Stock Code:9934

Annual Report Website:
http://mops.twse.com.tw/mops/web/t57sb01_q5
http://www.globeunion.com/gb/page.php?key=investor&class=ie

GLOBE UNION
IDEAS IN MOTION

成霖企業股份有限公司
Globe Union Industrial Corp.

2018 Annual Report

Printed on April 2 , 2019

1. Company Spokesperson and Deputy Spokesperson

   Name of spokesperson: Eric Chen
   Job title: Chief Financial Officer
   Contact number: (04) 2534-9676 Ext. 510215
   E-mail: eric.chen@globeunion.com
   Name of deputy spokesperson: Nancy Shih
   Job title: Investor Relations Manager
   Contact number:(04)2534-9676 Ext.510229
   E-mail: nancy.shih@globeunion.com

2. Addresses and telephone numbers of the head office, branch offices, and factories

   Company address: 42760 No. 22, Chien-Kuo Rd., Taichung Export Processing Zone, Tanzi District, Taichung City, Taiwan
   Contact number: (04)2534-9676 (Operator)

3. Name, address, website, and telephone number of stock registration agent

   Name: Stock Agent Department, Sinopac Financial Holdings Company Ltd.
   Address: 10044 3F, No. 17, Bo'ai Rd, Taipei City
   Contact number: (02)2381-6288
   Website: http://securities.sinopac.com

4. CPA for most recent financial report

   Accounting Firm: Ernst & Young
   Name of Accountants: Tzu-Ping Huang, CPA、Hung Kang Lin, CPA
   Address: 40341 7F, No. 239, Minquan Rd. Taichung City
   Website: http://www.ey.com/tw/zh_tw
   Contact number: (04)2305-5500

5. Overseas Securities Listing Exchange and Information: N/A

6. Company Website: http://www.globeunion.com

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I. Letter to Shareholders

Dear Shareholders,

In 2018 our Net Sales revenues were NT$17.88 billion. We made an operating income of NT$626.1 million and our net after tax was NT$618.9 million. Though due to the challenges coming from foreign exchange within our Private Label and OEM business, we exited some low margin customers; demand for our North American Brand, Gerber branded sanitaryware was exceedingly strong, which made up our revenues.

It was a challenging first half, particularly coming from foreign exchange within our Private Label and OEM business. From Q3 2017 the USD had weakened against the RMB dollar down to its lowest point in March at 6.2336. As a company we were too slow to react and negotiate price increases with key customers, which resulted in a fall in gross margins throughout the first half of the year. As we rectified the problem we negotiated pricing mechanisms with our key customers to ensure that in future we can react with greater speed and resilience.

Our North American Branded business also came under some pressure. Demand for our Gerber branded sanitaryware was exceedingly strong in the second half of 2017 and throughout 2018; however our internal supply chain management systems were too slow to react. As a result, supplies were once disrupted throughout the first 6 months of 2018. Our systems and processes have since been completely overhauled and in place which has rectified the problem and normalized supplies. The cost of recovery negatively impacted our profits in the first half, but we still managed to grow our annual sales of the brand, which demonstrates the strength and confidence it holds in the US market. Full year sales for our total North American Brands business (which includes our Danze by Gerber faucets) ended at NT$6.26 billion, better than the previous year.

In the UK, PJH had a major fire in November, 2018 which destroyed one of its major distribution centers' that exclusively supplied products to B&Q, putting a complete halt to its business with this major customer. Within two weeks it was operational again, and by Christmas PJH had fully recovered it trading platform with B&Q, this incident did not have any negative impact to NIAT (net income after tax) of the Group's financial statement. Full year Sales revenues for PJH's total business were NT$5.1 billion, a positive growth.

Home Boutique revenues were NT$702 million, which was lower from the previous year. The challenges to expand its addressable market and to achieve growth in both turnover and profit has been Home Boutique's major focus for recent years. The plan includes increasing number of distribution Brands and growing the proportion of both online/offline retail sales which will see a more encouraging result from Home Boutique.

In November we were pleased to announce a major restructuring of our Group into four strategic business units, North American Brands, Global Private Brands, PJH and Home Boutique.

The aim being to simplify Group business and streamline the decision-making process. Align the corporate, commercial and manufacturing strategies under single business units - to ultimately improve end to end accountability and responsibility. Our aim to provide a more dynamic and effective service to our customers and become a stronger trading partner. I am pleased to say that we are already seeing the benefits of these changes with a much greater understanding of the specific needs of each business unit and therefore as we go forward we will be able to ensure that they get the appropriate level of focus and support.

The issue of the continued trade conflict between China and the US remains a concern that we must manage. The 10% tariffs imposed last year has been largely absorbed by the market. Our North American branded business has increased prices, in line with all other major brands. Within our Private label and OEM customers, a strengthening currency has helped, but we are also working with our partners to value engineer, where we can, and find ways of reducing costs to offset the full impact. Whilst this situation persists, it is difficult to predict the impact it may or may not have on growth in 2019, but of course we are continually reviewing the situation to minimize any potential impact.

Whilst 2018 may have been a challenging year, the foundation of the business remains strong. We have to manage the uncertainties with the continued China/USA trade conflict and the fallout of Brexit in Europe, but we remain confident that the business will grow.

Whilst our manufacturing footprint in China remains essential, we are proactively exploring other areas of the world for both our Sanitaryware and Faucet products to provide greater balance and to maintain our competitiveness in a global market.

Finally, our people are the cornerstone of what we do and remain integral to our success. They have overcome some real challenges in 2018, and we will continue to invest time and resources to both help to develop, retain and attract talent to our organization.

On behalf of Globe Union Industrial Corp., thank you for your continued support.

Best wishes to you and your families.

Chairman: Scott Ouyoung Regards

(I) 2018 Operating Performance

1. Operating performance:

Consolidated financial statement:

Unit: NT$ thousand

Item / Year	Financial information for the most recent year	
	2018	2017
Operating income	17,879,120	17,910,124
Operating margin	4,894,358	5,076,134
Operating profits	626,115	977,347
Non-operating income and expenses	177,277	10,210
Net profit (loss) before tax	803,392	987,557
Net profit (loss) of continuing operations	618,916	706,729
Profit (loss) attributable to the owner of the parent company	618,220	698,342
Earnings (losses) per share (NT$) (after tax)	1.69	1.98

2. Budget implementation in 2018: We did not publish our 2018 financial forecasts.

3. Financial structure and profitability analysis:

Consolidated financial statement:

Unit: NT$ thousand

Item		2018
Financial receipts and expenditures	Operating income	17,879,120
	Operating margin	4,894,358
	Profit attributable to owners of the parent company	618,220
Profitability	Return on assets (%)	5.04
	Return on equity (%)	10.25
	Net profit margin (%)	3.46
	Earnings per share (NT$)	1.69

Analysis of financial receipts and expenditures:

Our gross margin decreased this year, operating margin decreased NT$181,776 thousand and income tax expense decreased NT$96,352 thousand, resulting in a decrease of NT$80,122 thousand in profit attributable to owners of the parent company in 2017.

