plan:

	As at 31 December			
	2018		2017	
	Number of share options outstanding (unit)	Weighted average exercise price of share options (NT$)	Number of share options outstanding (unit)	Weighted average exercise price of share options (NT$)
Outstanding at beginning of period	5,753	$13.70	8,540	$14.40
Converted	(819)	12.95	(2,502)	13.70
Forfeited	(400)	12.70	(285)	13.70
Outstanding at end of period	4,534	$12.70	5,753	$13.70
Weighted average fair value of share options (NT$)	$3.9；4.3		$3.9; 4.3	

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

d. The following table contains further details on the aforementioned share-based payment plan as at 31 December 2018:

		Share options outstanding				Share options exercisable	
Share options	Range of exercise price (NT$)	Number (unit)	Maturity date	Weighted average remaining contractual life (Years)	Weighted average exercise price of share options (NT$)	Number (unit)	Weighted average exercise price of share options (NT$)
2015/10/29 Share options plan- 1,800 units firstly issued	$12.70	1,350	2020/10/28	1.83	$12.70	1,350	$12.70
2015/10/29 Share options plan -8,700 units secondly issued	$12.70	3,184	2020/10/28	1.83	$12.70	3,184	$12.70

Note: If there are changes in the common shares of the Company (such as capital increase by cash or capitalization of retained earnings), the exercise price of share options will be adjusted according to the employee share options plan.

The compensation cost is accounted for under the fair value method. The fair value of the share options is estimated at the grant date using a Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. The Company recognized compensation expense of $808 and $12,602 in 2018 and 2017. The following table lists the inputs to the model used for the plan:

For the 1,800 units first issued:

	Share-based payment plan
Dividend yield (%)	0%
Expected volatility (%)	33.42%; 33.99%
Risk-free interest rate (%)	0.6227%; 0.6769%
Expected option life (Years)	3.5 years; 4 years

For the 8,700 units secondly issued:

	Share-based payment plan
Dividend yield (%)	0%
Expected volatility (%)	33.42%
Risk-free interest rate (%)	0.6227%
Expected option life (Years)	3.5 years

(b) The Company issued restricted stocks for employees in the amount of $10,000, up to 1,000,000 shares in total. The Company will issue these shares at one time within one year following shareholder’s meeting.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

a. The vesting condition of restricted stocks for employees is as follows:

   i. Employees must remain in service for 3 years or more after being vested
   ii. Performance period is from 2016 to 2018
   iii. Employees could be vested 50% of the shares when the average return on equity is more than 8% in performance period; 100%, when average return on equity is more than 10% in performance period.

b. The restricted rights before being vested shares are as follows:

   i. Employees may not sell, pledge (as collateral or security), assign, give away, or in any other manner dispose of the restricted stocks.
   ii. The restricted stocks are not entitled to receive cash or stock dividends, cash or stocks from capital reserves and participate in cash capital increase.
   iii. Employees are not entitled to attend shareholders' meetings, propose, speak, vote and engage in any other matters related to shareholders' rights and interests.

If employees do not meet the vesting condition, the Company will withdraw the shares without compensation and then cancel them.

The price of the restricted stock for employees at grant date was NT$14 per share. The record date of capital increase was 6 October 2016. The Company will issue restricted stocks and grant to employees 1,000,000 shares, each at par value of NT$10 totaling $10,000.

(22) Operating revenue

	For the years ended 31 December	
	2018(Note)	2017
Revenue from contracts with customers		
Sale of goods	$17,879,120	$17,910,124
Total	$17,879,120	$17,910,124

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Note: The Group adopted IFRS 15 on 1 January 2018. The Group elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (1 January 2018).

The Group adopted IFRS 15 on 1 January 2018. Analysis of revenue from contracts with customers during the year ended 31 December 2018 is as follows:

(a) Disaggregation of revenue

2018.1.1~2018.12.31

	Taiwan Segment	China Segment	America Segment	Europe Segment	Total
Sale of goods	$6,391,537	$235,668	$5,436,378	$5,815,537	$17,879,120
Total	$6,391,537	$235,668	$5,436,378	$5,815,537	$17,879,120
Timing of revenue recognition					
At a point in time	$5,689,031	$235,668	$5,436,378	$5,815,537	$17,176,614
Over time	702,506	-	-	-	702,506
Total	$6,391,537	$235,668	$5,436,378	$5,815,537	$17,879,120

(b) Contract balances

Contract liabilities - current

	Beginning balance	Ending balance	Difference
Sales of goods	$266,926	$276,008	$9,082
Total	$266,926	$276,008	$9,082

For the year ended 31 December 2018, contract liabilities increased as the new performance obligation was not yet satisfied.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(23) Expected credit losses/ (gains)

	For the years ended 31 December	
	2018	2017(Note)
Operating expenses – Expected credit losses/(gains)		
Notes receivables	$-	
Accounts receivables	10,486	
Total	$10,486	

Note: The Group adopted IFRS 9 on 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at 31 December 2018 is as follows:

The Group considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follows:

	Not yet due	Overdue				
	(note)	1-90 days	90-180 days	181-365 days	Upon 366 days	Total
Gross carrying amount	$2,289,342	$304,355	$34,213	$16,441	$13,281	$2,657,632
Loss ratio	0.45%	3.27%	0.54%	15.29%	100%	
Lifetime Expected credit losses	(10,400)	(9,946)	(186)	(2,514)	(13,281)	(36,327)
Carrying amount	$2,278,942	$294,409	$34,027	$13,927	$-	$2,621,305

Note: The Group's note receivables are not overdue.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The movement in the provision for impairment of note receivables and trade receivables during the year ended 31 December 2018 is as follows:

	Note receivables	Trade receivables
Beginning balance (in accordance with IAS 39)	$-	$35,890
Transition adjustment to retained earnings	-	-
Beginning balance (in accordance with IFRS 9)	-	35,890
Addition/(reversal) for the current period	-	10,486
Write off	-	(9,839)
Exchange differences	-	(210)
Ending balance	$-	$36,327

(24) Operating leases

(a) Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain offices and warehouses. These leases have an average life of three to five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2018 and 2017 are as follows:

	As at 31 December	
	2018	2017
Not later than one year	$329,273	$172,021
Later than one year and not later than five years	887,104	408,639
Later than five years	680,811	149,952
Total	$1,897,188	$730,612

Operating lease expenses recognized are as follows:

	2018	2017
Minimum lease payments	$182,886	$166,315
Total	$182,886	$166,315

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(25) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended 31 December 2018 and 2017:

Function / Nature	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$1,144,584	$1,609,595	$2,754,179	$1,012,169	$1,567,515	$2,579,684
Labor and health insurance	22,542	127,945	150,487	17,290	125,440	142,730
Pension	134,936	79,297	214,233	125,164	59,140	184,304
Other employee benefits expense	7,278	24,905	32,183	6,234	20,626	26,860
Depreciation	167,267	89,719	256,986	144,114	97,377	241,491
Amortization	1,911	20,234	22,145	1,888	47,533	49,421

According to the Company's Articles of Incorporation, when there is profit in current year, the Company shall set no less than 2% as employees' compensation and no higher than 2% as directors' remuneration. However, profit should be used to offset against any accumulated deficit prior to the aforementioned compensation and remuneration. The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or cash. Such distribution shall be reported at the shareholders' meeting. Information on the board of directors' resolution regarding the employees' compensation and directors' remuneration can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the year ended 31 December 2018, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2018 to be 3.2% and 0.57% of profit of the current year, respectively, recognized as salary expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2018 amount to $22,925 and $4,045, respectively. The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2017 to be 3.75% and 0.94% of profit of the current year, respectively. The employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2017 amount to $25,269 and $ 6,317, respectively, recognized as salary expense.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A resolution was passed at a board meeting held on 11 March 2019 to distribute $23,973 and $4,505 in cash as 2018 employees' compensation and remuneration to directors and supervisors, respectively. The difference of $1,508 between the actual employee bonuses and the estimated amount of $26,970 was recognized as an adjustment to current income in 2019.

A resolution was passed at a board meeting held on 27 February 2018 to distribute $26,500 and $5,007 in cash as 2017 employees' compensation and remuneration to directors and supervisors, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2017.

(26) Non-operating income and expenses

(a) Other income

	For the years ended 31 December	
	2018	2017
Interest income	(Note)	$59,435
Financial assets measured at amortized cost	$71,447	(Note)
Others	77,904	61,184
Total	$149,351	$120,619

Note: The Group adopted IFRS 9 on 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

(b) Other gains and losses

	For the years ended 31 December	
	2018	2017
Losses on disposal of property, plant and equipment	$(2,012)	$(695)
Gains on disposal of investment	48,516	45,070
Foreign exchange gains (losses), net	89,566	(117,942)
Gains on financial assets at fair value through profit or loss (Note 1)	48,597	44,790
Losses on financial liabilities at fair value through profit or loss (Note 2)	(36,493)	(4,267)
Others (Note 3)	(71,138)	(24,327)
Total	$77,036	$(57,371)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Note:

1. Balance in current period arose from financial assets mandatorily measured at fair value through profit or loss and balance in prior period arose from held for trading investment.
2. Balances in both periods arose from held for trading investment.
3. PJH Group Limited, a subsidiary of the Company, had a fire incident in one of the leased warehouses on 15 November 2018. The warehouse and inventory in the premises were fully insured. Upon settling the insurance claims, the net income as a result of claim settlement less casualty losses was $5,868, and PJH Group Limited incurred no significant property loss.

(c) Finance costs

	For the years ended 31 December	
	2018	2017
Interest on loans from bank	$48,560	$50,473
Interest on bonds payable	-	1,477
Total	$48,560	$51,950

(27) Components of other comprehensive income

For the year ended 31 December 2018:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$43,434	$-	$43,434	$(6,979)	$36,455
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(59,535)	-	(59,535)	-	(59,535)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(551)	-	(551)	-	(551)
Total of other comprehensive income	$(16,652)	$-	$(16,652)	$(6,979)	$(23,631)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended 31 December 2017:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$56,120	$-	$56,120	$(9,540)	$46,580
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(188,977)	-	(188,977)	-	(188,977)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(260)	-	(260)	-	(260)
Total of other comprehensive income	$(133,117)	$-	$(133,117)	$(9,540)	$(142,657)

(28) Income tax

Based on the amendments to the Income Tax Act announced on 7 February 2018, the Company’s applicable corporate income tax rate for the year ended 31 December 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The major components of income tax expense (income) are as follows:

(a) Income tax expense recognized in profit or loss

	For the years ended 31 December	
	2018	2017
Current income tax expense:		
Current income tax charge	$121,476	$167,552
Adjustments in respect of current income tax of prior periods	20,000	-
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	46,387	93,787
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	(7,755)	23,837
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	4,368	(4,348)
Total income tax expense	$184,476	$280,828

(b) Income tax relating to components of other comprehensive income

	For the years ended 31 December	
	2018	2017
Deferred tax expense (income):		
Remeasurements of defined benefit plans	$6,979	$9,540
Income tax relating to components of other comprehensive income	$6,979	$9,540

(c) Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate is as follows:

	For the years ended 31 December	
	2018	2017
Accounting profit before tax from continuing operations	$803,392	$987,557
Tax at the domestic rates applicable to profits in the country concerned	$156,558	$156,398
Tax effect of expenses not deductible for tax purposes	25,190	11,154
Tax effect of deferred tax assets/liabilities		
Deferred tax effect of tax rate change	(7,755)	23,837
Tax effect and its reversal of temporary difference	(9,517)	89,439
Adjustments in respect of current income tax of prior periods	20,000	-
Total income tax expenses recorded in profit or loss	$184,476	$280,828

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(d) Deferred tax assets (liabilities) relate to the following:

(a) For the year ended 31 December 2018:

Items	Beginning balance as at 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance as at 31 December
Temporary difference					
Allowance to reduce inventories to market value	$55,188	$(1,402)	$-	$(1,662)	$58,252
Non-current liability – Defined benefit Liability	55,487	5,112	6,979	(1,067)	44,463
Unused tax losses	5,589	4,368	-	(48)	1,269
Unrealized intragroup profits and losses	77,304	(9,517)	-	-	86,821
Accrued expense	16,378	18,412	-	(26)	(2,008)
Allowance for sales discounts	34,460	9,436	-	(5,154)	30,178
Bad debt loss	7,879	(595)	-	(211)	8,685
Unrealized impairment loss	(136)	(75)	-	(2)	(59)
Unrealized exchange gain or loss	4,250	15,178	-	(749)	(10,179)
Revaluations of financial liabilities at fair value through profit or loss	30	35	-	(5)	-
Revaluations of financial assets at fair value through profit or loss	(501)	1,345	-	88	(1,934)
Depreciation	(18,926)	703	-	801	(20,430)
Deferred tax expense/ (income)		$43,000	$6,979	$(8,035)	
Net deferred tax assets/ (liabilities)	$237,002				$195,058
Reflected in balance sheet as follows:					
Deferred tax assets	$260,459				$232,286
Deferred tax liabilities	$(23,457)				$(37,228)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) For the year ended 31 December 2017:

Items	Beginning balance as at 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance as at 31 December
Temporary difference					
Allowance to reduce inventories to market value	$85,501	$33,136	$-	$(2,823)	$55,188
Non-current liability – Defined benefit Liability	50,251	17,757	9,540	(32,533)	55,487
Unused tax losses	1,235	(4,348)	-	(6)	5,589
Unrealized intragroup profits and losses	153,151	75,847	-	-	77,304
Accrued expense	19,004	2,430	-	196	16,378
Allowance for sales discounts	28,827	(319)	-	(5,314)	34,460
Bad debt loss	15,191	7,493	-	(181)	7,879
Unrealized impairment loss	(273)	(135)	-	(2)	(136)
Unrealized exchange gain or loss	(5,669)	(9,908)	-	(11)	4,250
Revaluations of financial liabilities at fair value through profit or loss	9	(21)	-	-	30
Revaluations of financial assets at fair value through profit or loss	(47)	453	-	1	(501)
Depreciation	(30,793)	(9,109)	-	(2,758)	(18,926)
Deferred tax expense/ (income)		$113,276	$9,540	$(43,431)	
Net deferred tax assets/ (liabilities)	$316,387				$237,002
Reflected in balance sheet as follows:					
Deferred tax assets	$358,516				$260,459
Deferred tax liabilities	$(42,129)				$(23,457)

(c) Unrecognized deferred tax assets

As at 31 December 2018 and 2017, deferred tax assets that have not been recognized amount to $357,168 and $321,660 respectively.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(e) Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As at 31 December 2018 and 2017, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregate to $3,794,066 and $3,304,439, respectively.

(f) The unutilized accumulated losses for the Group were as follows:

		Balance of unused investment tax credits as at		
Occurrence Year	Accumulated losses	31 December 2018	31 December 2017	Expiration Year
2011	6,298	5,437	5,437	2021
2012	3,607	3,607	3,607	2022
2013	4,337	4,337	4,337	2023
2014	-	-	-	2024
2015	5,153	5,153	5,153	2025
2016	6,230	6,230	6,230	2026
2017	4,848	4,848	4,848	2027

(g) The assessment of income tax returns

As at 31 December 2018, the assessment of the income tax returns of the Company is as follows:

	The assessment of income tax returns
Globe Union Industrial Corp.	Assessed and approved up to 2014 and 2016
Subsidiary - Home Boutique International Co., Ltd.	Assessed and approved up to 2016
Subsidiary - YI SHEH CO., LTD.	Assessed and approved up to 2016
Subsidiary - Home Boutique Co., Ltd.	Assessed and approved up to 2016

As at 31 December 2018, all foreign subsidiaries governed by foreign tax authorities have filed income tax returns up to 2017.

(29) Earnings per share

	For the years ended 31 December	
	2018	2017
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands of NT$)	$618,220	$698,342
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	365,195	352,698
Basic earnings per share (NT$)	$1.69	$1.98
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands of NT$)	$618,220	$698,342
Interest expense from convertible bonds (in thousand NT$)	-	1,226
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$618,220	$699,568
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	365,195	352,698
Employee compensation－stock (in thousands)	1,398	1,143
Employee stock options (in thousands)	1,628	743
Convertible bonds (in thousands)	-	11,238
Restricted stock for employees (in thousands)	806	589
Weighted average number of ordinary shares outstanding after dilution (in thousands)	369,027	366,411
Diluted earnings per share (NT$)	$1.68	$1.91

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(30) Disposal of subsidiary

The group's subsidiary: Globe Union Industrial (B.V.I.) Corp. sold Qingdao Lin Hong Precision Industrial Corp. to DeHeng Building Technology Co., Ltd. in June 2017, so the group lost control of Qingdao Lin Hong Precision Industrial Corp.