Analysis of profitability:

Due to the decrease in gross margin this year, profit attributable to owners of the parent company decreased compared to 2017. Due to the decline in profitability this year, return on assets, return on equity, net profit margin, and earnings per share have all decreased compared to last year.

(II) 2019 Business Plan

1. Business direction
   (1) Continue to uphold the core value of "Stay honest and impartial, take the initiative, and always think about the customer."
   (2) Our vision is to fully focus on achieving excellence in all of our endeavors, to always fulfill our commitment to customers, and to become a partner that customers worldwide can easily work with.
   (3) Stay devoted to lean manufacturing management, a simplified organizational flowchart, and proper deployment of brands, OEM, and market channels in order to keep track of business opportunities from customers around the world.
   (4) Uphold the Globe Union spirit of "Caring for customers, employees, and society," and "Quality first, innovative development, and honest work."
2. Operating targets
   (1) Continue sorting OEM customers, private-label customers, and product portfolio to ensure that resources are effectively concentrated in managing priority customers. Also, establish a transparent interaction mechanism with customers to build a closer strategic partnership.
   (2) Our main focus this year is brand sales:
      - Our ceramics business was unable to immediately satisfy market demand at the beginning of last year due to our supply chain. After implementing automation, developing new suppliers, and streamlining our front and back end supply chain processes, we have increased our supply in coordination with our product portfolio to meet demand in the fourth quarter. This year we will actively increase our service and product sales to customers.
      - After rebranding and actively stocking up and organizing marketing activities in exhibition halls last year, we look forward to reaping the fruits of last year's efforts and driving faucet sales with ceramics. This will show the effects of brand integration and increase sales volume and profit margins.
   (3) In light of the turmoil caused by the U.S.-China trade war and Brexit, we will pay more attention to improving internal operating efficiency, implementation and management functionality. In this way, we hope to turn sustainable profits and reward our shareholders appropriately with our earned profits.
   (4) We will continue to organize events on leadership and core values, so that we can create a performance-oriented corporate culture through personnel development and replenishment, and thereby achieve sustainable development.
3. Production and sales strategy
   (1) Related business groups were integrated in the organizational restructuring starting in the fourth quarter last year, and marketing and production strategy are now part of the same business unit. By integrating the production and sales management system, we will categorize our customers and product portfolios in an effort to refocus our resources to strengthen relations with strategic customers and business growth, providing more flexible and effective services to customers.

(2) Over the past two years, even though we gained good results from working with mainstream brands in response to changes in the market structure, it was not enough to overcome the negative impact of U.S.-China trade tensions on the market. Hence, we will focus on the development of our global supply chain and improving our manufacturing efficiency to enhance our competitiveness.
(3) We rearranged our new product development process through organizational restructuring, in hopes of staying up-to-date on market demand and trends through more immediate and simple means. The structural interchangeability among products will be optimized while alternative materials and value-added product mechanisms will continue to be researched and developed, so as to enhance our product competitiveness and improve our customer services.
(4) Under the pressure of operating costs, we will continue to introduce new automated and system equipment to improve efficiency and lower unit cost.

4. Future development strategy
   (1) We will adjust our strategies according to consumers' preference and market segmentation, taking advantage of the capabilities of brand owners with their operation sites and brand power to help us design and manufacture products, and for maximized correspondence and collaboration with brand owners.
   (2) R&D has the following priorities:
   - We will more frequently interact with factories and the industrial practitioners in order to further optimize our key processes and introduce new techniques.
   - As far as development of products is concerned, we will continue improve the price-performance ratio of our brand, combining ideas such as environmental protection, green energy (increase the use of substitute materials), living aesthetics, smart technology, and development of advanced products in order to satisfy the modern demand for a green and stylish lifestyle to set Globe Union apart from other brands.

   (3) We will continue to develop and expand the market with our major customers and distribution channels, and upgrade sales channels to become the strategic partner of our major customers.

5. Impact from external competition, regulatory environment, and overall business environment
   China is the primary manufacturing base of the Globe Union Group. With constantly growing labor costs, however, the production advantages from the early days of China are gradually disappearing. We have gained considerable benefits from the continued automation of some production processes. Automation will be expedited in the future. Production costs will be reduced through savings on manpower and lean management. Due to the effect of politics on the market, we have actively evaluated the possibility of expanding our supply chain overseas and gaining a global presence. Furthermore, we have established a clear pricing system with major customers, and will continue to innovate in terms of substitute materials and designing optimized product structures, so that we can steadily turn a profit.

In response to the rising environmental awareness in recent years, we are proactively paying attention to and keeping track of various laws and regulations and environmental protection requirements that appear on the markets, and are proactively researching and developing alternative materials and exploring energy-saving products to answer to the rising awareness among consumers about health and environmental protection. With regard to manufacturing, regulations governing the production site or quality of materials used in the products (such as dust brought about by the plating process for hardware products and production of ceramics) are becoming increasingly stringent. Believing in sustainable development, we continue to invest in clean equipment that address issues such as energy conservation, water pollution, and waste treatment. In terms of ceramics, residual heat from kilns and relatively environmentally friendly alternative energies are used for the purpose of energy conservation and carbon reduction, and they provide a better ecological environment. We have also improved the work environment for our employees to strengthen their commitment.

Dealing with the overall harsh and competitive management environment (such as the uncertainty in the international political arena), the Company's brand image regarding its production and R&D foundation and advanced network and distribution system continues to run deep in the heart of consumers, despite the changes in the production costs and regulations.

II. Company profile

(I) Date of Incorporation：October 29, 1979

(II) Company History:

1979：Globe Union Industrial Corp. established in Taipei as a general importer and exporter with a paid-in capital of NT$2 million.

1985：Began specializing in the trading of bathroom hardware.

1993：Created the private brand Gobo

1995：Acquired "Sheng Lin Industrial Co., Ltd." to reduce costs and consolidate production and sales. After the merger and capital-increase, total capital increased to NT$139 million.

1997：Established Shenzhen Globe Union Industrial Corp. in China to expand our overseas production base. The Company specializes in the production of faucets and bathroom accessories.
Public listing approved.