(1) The analysis for assets and liabilities of the entity no longer in control

	Disposal of Qingdao Lin Hong Precision Industrial Corp.
Current assets	
VAT Paid	$7,351
Non-current assets	
Property, plant, and equipment	122,324
Long-term prepaid rent (land use rights)	52,775
Current liability	
Accrued expenses	(1,822)
Non-current liability	
Other non-current liability	(26,754)
Exchange difference	8,991
Disposal of net assets	$162,865

(2) Gain on disposal of investments

	2017.1.1~ 2017.12.31
Disposal consideration	$179,160
Transaction costs	(5,375)
Disposal of net assets	(162,865)
Gain on disposal	$10,920

The Group's subsidiary: Globe Union (Canada) Inc. sold Aquanar Inc. to Novex Design & Technologies Inc., Ltd. in October 2017, so the group lost control of Aquanar Inc.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(1) The analysis for assets and liabilities of the entity no longer in control

	Disposal of Aquannar Inc.
Current assets	
Cash	$5,059
Account receivable	3,981
Non-current assets	
Property, plant, and equipment	10,140
Current liability	
Account payable	(981)
Accrued expenses	(1,473)
Tax payable	(143)
Minority stock right	(6,633)
Exchange difference	2,647
Disposal of net assets	$12,597

(2) Loss on disposal of investments

	2017.1.1~ 2017.12.31
Disposal consideration	$2,330
Disposal of net assets	(12,597)
Loss on disposal	$(10,267)

The consideration from disposing of a subsidiary was $1,165, which was recorded as other receivables as at 31 December 2017.

The group’s subsidiary: Great Hope Management Consulting Inc. and Globe Union Industrial (B.V.I.) Corp sold HBS CO., LTD. to Radiant Sky Ltd. in December 2017, so the group lost control of HBS CO., LTD.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(1) The analysis for assets and liabilities of the entity no longer in control

	Disposal of HBS CO., LTD
Current assets	
Cash	$3,929
Account receivable	(24,920)
Other account receivable	1,094
Inventory	20,194
Prepaid account	(119)
Other current asset	508
Non-current assets	
Deposit-out assurance	1,573
Other asset	19,357
Current liability	
Account payable	(8,750)
Other account payable	(4,773)
Accrued expense	(2,446)
Non-current liability	
Other non-current liability	(44,965)
Surplus	5,748
Minority stock right	(8,388)
Exchange difference	484
Disposal of net liabilities	$(41,474)

(2) Gain on disposal of investments

	2017.1.1~ 2017.12.31
Disposal consideration	$2,943
Disposal of net liabilities	41,474
Gain on disposal	$44,417

The Group's subsidiary: Globe Union Industrial (B.V.I.) Corp. sold Qingdao Globe Union Technology Industrial Corp. to Qingdao Kaili Xiangtong Investment Management Co., Ltd. in December 2018, so the Group lost control of Qingdao Globe Union Technology Industrial Corp.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(1) The analysis for assets and liabilities of the entity no longer in control

	Disposal of Qingdao Globe Union Technology Industrial Corp.
Current assets	
Cash	$2,823
Property, plant, and equipment	124,871
Investment property	10,614
Long-term prepaid rent (land use rights)	56,110
Current liability	
Account payable	(20)
Contract liabilities	(334)
Other account payable	(1,753)
Other current liability	(862)
Exchange difference	10,637
Disposal of net assets	$202,086

(2) Gain on disposal of investments

	2018.1.1~ 2018.12.31
Disposal consideration	$283,228
Transaction costs	(32,664)
Disposal of net assets	(202,086)
Gain on disposal	$48,478

(3) Net cash outflow from disposal of subsidiaries

	2018.1.1~ 2018.12.31
The consideration in cash	$-
Less: Disposition of cash and cash equivalents balances	2,823
Less: Payment for transaction costs	158
Net cash outflow from disposal of subsidiaries	$(2,981)

The consideration from disposal of a subsidiary was $283,228 and unpaid transaction cost was $32,506, which was recognized as other receivables and other payable as at 31 December 2018, respectively.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Chengxinzhao (Zhangzhou) Hardware Co., Ltd.	Associate

Significant transactions with related parties

(a) Other receivables – related parties (recorded under other current assets)

	As at 31 December	
	2018	2017
Chengxinzhao (Zhangzhou)	$1,692	$1,692

(b) Key management personnel compensation

	For the years ended 31 December	
	2018	2017
Short-term employee benefits	$180,975	$170,376
Post-employment benefits	6,786	5,949
Total	$187,761	$176,325

8. ASSETS PLEDGED AS SECURITY

The following table lists assets of the Group pledged as security:

	Carrying amount as at 31 December		
Assets pledged for security	2018	2017	Secured liabilities
Accounts receivable	$282,137	$507,471	Security for loans
Other receivable - time deposit and reserve account	(Note)	158,675	Security for loans
Financial assets measured at amortized cost	155,544	(Note)	Security for loans
Land	139,340	139,340	Security for loans
Buildings	42,908	43,864	Security for loans
Total	$619,929	$849,350	

Note: The Group adopted IFRS 9 on 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) On 1 October 2013, the Company has entered into a land lease agreement with the Taichung Branch of the Export Processing Zone Administration. The lease term is ten years, starting from 1 October 2013 to 30 September 2023. The rent is adjusted based on the land price, and current monthly rent is $72.

(2) The Company and its subsidiaries provided endorsement/guarantee to related parties. Please refer to Note 13(1) (b) for more details.

(3) In June 2018, the Company has entered into a syndicated loan agreement with CTBC Bank and ten other lending institutions of syndicated credits, such as O-Bank, E.SUN Commercial Bank, and Taipei Fubon Commercial Bank. The agreement contains the following restrictive covenants:

(a) The current ratio shall not be lower than 100%.
(b) The liability ratio shall not be higher than 180%.
(c) The interest coverage ratio shall not be lower than 2.

The Company should review these ratios every half year based on the audited annual and semi-annual consolidated financial statements.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

For business operation purposes, Home Boutique International Co., Ltd. (“HBI”), a consolidated subsidiary of the Company, held a special shareholders meeting and resolved to carry out capital reduction; thus, HBI cancelled the number of issued and outstanding shares in the amount of 15 million shares, returning capital contributions in the amount of $150,000 thousand to shareholders according to the shareholding percentage. The record date of capital reduction was set on 20 February 2019.

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12. OTHERS

(1) Categories of financial instruments

Financial assets

	As at 31 December	
	2018	2017
Financial assets at fair value through profit or loss:		
Held for trading (Note 2)	(Note 1)	$2,966
Mandatorily measured at Fair value through profit or loss	$10,492	(Note 1)
Financial assets measured at amortized cost (Note 3)	5,985,196	(Note 1)
Loans and receivables:		
Cash and cash equivalents (exclude cash on hand)	(Note 1)	3,086,375
Notes and accounts receivable	(Note 1)	3,042,998
Other receivables- time deposit(Note 4)	(Note 1)	727,011

Financial liabilities

	As at 31 December	
	2018	2017
Financial liabilities at amortized cost:		
Short-term borrowings	$1,280,137	$1,358,471
Notes and accounts payable	2,164,087	2,411,067
Long-term loans (including current portion with maturity less than 1 year)	1,486,633	1,567,653
Financial liabilities at fair value through profit or loss:		
Held for trading	375	1,506

Note:

(1) The Group adopted IFRS 9 on 1 January 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

(2) Balance as at 31 December 2017 included financial assets measured at cost.

(3) Including cash and cash equivalents (excluding cash on hand), financial assets measured at amortized cost, notes receivable, trade receivables and other receivables.

(4) Including debt instrument investments for which no active market exists and other receivables.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3)Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk and interest rate risk.

In practice, it is rarely the case that a single risk variable will change interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

a. Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

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The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD and CNY. The information of the sensitivity analyses as follows:

(i) When NTD strengthens against USD by 1%:

	Increase (decrease) in equity	Decrease (increase) in profit or loss
For the year ended 31 December 2018	$-	$10,208
For the year ended 31 December 2017	$-	$10,934

(ii) When NTD strengthens against CNY by 1%:

	Increase (decrease) in equity	Decrease (increase) in profit or loss
For the year ended 31 December 2018	$-	$(4,473)
For the year ended 31 December 2017	$-	$(3,712)

For a 1% weakening of NTD against the relevant currencies when all the other factors remain the same, there would be a comparable impact on the pre-tax profit or equity, and the balances above would be negative.

b. Equity price risk

The fair value of the Group's listed and unlisted equity securities and conversion rights of the Euro-convertible bonds issued are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under held for trading financial assets or available-for-sale financial assets, while conversion rights of the Euro-convertible bonds issued are classified as financial liabilities at fair value through profit or loss as it does not satisfy the definition of an equity component. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

Please refer to Note 12 (8) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

c. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December 2018 and 2017 to decrease/increase by $2,767 and $2,926, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, ratings from credit rating agencies, historical experiences, prevailing economic condition and the Group's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

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As at 31 December 2018 and 31 December 2017, amounts receivables from top ten customers represented 45.57% and 47.66% of the total trade receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank loans. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as at the end of the reporting period.

Non-derivative financial liabilities

	Less than 1year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 Dec. 2018					
Short-term borrowings	$1,282,025	$-	$-	$-	$1,282,025
Notes and accounts payable	2,164,087	-	-	-	2,164,087
Long-term borrowings (including current portion with maturity less than 1 year)	85,178	688,864	726,846	68,513	1,569,401
Other payables	135,997	-	-	-	135,997
As at 31 Dec. 2017					
Short-term borrowings	$1,360,627	$-	$-	$-	$1,360,627
Notes and accounts payable	2,411,067	-	-	-	2,411,067
Long-term borrowings (including current portion with maturity less than 1 year)	411,583	1,107,022	13,368	75,197	1,607,170
Other payables	173,444	-	-	-	173,444

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Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 Dec. 2018					
Inflows	$54,815	$-	$-	$-	$54,815
Outflows	(55,190)	-	-	-	(55,190)
Net	$(375)	$-	$-	$-	$(375)

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 Dec. 2017					
Inflows	$113,040	$-	$-	$-	$113,040
Outflows	(114,546)	-	-	-	(114,546)
Net	$(1,506)	$-	$-	$-	$(1,506)

The table above contains the undiscounted net cash flows of derivative financial liabilities.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2018:

	Short-term borrowings	Long-term borrowings	Total liabilities from financing activities
As at 1 Jan. 2018	$1,358,471	$1,567,653	$2,926,124
Cash flows	(78,334)	(81,020)	(159,354)
As at 31 December. 2018	$1,280,137	$1,486,633	$2,766,770

Reconciliation of liabilities for the year ended 31 December 2017:

Not applicable.

(7) Fair values of financial instruments

a. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

i. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

iv. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

v. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

b. Fair value of financial instruments measured at amortized cost

The carrying amounts of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

c. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at 31 December 2018 and 2017 is as follows:

Forward currency contracts

The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

Items (by contract)	Notional Amount (in thousands)	Contract Period
As at 31 Dec. 2018		
Forward currency contract	Sell USD 39,500	From Jan. 2019 to Mar. 2019
Forward currency contract	Buy USD 490	From Jan. 2019 to Mar. 2019
Forward currency contract	Buy EUR 85	Jan. 2019
Forward currency contract	Sell GBP 1,579	From Jan. 2018 to Mar. 2019
As at 31 Dec. 2017		
Forward currency contract	Buy USD 460	From Jan. 2018 to Mar. 2018
Forward currency contract	Sell USD 8,092	From Jan. 2018 to Feb. 2018
Forward currency contract	Sell CAD 780	From Feb. 2018 to Mar. 2018
Forward currency contract	Buy EUR 110	Jan. 2018
Forward currency contract	Sell GBP 2,063	From Dec. 2017 to Feb. 2018

The counterparties for the aforementioned derivatives transactions are well known local or overseas banks, as they have sound credit ratings, the credit risk is insignificant.