1999：Created the private brand Danze.
Listed on the O.T.C.
The Company invested in Globe Union Canada Inc. in Canada, which specializes in the sale of faucets and bathroom accessories.

2000：Publicly listed on the stock exchange.
The Company invested in Globe Union America Inc. in the US, which specializes in the sale of faucets and bathroom accessories.
The Company acquired Aquanar Inc. in Canada, which specializes in the production and sale of electronic faucets.

2002：Established "Shenzhen Globe Union Enterprise Co., Ltd." in China.
The Company invested in Fusion Hardware Group Inc. in the US, which specializes in the sale of furniture hardware products.

2003：Acquired Gerber Plumbing Fixtures, LLC in the US, which specializes in the production and sale of bathroom ceramics.
Acquired "Milim G&G Ceramics Co., Ltd." in China. The company specializes in the production and sale of bathroom ceramics.
The Company acquired Arte En Bornce, S.A.DE C.V. in Mexico, which specializes in the sale of faucet products.

2004：Acquired Lenz Badkultur GmbH & Co.KG. in Germany, which specializes in the sale of faucet products.

2005：Shenzhen Globe Union Industrial Corp. publicly listed as A-share on the Shenzhen Exchange in China.

2006：Acquired "Home Boutique International Co., Ltd." The company specializes in wholesale/retail high-end kitchen appliances and bathroom accessories.
Acquired "Anderson R.O. Technology Co., Ltd.". The company specializes in the manufacture and sale of water purifiers.

2007：Established "Qingdao Globe Union Technology Industrial Corp." The company specializes in the production of faucets, showers and hardware fittings.

Established "Qingdao Lin Hon Precision Industrial Corp." The company specializes in the production of faucets, showers and hardware fittings.

The Company acquired PJH Group Holding Company Ltd. in the UK, which specializes in kitchen and bathroom product channel management.

2009：US subsidiary Gerber wins Best Water-Saving Toilet, Bathroom Solutions Innovation Awards, and the National Awards for Successful Corporate Restructuring and Recovery. The subsidiary Danze receives the Innovation Award in the Faucet Products category.

"Shen Zhen Globe Union Industrial Corp." receives "High-Tech Enterprise Certification."

2012：New high-value kitchen and bathroom product R&D center established at corporate headquarters.

2013：The Group undertook a major asset swap and restructuring. After the restructuring, the Group now owns 100% of Shenzhen Globe Union Enterprise Co., Ltd., Qingdao Globe Union Technology Industrial Corp., Qingdao Lin Hon Precision Industrial Corp., and Qingdao Chenglin Imp. & Exp. Trading Co., Ltd.

2015：The fifth ceramics kiln line and the fourth high-pressure separation and casting line of Milim G&G Ceramics Co., Ltd. were completed, and production officially began.

2016：Andrew Yates took the post of President of the Group and completed the handover process as professional manager.

Qingdao Lin Hon Precision Industrial Corp. was sold.

The brand Gobo used in China was transfered.

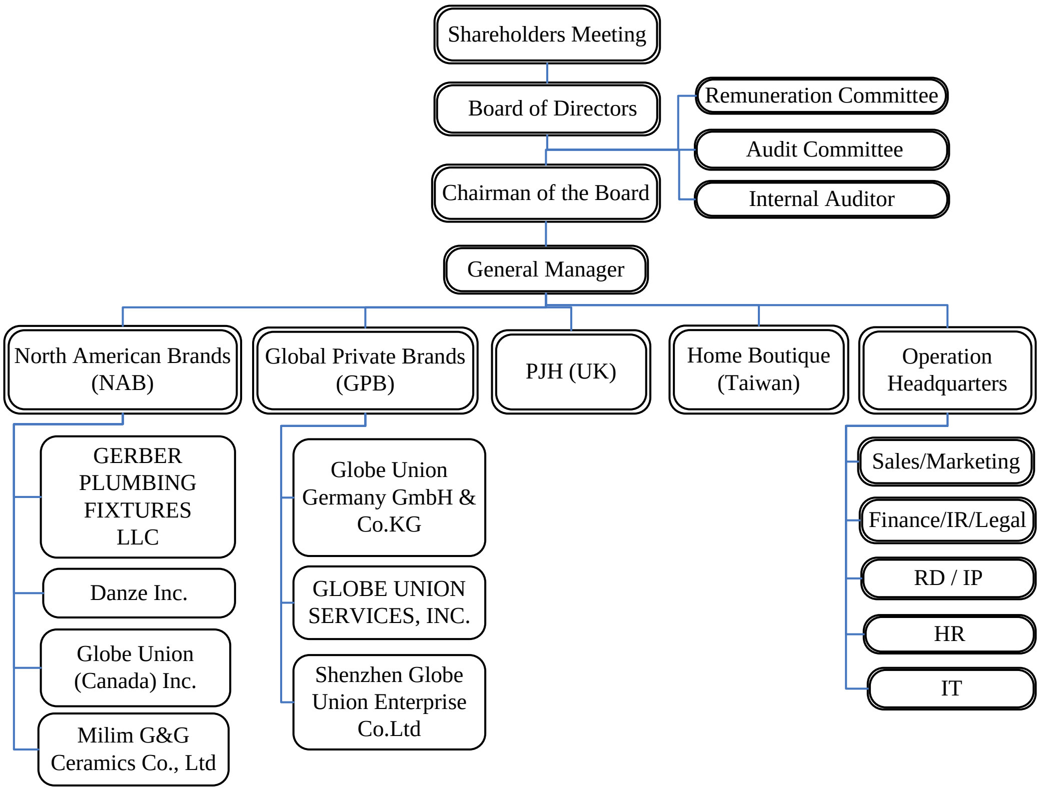
2018：Qingdao Globe Union Technology Industrial Corp was sold.

We restructured our Group into four strategic business units, North American Brands, Global Private Brands, PJH and Home Boutique.

III. Corporate Governance Report

(I) Organization chart:

1. Organization structure:



2. Business and functions of main departments:

Department	Function
Remuneration Committee	To establish and conduct regular review of the policies, systems, standards, and structures for performance appraisal and remuneration of the Company's directors, supervisors and managers.
Audit Committee	Main operations mainly aim to supervise: 1. Fair presentation of the financial reports of Lite-On Technology Corporation. 2. The hiring (and dismissal), independence, and performance of certificated public accountants of Lite-On Technology Corporation. 3. The effective implementation of the internal control system of Lite-On Technology Corporation. 4. Compliance with relevant laws and regulations by Lite-On Technology Corporation. 5. Management of the Company's existing and potential risks.
NAB	NAB carries out manufacturing and marketing under Globe Union's self-owned brands Gerber and Danze by Gerber, and is linked to the

Department	Function
	manufacturing end of ceramic products (Milim G&G Ceramics Co., Ltd.).
GPB	GPB carries out OEM and sales and is linked to the faucet hardware manufacturing end (Shenzhen Chengshi).
PJH	PJH's main area of business is logistics and after-sales services for bathroom and kitchen products.
Home Boutique	Home Boutique's main area of business is products of high-end international bathroom and kitchen brands sold in Taiwan.
Head Office	The Head Office formulates group-level business strategies, manages finances and intellectual property, develops core technologies, and handles product design, human resources, and information technologies.

(II) Information on directors, supervisors, president, vice presidents, assistant vice presidents, and managers of each department and branch:

1. Directors and Supervisors:

Profile of directors and supervisors (I)

April 2, 2019 Unit: Shares

Number of common shares in circulation: 2018/5/25： 367,575,962 shares. Current: 356,236,962 shares

Title	Nationality or place of registration	Name	Gender	Date elected/ appointed	Term (Year)	First elected date	Shareholding when elected		No. of shares currently held		Current shareholding of spouse and underage children		Shareholding in name of others		Relevant professional /academic experience	Other current positions within the Company or elsewhere	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
							No. of shares	Equity ratio	No. of shares	Equity ratio	No. of shares	Equity ratio	No. of shares	Equity ratio			Title	Name	Relationship
Director	Republic of China	Ming-Ling Co., Ltd.	—	2018.05.25	2021.05.24	2006.06.15	23,366,692	6.36%	23,366,692	6.56%	0	0%	0	0%	N/A	N/A	N/A	N/A	N/A
Director	Republic of China	Ming-Ling Co., Ltd. Representative: Scott Ouyoung	Male	2018.05.25	2021.05.24	2006.6.15	0	0%	0	0%	21,637,899	6.07%	0	0%	Note1	Note2	Director's representative	Hsien Ou Yang	Father/child

Note1: Pacific Western University EMBA；Tamsui Oxford University College；Sales Manager at Chung Feng Industrial Co., Ltd.

Note2: Globe Union Industrial (BVI) Corp., Shenzhen Globe Union Enterprise Co., Ltd. ,Globe Union Cayman Corp.,Globe Union Germany GmbH & Co. KG,Globe Union Verwaltungs GmbH, Milim G&G Ceramics Co., Ltd. ,Globe Union (Bermuda) Ltd,ARTE EN BRONCE, S.A, DE C.V.,Globe Union Group, Inc.,Globe Union (Canada) Inc.,DANZE,INC.,GERBER PLUMBING FIXTURES LLC, Home Boutique International Co., Ltd. , Yi Ser Co., Ltd. , HB Co., Ltd., Hsinchu ,GLOBE UNION (UK) LIMITED, Director of subsidiaries including PJH Group Limited. PJH Trustees Limited.

Title	Nationality or place of registration	Name	Gender	Date elected /appointed	Term (Year)	First elected date	Shareholding when elected		No. of shares currently held		Current shareholding of spouse and underage children		Shareholding in name of others		Relevant professional /academic experience	Other current positions within the Company or elsewhere	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
							No. of shares	Equity ratio	No. of shares	Equity ratio	No. of shares	Equity ratio	No. of shares	Equity ratio			Title	Name	Relationship
Director	Republic of China	Ming-Ling Co., Ltd. Representative: Hsien Ou Yang	Male	2019.02.20	2021.05.24	2019.02.20	0	0%	19,999,772	5.61%	0	0%	0	0%	M.S. in Marketing, Northwestern University, USA Founder and CEO of Venture-G Inc.	N/A	Director's representative	Scott Ouyoung	Father/child
Director	Republic of China	Ming-Ling Co., Ltd. Representative: Wen-Mei Yiu	Female	2018.06.01	2021.05.24	2018.06.01	0	0%	0	0%	0	0%	0	0%	Note1	N/A	N/A	N/A	N/A
Director	Republic of China	Ming-Ling Co., Ltd. Representative: Chi-Keung Chung	Male	2018.05.25	2021.05.24	2003.06.24	0	0%	0	0%	0	0%	0	0%	Note2	Note3	N/A	N/A	N/A

Note: Directors reelected in the General Shareholders' Meeting on May 25, 2018. An institutional director changed its representative from Mr. Shei-Saint Chen to Miss Wen-Mei Yiu on June 1, 2018. An institutional director changed its representative from Miss Su-Hsiang Ou Young Chang to Mr. Hsien Ou Yang on February 20, 2019.

Note1: Master's Degree, Graduate Institute of Political Science, National Taiwan Normal University, Master's Degree and Ph.D., Institute of Southeast Asian Studies Jinan University

Chairman of Highmore Art Co., Ltd., CEO of Taiwan Life Force Cultural and Educational Foundation, Secretary-General of Taiwan Art Gallery Association, Director of the Brand and Cultural Creativity Center, Shih Hsin University

Note2: Master's Degree in Physics, Florida Institute of Technology; master's and doctoral degrees in Metallurgy, Ohio State University

Section Head and Director at the Material and Chemical Research Laboratories, ITRI; Head of the First Division at the Industrial Development Bureau, MOEA; Vice Chief Executive Officer at Metal Industries Research & Development Center; Chairman of Tang Eng Iron Works Co., Ltd.

Note3: Director of Weko Co., Ltd.; Legal Supervisor and Representative of Sumeeko Co., Ltd.; Independent director of Gongin Precision Industry Co., Ltd.

Title	Nationality or place of registration	Name	Gender	Date elected/appointed	Term (Year)	First elected date	Shareholding when elected		No. of shares currently held		Current shareholding of spouse and underage children		Shareholding in name of others		Relevant professional /academic experience	Other current positions within the Company or elsewhere	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
							No. of shares	Equity ratio	No. of shares	Equity ratio	No. of shares	Equity ratio	No. of shares	Equity ratio			Title	Name	Relationship
Independent Director	Republic of China	Chin-Shan Huang	Male	2018.05.25	2021.05.24	2015.06.26	541	0%	541	0%	0	0%	0	0%	Note1	Note2	N/A	N/A	N/A
Independent Director	Republic of China	Young-Sheng Hsu	Male	2018.05.25	2021.05.24	2015.06.26	0	0%	0	0%	0	0%	0	0%	Note3	Convener of the Company's Audit Committee	N/A	N/A	N/A
Independent Director	Republic of China	Yi-Chia Chiu	Male	2018.05.25	2021.05.24	2017.05.26	0	0%	0	0%	0	0%	0	0%	Note4	Note5	N/A	N/A	N/A

Note: Reelected during the General Shareholders' Meeting on May 25, 2018, established an Audit Committee, and dismissed supervisors.