With regard to the forward foreign exchange contracts, as they have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Group has sufficient operating funds, the cash flow risk is insignificant.

(9) Fair value measurement hierarchy

a. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

b. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As at 31 December 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$-	$10,492	$-	$10,492
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	375	-	375

As at 31 December 2017

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$-	$2,966	$-	$2,966
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	1,506	-	1,506

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

c. Fair value measurement hierarchy of the Group’s assets and liabilities not measured at fair value but for which the fair value is disclosed

As at 31 Dec. 2018

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	$-	$-	$-	$-

As at 31 Dec. 2017

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	$-	$-	$19,890	$19,890

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(10) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

Unit: Thousands

	As at 31 December 2018			As at 31 December 2017		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary items:						
USD	$45,054	30.720	$1,384,059	$46,218	29.780	$1,376,372
CNY	207,886	4.464	928,003	231,995	4.573	1,060,913
EUR	4,873	35.19	171,481	4,596	35.640	163,801
CAD	7,662	22.58	173,008	7,307	23.760	173,614
GBP	17,678	38.88	687,321	22,131	40.170	889,002
Financial liabilities						
Monetary items:						
USD	$11,826	30.720	$363,295	$9,503	29.780	$282,999
CNY	308,090	4.464	1,375,314	313,168	4.573	1,432,117
EUR	1,171	35.19	41,207	1,210	35.640	43,124
CAD	1,099	22.58	24,815	1,275	23.760	30,294
GBP	17,788	38.88	691,597	22,250	40.170	893,783

The Group is unable to disclose foreign exchange gains or losses on significant assets and liabilities denominated in foreign currencies because the Group entities have too many functional currencies. The exchange gains (losses) for the years ended 31 December 2018 and 2017 were $89,566 and $(117,942), respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize the shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

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13. OTHER DISCLOSURE

(1) Information at significant transactions

(a) Financing provided to others for the year ended 31 December 2018: All transactions below were between consolidated entities and have been eliminated in consolidation.

No	Lender	Counterparty	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Amount drawn	Interest rate	Nature of financing (Note 5)	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
1	Globe Union UK Ltd.	PJH Group Limited	Other receivable	Yes	$286,832 GBP 6,934,554	$- GBP -	$- GBP -	-	2	$-	For operating	$-	-	$-	$322,284 GBP 8,289,186 (Note 3)	$322,284 GBP 8,289,186 (Note 1)
3	Globe Union Industrial (BVI) Corp.	Globe Union (UK) Ltd.	Other receivable	Yes	$82,720 GBP 2,000,000	$77,760 GBP 2,000,000	$77,760 GBP 2,000,000	-	2	$-	For operating	$-	-	$-	$622,345 (Note 2)	$1,659,587 (Note 1)
3	Globe Union Industrial (BVI) Corp	Globe Union Cayman Corp.	Other receivable	Yes	$41,360 GBP 1,000,000	$38,880 GBP 1,000,000	$38,880 GBP 1,000,000	-	2	$-	For operating	$-	-	$-	$622,345 (Note 2)	$1,659,587 (Note 1)
3	Globe Union Industrial (BVI) Corp	Qingdao Globe Union Technology Industrial Corp.	Other receivable	Yes	$31,858 RMB 6,800,000	$- RMB -	$- RMB -	-	2	$-	For operating	$-	-	$-	$622,345 (Note 2)	$1,659,587 (Note 1)
3	Globe Union Industrial (BVI) Corp	Globe Union Industrial Corp.	Other receivable	Yes	$262,360 RMB 56,000,000	$249,984 RMB 56,000,000	$249,984 RMB 56,000,000	-	2	$-	For operating	$-	-	$-	$622,345 (Note 2)	$1,659,587 (Note 1)
4	Home Boutique International Co., Ltd.	Home Boutique Co., Ltd	Other receivable	Yes	$3,000	$3,000	$3,000	-	2	$-	For operating	$-	-	$-	$112,836 (Note 4)	$225,672 (Note 1)

Note 1: Total financing was limited to 40% of net equity of the lender as at 31 December 2018.
Note 2: Financing to individual counterparty was limited to 15% of the net equity of the lender as at 31 December 2018.
Note 3: Financing to individual counterparty was limited to 40% of the net equity of the lender as at 31 December 2018.
Note 4: Financing to individual counterparty was limited to 20% of the net equity of the lender as at 31 December 2018.
Note 5: Code 1 represents an intercompany transaction calls for a loan arrangement; code 2 represents short-term financing

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(b) Endorsement/Guarantee provided to others for the year ended 31 December 2018: None

(c) Securities held as at 31 December (excluding subsidiaries, associates and joint venture): None.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2018: None.

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2018: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2018: None.

(g) Related party transactions for purchases and sales exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended 31 December 2018:

Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd.	Investee company	Purchase	$5,010,545	38.59%	180 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	$(2,234,544)	(103.26%)	-
Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	Investee company	Purchase	$2,106,489	16.22%	30 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	$(152,512)	(7.05%)	-
Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	Investee company	Sales	$(3,309,305)	(18.51%)	7 days after invoice date	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	$51,446	1.96%	-

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Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Globe Union Industrial Corp.	Globe Union (Canada) Inc.	Investee company	Sales	$(289,191)	(1.62%)	90 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	$78,546	3.00%	-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	$(5,010,545)	(28.02%)	180 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	$2,234,544	85.25%	-
Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	Group direct parent company	Purchase	$3,309,305	25.49%	7 days after invoice date	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	$(51,446)	(2.38%)	-
Globe Union (Canada) Inc.	Globe Union Industrial Corp.	Group direct parent company	Purchase	$289,191	2.23%	90 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	$(78,546)	(3.63%)	
Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	$(2,106,489)	(11.78%)	30 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	$152,512	5.82%	-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co.KG	Associate	Sales	$(269,751)	(1.51%)	120 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	$60,965	2.33%	-
Globe Union Germany GmbH & Co.KG	Shenzhen Globe Union Enterprise Co., Ltd.	Associate	Purchase	$269,751	2.08%	120 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	$(60,965)	(2.82%)	-