Note1: MA in Management, Boston Cambridge University; Majored in Manufacturing, Department of Technical Engineering, National Kaohsiung University of Science and Technology

Chairman and Chief Consultant, Three Win Management Consulting Corp.

President, Thunder Tiger Co., Ltd.; Consultant, Tai Cheng Consulting Co., Ltd.; Vice President, Fu Ying Metal Co., Ltd.; Assistant Manager, General Administration Department, Kunnan Enterprise Co., Ltd.

Note2: Convenor of the Company's Compensation Committee；Director, Okuma Fishing Tackle Co., Ltd.

Note3: Ph.D. in Accounting, National Taiwan University; M.A. in Business Administration, Tung Hai University

Professor of Accounting, National Chung Hsing University; Associate Professor of Accounting, National Chung Hsing University

Note4: Ph.D., Research Institute of Management of Technology, National Chiao Tung University；Vice Dean, College of Commerce, NCCU；Dean of EMBA Program, NCCU College of Commerce；Professor, Graduate Institute of Technology, Innovation and Intellectual Property Management, NCCU College of Commerce

Note5: Independent Director, Audit Committee Member, and Remuneration Committee Member of Wowprime Group Co., Ltd., Independent Director of Dynamic Electronics Co., Ltd.

Major shareholders of corporate shareholders:

April 2, 2019

Name of institutional shareholder	Major shareholders of corporate shareholders
Ming-Ling Co., Ltd.	Scott Ouyoung, holding 99.93% of shares.

Profile of directors and supervisors (II)

Qualifications / Name	Has at least 5 years of work experience and meets the following professional qualifications			Meets the independence criteria (Note)										mber of other Taiwanese public companies concurrently serving as an independent Director
	A lecturer or higher position in a Department of Commerce, Law, Finance, Accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experienc e in the area of commerce , law, finance, or accountin g, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	
Ming-Ling Co., Ltd. (Representative: Scott Ouyoung)			✓				✓		✓	✓	✓	✓		0
Ming-Ling Co., Ltd. (Representative: Hsien Ou Yang)			✓	✓	✓				✓	✓		✓		0
Ming-Ling Co., Ltd. (Representative: Wen-Mei Yiu)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Ming-Ling Co., Ltd. (Representative: Chi-Keung Chung)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1
Chin-Shan Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Young-Sheng Hsu	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Yi-Chia Chiu	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

(Note) "v" indicates whether a director or supervisor met any of the following criteria in the two years before he/she was elected or during the term of office.

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

(2) Not a director or supervisor of the Company or any of its affiliates (This does not apply to cases where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares).

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.

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

(5) Not a Director, Supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as one of its top five shareholders.

(6) Not a Director, Supervisor, manager or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company.

(7) Not a professional individual who, or an owner, partner, Director, Supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof. excluding members of compensation committee who exercise power in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

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

(9) Does not meet any of the conditions stated in Article 30 of the Company Act.

(10) Not elected as a government or corporate representative, as described in Article 27 of The Company Act.

Policy on diversification of Board members and implementation:

The Corporate Governance Code of Practice stipulates that:

Chapter III Reinforcing Functions of the Board of Directors

Section 1 Structure of the Board of Directors

Article 20 (Overall Expected Capabilities of the Board of Directors)

The Board of Directors shall provide guidance on the Company's strategies, supervise the management, be responsible for the Company and its shareholders, and shall ensure that it exercises its functions following the requirements of applicable laws and regulations and the Articles of Association or decisions made during shareholders' meetings with regard to the respective operations and arrangements of the corporate governance system.

The Board of Directors shall have a structure consisting of at least seven members to meet the practical operational demand depending on the management and development scale of the Company and the holding status of major shareholders.

Diversity shall be considered in the composition of Board members. Directors who are also managers in the Company may not take up more than one-third of all seats. In addition, appropriate diversity policies shall be stipulated reflective of the Company's operation status, operational pattern, and developmental needs, which shall include, without limitation, the following two major aspects:

(I) Basic requirements and values: Gender, age, nationality, and culture.

(II) Professional knowledge and expertise: A professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

Board members shall be equipped with knowledge, skills, and attainments generally required for performing their tasks. In order to accomplish the preferred governance goals of the Company, the Board of Directors shall generally be equipped with the following capabilities:

I. Ability to make sound business judgments.
II. Ability to perform accounting and financial analysis.
III. Ability to manage a business.
IV. Ability to handle crisis management.
V. Industrial knowledge.
VI. An international market perspective.
VII. Leadership ability.
VIII. Decision-making ability.

Core diversity parameters / Name of Director	Gender	Operational management	Leadership and decision making	Industrial knowledge	Finance and accounting	Law
Scott Ouyoung	Male	✓	✓	✓	✓	
Chi-Keung Chung	Male	✓		✓		
Hsien Ou Yang	Male	✓	✓	✓		
Wen-Mei Yiu	Female	✓	✓			
Chin-Shan Huang	Male	✓	✓	✓		
Young-Sheng Hsu	Male				✓	✓
Yi-Chia Chiu	Male	✓	✓			

2. President, Vice President, Assistant Vice President, Managers of Departments and Branches:

Up to April 2, 2019 Unit: Shares

A total of 356,236,962 common shares are in circulation

Title	Nationality	Name	Gender	Date elected/ appointed	Shareholding		Shareholding of spouse and underage children		Shareholding in name of others		Relevant professional/academic experience	Current job position in other companies	Manager who is a spouse or a relative within second degree		
					No. of shares	Equity ratio	No. of shares	Equity ratio	No. of shares	Equity ratio			Title	Name	Relationship
President	United Kingdom	Andrew Yates	Male	2016.05.16	0	0%	0	0%	0	0%	CEO of PJH group and head of European Division of GU group, CEO of PJH group, commercial director of PJH group	Note1	N/A	N/A	N/A
Vice President	Republic of China	Tsung-Min Chen	Male	2015.10.16	0	0%	0	0%	0	0%	MA in Finance, National Sun Yat-sen University; Department of Business Administration, Tunghai University Director of Investment Analysis, Investment Department, Cathay Life Insurance	Note2	N/A	N/A	N/A

Note1: Globe Union Cayman Corp. Globe Union Germany GmbH & Co. KG,Globe Union Verwaltungs GmbH,GLOBE UNION (UK) LIMITED,P.J.H GROUP LIMITED,PJH (HK) LIMITED, Director of subsidiaries including PJH Business Consultancy (Shanghai) Company Limited.

Note2: Globe Union Industrial (BVI) Corp.,Globe Union Cayman Corp.,Globe Union Germany GmbH & Co. KG,Globe Union Verwaltungs GmbH,Globe Union (Bermuda) Ltd,GERBER PLUMBING FIXTURES LLC,GLOBE UNION (UK) LIMITED, Home Boutique International Co., Ltd. , Yi Ser Co., Ltd. , HB Co., Ltd., Hsinchu ,GREAT HOPE MANAGEMENT CONSULTING INC. , Director of subsidiaries including GLOBE UNION (UK) LIMITED. Supervisor of subsidiaries such as Shenzhen Globe Union Enterprise Co., Ltd.; Milim G&G Ceramics Co., Ltd. etc.

Title	Nationality	Name	Gender	Date elected /appointed	Shareholding		Shareholding of spouse and underage children		Shareholding in name of others		Relevant professional /academic experience	Current job position in other companies	Manager who is a spouse or a relative within second degree		
					No. of shares	Equity ratio	No. of shares	Equity ratio	No. of shares	Equity ratio			Title	Name	Relationship
Vice President	Republic of China	Shu-Chi Lee	Female	2017.01.01	0	0%	0	0%	0	0%	Note1	N/A	N/A	N/A	N/A
Assistant Vice President	Republic of China	Lei-Hui Lee	Female	2016.09.14	0	0%	0	0%	0	0%	Note2	Director of Globe Union (UK) Limited	N/A	N/A	N/A
Assistant Vice President	Republic of China	Jung-Chao Lin	Male	2018.01.01	100,575	0.03%	107	0%	0	0%	Chief of Taiwan Kose Co., Ltd Department of Nutrition, Chung Shan Medical University	Director of Shenzhen Globe Union Enterprise Co., Ltd.	N/A	N/A	N/A
Assistant Vice President	Republic of China	Bhor-Chaou Chang	Male	2018.01.01	51,600	0.01%	0	0%	0	0%	Virginia Commonwealth Master of Commerce	N/A	N/A	N/A	N/A
Assistant Vice President	Republic of China	Ming-Sheng Wei	Male	2018.11.01	2,150	0%	0	0%	0	0%	On-the-job Master's Program in E-Commerce of Feng Chia University	N/A	N/A	N/A	N/A
Assistant Vice President	Republic of China	Chung-Hsiang Chan	Male	2019.01.28	0	0%	0	0%	0	0%	Note3	N/A	N/A	N/A	N/A

Note1: MA in Finance, Graduate School of Business Administration, University of Texas; Graduate Institute of Psychiatry, National Chengchi University；Consultant, Agape Consulting Firm; Head of Department of Human Resources, Credit Financial Service Co., Ltd.; HR Consultant, Resources Global Professionals; Director of Human Resources (Asia Pacific), Huntsman Corporation

Note2: Master of International Business, University of Strathclyde；Department of International Trade, Feng Chia University

Note3: U. of Illinois/MBA,Indiana State University / Business Adm.；RED Tech. Service/GM,Exec.Consultant,；Lextar Electionics/GM, New Bussiness,；VP of Skyviia Corporation, Sales & Product,；Trident Micro System/VP,Global ODM&GC,；Jabil Crucit/Sr.Dr. of Products,；Philips Electronics/Various GM position

(III) Remunerations to directors, supervisors, president, and vice presidents in the most recent year:

1.Remuneration to Directors (including Independent Directors) December 31, 2018 Unit: NT$ thousand

Title	Name	Director's remuneration								Ratio of total compensation (A+B+C+D) to net profit after tax (%) (Note 6)		Remuneration for part-time employees								Ratio of total (A), (B), (C), (D), (E), (F) and (G) to net profit after tax (%) (Note 6)		Compensation from investments other than subsidiaries
		Remuneration (A) (Note 1)		Severance pay and pension (B)		Director's remuneration (C) (Note 2)		Fees for conducting business (D) (Note 3)				Salary, bonuses and allowances (E) (Note 4)		Severance pay and pension (F)		Remuneration for employees (G) (Note 5)						
		The Company	All companies in the financial report(Note 7)	The Company	All companies in the financial report(Note 7)	The Company	All companies in the financial report(Note 7)	The Company	All companies in the financial report(Note 7)	The Company	All companies in the financial report(Note 7)	The Company	All companies in the financial report(Note 7)	The Company	All companies in the financial report(Note 7)	The Company		All companies in the financial report (Note 7)		The Company	All companies in the financial report(Note 7)	
																Cash value	Share value	Cash value	Share value			
Director	Representative of Ming-Ling Co., Ltd.:																					
Director	Scott Ouyoung	500	500	0	0	1,060	1,060	300	457	0.30	0.33	0	0	0	0	0	0	0	0	0.30	0.33	0
Director	Su-Hsiang Ou Young Chang	0	0	0	0	530	530	0	0	0.09	0.09	982	982	18	18	159	0	159	0	0.27	0.27	0
Director	Chi-Keung Chung	500	500	0	0	530	530	270	270	0.21	0.21	0	0	0	0	0	0	0	0	0.21	0.21	0
Director	Shei-Saint Chen	208	208	0	0	221	221	0	0	0.07	0.07	0	0	0	0	0	0	0	0	0.07	0.07	0
Director	Wen-Mei Yiu	292	292	0	0	309	309	150	150	0.12	0.12	0	0	0	0	0	0	0	0	0.12	0.12	0
Independent Director	Chin-Shan Huang	738	738	0	0	530	530	270	270	0.25	0.25	0	0	0	0	0	0	0	0	0.25	0.25	0
Independent Director	Young-Sheng Hsu	588	588	0	0	530	530	300	300	0.23	0.23	0	0	0	0	0	0	0	0	0.23	0.23	0
Independent Director	Yi-Chia Chiu	662	662	0	0	530	530	180	180	0.22	0.22	0	0	0	0	0	0	0	0	0.22	0.22	0

Note: An institutional director changed its representative from Mr. Shei-Saint Chen to Miss Wen-Mei Yiu on June 1, 2018. An institutional director changed its representative from Miss Su-Hsiang Ou Young Chang to Mr. Hsien Ou Yang on February 20, 2019.

Note 1: Remuneration of the Director for the most recent year (include Director salary, additional duty payments, severance pay, various bonuses, or incentive payments), remuneration to independent directors include remuneration for serving as a member of the Remuneration Committee and Audit Committee.

Note 2: Proposed distribution of directors' remuneration approved by the Board of Directors on March 11, 2019.