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as at 31 December 2018:

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for bad debts
					Amount	collection status		
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	$2,234,544 RMB 501,187,978	2.55 times	$-	-	$769,345 RMB 172,344,355	$-
Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	$152,512 RMB 34,164,822	13.36 times	$-	-	$152,512 RMB 34,164,822	$-

(i) Financial instruments and derivative transactions:

Please refer to Note 6(2) and 12(8) for more details on forward foreign exchange contracts.

(j) Significant intercompany transactions between consolidated entities are as follows:
(amount exceeding the lower of NT$100 million or 20 percent of the capital stock)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

No (Note1)	Company Name	Counter Party	Nature of Relationship (Note2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note 3)
0	Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd	1	Purchases	$5,010,545	Note 4 (1)	28.02%
0	Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd	1	Accounts payable	(2,234,544)	Note 4 (3)	(17.44%)
0	Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	1	Purchases	2,106,489	Note 4 (1)	11.78%
0	Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	1	Accounts payable	(152,512)	Note 4 (3)	(1.19%)
0	Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	1	Sales	(3,309,305)	Note 4 (2)	(18.51%)
0	Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	1	Accounts receivable	51,446	Note 4 (3)	0.40%
0	Globe Union Industrial Corp.	Globe Union (Canada) Inc.	1	Sales	(289,191)	Note 4 (2)	(1.62%)
0	Globe Union Industrial Corp.	Globe Union (Canada) Inc.	1	Accounts receivable	78,546	Note 4 (3)	0.61%
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Sales	(5,010,545) RMB (1,095,150,495)	Note 4(2)	(28.02%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Accounts receivable	2,234,544 RMB 501,187,978	Note 4 (3)	17.44%
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co.KG	3	Sales	(269,751) RMB (58,808,994)	Note 4 (2)	(1.51%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co.KG	3	Accounts receivable	60,965 RMB 13,656,953	Note 4 (3)	0.48%
2	Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	2	Purchases	3,309,305 USD 109,574,257	Note 4 (1)	18.51%
2	Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	2	Accounts payable	(51,446) USD (1,674,674)	Note 4 (3)	(0.40%)
3	Globe Union (Canada) Inc.	Globe Union Industrial Corp.	2	Purchases	289,191 CAD 12,462,793	Note 4 (1)	1.62%

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

No (Note1)	Company Name	Counter Party	Nature of Relationship (Note2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note3)
3	Globe Union (Canada) Inc.	Globe Union Industrial Corp.	2	Accounts payable	(78,546) CAD (3,478,543)	Note 4 (3)	(0.61%)
4	Milim G&G Ceramics Co., Ltd	Globe Union Industrial Corp.	2	Sales	(2,106,489) RMB(459,554,317)	Note 4 (2)	(11.78%)
4	Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	2	Accounts receivable	152,512 RMB 34,164,822	Note 4 (3)	1.19%
5	Globe Union Germany GmbH & Co.KG	Shenzhen Globe Union Enterprise Co., Ltd	3	Purchases	269,751 EUR 7,575,362	Note 4 (1)	1.51%
5	Globe Union Germany GmbH & Co.KG	Shenzhen Globe Union Enterprise Co., Ltd	3	Accounts payable	(60,965) EUR (1,742,647)	Note 4 (3)	(0.48%)

Note 1: The Company and its subsidiaries are coded as follows:
(1) The Company is coded "0".
(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.
Note 2: (1) represents the transactions from the parent company to a subsidiary.
(2) represents the transactions from a subsidiary to the parent company.
(3) represents the transaction between subsidiaries.
Note 3: The ratio of transaction amount to the consolidated income or assets is recognized as follows: for assets or liability, the ratio is accounted as the ending balance to consolidated total assets; however, for income or loss accounts, the ratio is based on mid-term accumulated amount to consolidated income.
Note 4: (1) A small portion of the purchase prices were different from the general purchase price due to technical and quality differences. The other products were purchased solely from related parties and thus the purchase price can’t be compared with other goods purchased from the third parities.
(2) A small portion of the selling prices between related parties were the same as the general selling price. For the other selling prices, there were no comparable goods sold to the third parties.
(3) Assets and liabilities were offset against each other.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Information on investees:

(a) Names, locations, main businesses and products, original investment amount, investment as at 31 December 2018, net income (loss) of investee company and investment income (loss) recognized as at 31 December 2018 (excluding investees in Mainland China):

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment Amount		Investment as at 31 December 2018			Net income (loss) of investee company	Investment income (loss) recognized	Note
				31 December 2018	31 December 2017	Number of shares	Percentage of ownership (%)	Book value			
Globe Union Industrial Corp.	Globe Union Industrial (B.V.I.)Corp.	P.O. Box 3340, Road Town, Tortola, British Virgin Islands	Holding company	$1,434,538	$1,434,538	44,427,680	100%	$4,116,980	$302,447	$297,693	Note
Globe Union Industrial Corp.	Globe Union (Bermuda) Ltd.	21 Laffan Street, Hamilton HM09, Bermuda	Holding company	$3,098,447	$3,098,447	93,449,027	100%	$3,484,764	$96,566	$74,342	Note
Globe Union Industrial Corp.	Globe Union Cayman Corp.	Scotia Center, 4th Floor ,P.O. Box 2804, GerogeTown, Grand Cayman, Cayman Islands	Holding company	$3,066,924	$3,066,924	97,113,389	100%	$985,627	$111,196	$111,196	
Globe Union Industrial Corp.	Home Boutique International Co., Ltd.	1F., No. 260, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	Selling and distributing kitchen and bathroom products	$705,269	$705,269	62,150,000	86.319%	$548,315	$5,089	$4,393	Note

Note: Current investment income from investees recognized by the Company included investment gain/loss recognized by these investees from upstream/downstream transactions.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Information on investments in mainland China

(a) Information on investments in mainland China from the Company through Globe Union Industrial (B.V.I) Corp. and Globe Union (Bermuda) Ltd. as at 31 December 2018:

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as at 1 January 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as at 31 December 2018	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as at 31 December 2018	Accumulated Inward Remittance of Earnings as at 31 December 2018
					Outflow	Inflow						
Shenzhen Globe Union Enterprise Co., Ltd.	Manufacturing and selling plumbing products	$1,698,373 (RMB 380,459,896)	Investment in Mainland China companies through a company invested and established in a third region	$-	$-	$-	$-	$209,922	100%	$209,922 (Note 1)	$2,745,791	$188,508
Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	$999,102 (RMB 223,813,280)	Investment in Mainland China companies through a company invested and established in a third region	$515,612 (USD 16,784,252)	$-	$-	$515,612 (USD 16,784,252)	$41,122	100%	$41,122 (Note 1)	$1,271,721	$-
Qingdao Globe Union Technology Industrial Corp.	Manufacturing and selling plumbing products	$1,697,972 (RMB 380,370,175)	Investment in Mainland China companies through a company invested and established in a third region	$370,115 (USD 12,048,000)	$-	$-	$370,115 (USD 12,048,000)	$13,625	100%	$13,625 (Note 1)	$-	$-

Accumulated Investment in Mainland China as at 31 Dec. 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$957,986 (USD 31,184,435)	$1,463,838 (USD 47,650,991)	Not applicable (Note 2)

Note 1: Based on the financial statements audited by the certified accountants of the parent company in Taiwan.

Note 2: According to Letter No. Shen-Zi-09704604680 issued by Ministry of Economic Affairs, R.O.C., the Company's investment in Mainland China is not limited to 60% of net worth or consolidated net worth specified by the Investment Commission.

(b) Please refer to Note 13(1) and (2) for more details on the significant transactions between the Company and investees in Mainland China.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

14. SEGMENT INFORMATION

For the purpose of operation, the Company operates in a single industry segment by different strategic segments, and they are classified into two segments as follows:

(1) Segment A: In charge of selling faucets and other plumbing products and providing related services.
(2) Segment B: In charge of manufacturing faucets and other plumbing products.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, the financial costs, financial income and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm’s length basis in a manner similar to transactions with third parties.

(1) Information on profit or loss, assets and liabilities of the reportable segment:

(a) For the year ended 31 December 2018

	Segment A	Segment B	Adjustment and elimination	Consolidated
Revenue				
External customer	$17,643,452	$235,668	$-	$17,879,120
Inter-segment	3,642,644	7,463,174	(11,105,818)	-
Total revenue	$21,286,096	$7,698,842	$(11,105,818)	$17,879,120
Interest expenses	$48,560	$-	$-	$48,560
Depreciation and amortization	95,543	191,869	(8,281)	279,131
Investment incomes (losses)	261,649	264,120	(526,319)	(550)
Segment profit	$935,658	$395,804	$(528,070)	$803,392

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Segment A	Segment B	Adjustment and elimination	Consolidated
Assets				
Investments accounted for using the equity method	$5,095,475	$4,040,211	$(9,112,988)	$22,698
Capital expenditure of non-current assets	292,848	110,318	-	403,166
Segment assets	$18,380,970	$7,124,860	$(12,692,649)	$12,813,181
Segment liabilities	$8,195,119	$1,786,557	$(3,143,310)	$6,838,366

(b) For the year ended 31 December 2017

	Segment A	Segment B	Adjustment and elimination	Consolidated
Revenue				
External customer	$15,232,699	$2,677,425	$-	$17,910,124
Inter-segment	3,257,884	5,046,805	(8,304,689)	-
Total revenue	$18,490,583	$7,724,230	$(8,304,689)	$17,910,124
Interest expenses	$44,766	$446	$6,738	$51,950
Depreciation and amortization	124,345	174,944	(8,377)	290,912
Investment incomes (losses)	143,819	200,906	(345,813)	(1,088)
Segment profit	$1,065,429	$272,533	$(350,405)	$987,557
Assets				
Investments accounted for using the equity method	$4,861,748	$3,872,362	$(8,710,311)	$23,799
Capital expenditure of non-current assets	67,927	239,419	-	307,346
Segment assets	$18,212,191	$6,823,593	$(11,754,508)	$13,281,276
Segment liabilities	$7,930,160	$1,875,897	$(2,624,019)	$7,182,038

(2) Geographic information

(a) Revenue from external customers

	For the years ended 31 December	
	2018	2017
United States	$9,055,332	$9,089,604
Britain	5,138,455	4,963,550
Canada	1,026,383	980,477
China	292,196	715,943
Other countries	2,366,754	2,160,550
Total	$17,879,120	$17,910,124

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The revenue information above is based on the location of the customer.

(b) Non-current assets

	As at 31 December	
	2018	2017
Mainland China	$1,321,096	$1,440,664
Britain	703,908	729,172
Taiwan	435,594	443,407
United States	103,010	110,074
Germany	15,026	19,450
Canada	3,819	4,723
Total	$2,582,453	$2,747,490

(3)Information about major customers

The customer to that the Company's sales exceeded 10% of its net consolidated sales in 2018 and 2017 is as follows:

	2018		2017	
Client name	Sales amount	%	Sales amount	%
Customer A	$2,379,839	13.31	$2,429,184	13.56