Note 3: These are business expenses of Directors in the most recent year (including transportation allowance, special allowance, stipends, dormitory, and car, among other supplies in kind). In case of housing, vehicle, and other transportation or exclusive individual expenditures; the nature and costs, rents calculated based on actual fair market prices, gas fees, and other payments of the assets provided must be disclosed. If a chauffeur is provided, please note the relevant compensation paid by the company, but exclude the remuneration.

Note 4: All payments to the Director who is also employee of the Company (including the position of President, Vice President, other managers and staff), including salary, additional pay, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car. In case of housing, vehicle, and other transportation or exclusive individual expenditures; the nature and costs, rents calculated based on actual fair market prices, gas fees, and other payments of the assets provided must be disclosed. If a chauffeur is provided, please note the relevant compensation paid by the company, but exclude the remuneration. Salary expenses recognized in accordance with IFRS 2 Share-based Payment also include employee stock options, restricted stock awards, and share subscription in cash capital increase.

Note 5: Proposed distribution of employees' remuneration approved by the Board of Directors on March 11, 2019.

Note 6: Net profit after tax refers to the net profit after tax from the most recent individual financial report.

Note 7: The total pay to the directors from all companies in the consolidated statements (including the Company).

Note 8: Severance pay and pension contributions are governed by the "Labor Pension Act" and "Labor Standards Act."

2. Supervisor's Remuneration December 31, 2018 Unit: NT$ thousand

Title	Name	Supervisor's Remuneration						The sum of (A), (B) and (C) as a percentage of net profit after tax (%) (Note 4)		Compensation from investments other than subsidiaries
		Remuneration (A) (Note 1)		Remuneration (B) (Note 2)		Fees for conducting business (C) (Note 3)				
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	
Supervisors	Representative, Rui-Fu International Investment Co., Ltd.:									
	Chi-Chuan Chung	100	100	88	88	15	15	0.03%	0.03%	0
	Chih-Wei Lin	100	100	88	88	20	20	0.03%	0.03%	0
	Mei-Hui Kao	100	100	88	88	25	25	0.03%	0.03%	0

After the General Shareholders' Meeting on May 25, 2018, an Audit Committee was established in accordance with the law and supervisors were naturally dismissed.

Note 1: Means remuneration of the Supervisors for the most recent year (including Supervisor salary, additional duty payments, severance pay, various bonuses, or incentive payments).

Note 2: Proposed distribution of directors' remuneration approved by the Board of Directors on March 11, 2019.

Note 3: The business expense of Supervisors in the past year (including transportation allowance, special allowance, stipends, dormitory, and car). In case of housing, vehicle, and other transportation or exclusive individual expenditures; the nature and costs, rents calculated based on actual fair market prices, gas fees, and other payments of the assets provided must be disclosed. If a chauffeur is provided, please note the relevant compensation paid by the company, but exclude the remuneration.

Note 4: Net profit after tax refers to the net profit after tax from the most recent individual financial report.

3.Remunerations to President and Vice President December 31, 2018 Unit: NT$ thousand

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary
(A)</th><th colspan="2">Severance pay and pension
(B)</th><th colspan="2">Bonuses and allowances, etc.
(C)</th><th colspan="4">Employee remuneration
(D)</th><th colspan="2">Ratio of total compensation (A+B+C+D) to net profit after tax (%)</th><th rowspan="3">Compensation from investments other than subsidiaries</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report</th><th colspan="2">The Company</th><th colspan="2">All companies in the financial report</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial report</th></tr>
<tr><th>Cash value</th><th>Share value</th><th>Cash value</th><th>Share value</th></tr>
<tr><td>President</td><td>Andrew Yates</td><td rowspan="6">29,022</td><td rowspan="6">52,378</td><td rowspan="6">59,137</td><td rowspan="6">59,137</td><td rowspan="6">13,254</td><td rowspan="6">17,539</td><td rowspan="6">1,409</td><td rowspan="6">0</td><td rowspan="6">1,409</td><td rowspan="6">0</td><td rowspan="6">16.63</td><td rowspan="6">21.10</td><td rowspan="6">0</td></tr>
<tr><td>Vice President</td><td>Charles Irwin Frankel (Note)</td></tr>
<tr><td>Vice President</td><td>Kuo-Chi Yen (Note)</td></tr>
<tr><td>Vice President</td><td>Yu-Li Chou (Note)</td></tr>
<tr><td>Vice President</td><td>Tsung-Min Chen</td></tr>
<tr><td>Vice President</td><td>Shu-Chi Lee</td></tr>
</table>

Note: The amount of employees' remuneration was the proposed distribution of employees' remuneration approved by the Board of Directors on March 11, 2019.

Net profit after tax refers to the net profit after tax from the most recent individual financial report.

Severance pay and pension are governed by the "Labor Pension Act" and "Labor Standards Act," and the actual amount of severance pay and pension for two retiring vice presidents were paid accordingly.

Kuo-Chi Yen retired on September 14, 2018. Charles Irwin Frankel retired on October 31, 2018. Yu-Li Chou resigned on October 31, 2018.

President and Vice Presidents' Remuneration Scale

Remuneration scale applicable to each Company President and Vice Presidents	Name of President and Vice Presidents	
	The Company	All companies in consolidated financial statements E
Less than NT$2,000,000	—	—
NT$2,000,000 (inclusive) to NT$5,000,000 (exclusive)	Andrew Yates、Shu-Chi Lee	Shu-Chi Lee
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	Yu-Li Chou、Tsung-Min Chen	Yu-Li Chou、Tsung-Min Chen
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)	Kuo-Chi Yen	Kuo-Chi Yen
NT$30,000,000 (inclusive) to NT$50,000,000 (exclusive)		Andrew Yates
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)	Charles Irwin Frankel	Charles Irwin Frankel
Total	6	6

4. Comparison and analysis of total remunerations to Directors, Supervisors, President and Vice Presidents as a percentage of individual or specific financial report's net profit after tax within the last two years and description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance.

Unit: NT$ thousand

Individual	2018			2017		
Title	Total remuneration	Net profit after tax	Total remuneration as a percentage of net income after tax (%)	Total remuneration	Net profit after tax	Total remuneration as a percentage of net income after tax (%)
Director	10,357	618,220	1.68	9,596	698,342	1.37
Supervisors	624		0.10	1,079		0.15
President and Vice Presidents	102,822		16.63	46,073		6.60

Consolidated financial statements	2018			2017		
Title	Total remuneration	Net profit after tax	Total remuneration as a percentage of net income after tax (%)	Total remuneration	Net profit after tax	Total remuneration as a percentage of net income after tax (%)
Director	10,514	618,220	1.70	9,756	698,342	1.40
Supervisors	624		0.10	1,079		0.15
President and Vice Presidents	130,463		21.10	68,836		9.86

The directors (supervisors) of the Company carry out their duties in accordance with Article 23-1 of the Articles of Association: Regardless if the Company made a profit or suffered a loss, directors (and supervisors) of the Company shall receive their monthly remuneration and travel allowances accordingly. If the Company made a profit during the year and the earnings per share is in excess of NT$1, no more than 2% can be allocated as the directors and supervisors' remuneration in accordance with the Articles of Association; The amount appropriated is decided by the Remuneration Committee based on the Company's Articles of Association, submitted to the Board of Directors for approval, and then reported to General Shareholders' Meeting. (In accordance with the Company's Remuneration Rules: Remuneration to directors is NT$500 thousand and supervisors is NT$100 thousand each year). The President and Vice Presidents carry out Company duties as directed by the Board, and their appointment, dismissal and remuneration are governed by Article 24 of the Articles of Association. Remuneration to the president and vice presidents is determined by their position, contribution to the Company, performance, and future risks. The remuneration is submitted to the Remuneration Committee for review and then submitted to the Board of Directors for resolution. The overall compensation package consists mainly of the basic salary and bonuses. According to the remuneration scale, the basic salary is determined by the market rate for the employee's position; the bonuses are determined by the department or employee target completion rates and the company's operating performance.

Manager's name and the distribution of employee bonus

December 31, 2018 Unit: NT$ thousand

<table>
<tr><th></th><th>Title</th><th>Name</th><th>Share value</th><th>Cash value (Note)</th><th>Total</th><th>Percentage of total bonuses to net profit after tax (%)</th></tr>
<tr><td rowspan="8">Managers</td><td>President</td><td>Andrew Yates</td><td rowspan="8">0</td><td rowspan="8">2,950</td><td rowspan="8">2,950</td><td rowspan="8">0.48</td></tr>
<tr><td>Vice President</td><td>Tsung-Min Chen</td></tr>
<tr><td>Vice President</td><td>Shu-Chi Lee</td></tr>
<tr><td>Assistant Vice President</td><td>Lei-Hui Lee</td></tr>
<tr><td>Assistant Vice President</td><td>Jung-Chao Lin</td></tr>
<tr><td>Assistant Vice President</td><td>Bhor-Chaou Chang</td></tr>
<tr><td>Assistant Vice President</td><td>Ming-Sheng Wei</td></tr>
<tr><td>Head of Accounting</td><td>Min-ling Wang</td></tr>
</table>

Note: Proposed distribution of employees' remuneration approved by the Board of Directors on March 11, 2019.

Note: Provide the employee remunerations distributed through the Board of Directors to the managers in the most recent year (including equities and cash); if they cannot be estimated, calculate the value intended to be distributed this year according to the actual value distributed last year.

Net profit after tax refers to the net profit after tax from the most recent individual financial report.

Pursuant to Order Tai-Cai-Zheng-San-Zi No. 0920001301 dated March 27, 2003, the scope of managers is as follows:

(1) President and equal position

(2) Vice President and equal position

(3) Assistant Vice President and equal position

(4) Head of the Financial Department

(5) Head of the Accounting Department

(6) Other persons with the authority to manage the Company's affairs and sign agreements on behalf of the Company.

(IV) Corporate Governance Practices:

1. Operation of the Board of Directors:

The term for the 16th-term Board of Directors runs from June 26, 2015 through to May 24, 2018.

The term for the 17th-term Board of Directors runs from May 25, 2018 through to May 24, 2021.

The Board of Directors met 12 times (A) during 2018 and as of the date of this report. Board attendance was as follows:

Title	Name	Attendance (voting and non-voting) in person (B)	Attendance by proxy (times)	Actual attendance rate (%) [B/A]	Notes
Chairman	Scott Ouyoung (Ming-Ling Co., Ltd. Representative)	12	0	100	Reelected on May 25, 2018
Director	Su-Hsiang Ou Young Chang (Ming-Ling Co., Ltd. Representative)	3	0	30	Reelected on May 25, 2018 Director dismissed on February 20, 2019 (Should attend 10 meetings)
Director	Hsien Ou Yang (Ming-Ling Co., Ltd. Representative)	2	0	100	Appointed on February 20, 2019 (Should attend 2 meetings)
Director	Shei-Saint Chen (Ming-Ling Co., Ltd. Representative)	0	0	0	Reelected on May 25, 2018 Director dismissed on June 1, 2018 (Should attend 5 meetings)
Director	Chi-Keung Chung (Ming-Ling Co., Ltd. Representative)	11	1	91.67	Reelected on May 25, 2018
Director	Wen-Mei Yiu (Ming-Ling Co., Ltd. Representative)	6	1	85.71	Appointed on 6/1/2018 (Should attend 7 meetings)
Independent Director	Chin-Shan Huang	11	1	91.67	Reelected on May 25, 2018
Independent Director	Young-Sheng Hsu	12	0	100	Reelected on May 25, 2018
Independent Director	Yi-Chia Chiu	6	5	50	Reelected on May 25, 2018

Other disclosures:

I. Resolutions stipulated in the Article 14-3 of the Securities and Exchange Act or other resolutions with dissenting or qualified opinions given by independent directors that are recorded or stated in writing should state dates of the Board meetings, resolution content, opinions of all independent directors, and the Company's response: Please refer to IV. Corporate Governance Practices (XI) Important Resolutions of the Board of Directors in the Most Recent Year (pages 70-76).

II. When there are recusals of independent directors due to conflicts of interests, names of the directors, contents of resolutions, reasons of recusals, and voting participation should be stated: N/A.

III. Programs this year and in the most recent year for strengthening the functionality of the Board (for example, set up an Audit Committee, improve transparency, etc.) and assessment of execution:

1. The Company's Articles of Association has formulated Rules of Procedures for Board of Directors Meetings in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies. Amendments were subsequently approved by the Board on November 11, 2014 to strengthen Board effectiveness.
2. The Remuneration Committee was established on December 21, 2011 to strengthen our corporate governance by formulating and regularly reviewing the remuneration for directors, supervisors, and managers.
3. Assessment of execution: To improve the transparency of the Company, after each meeting of the Board, the key resolutions are immediately posted to the Market Observation Post System website and periodically announced on the Company website to protect shareholders' interests.

2. Operation of the Audit Committee:

The term for the 1st-term Audit Committee runs from May 25, 2018 through to May 24, 2021.

The Audit Committee met 7 times (A) during 2018 and as of the date of annual report publication. The attendance was as follows:

Title	Name	Actual attendance (B)	Attendance by proxy (times)	Attendance rate (%) (B/A) (Note)	Notes
Independent Director	Young-Sheng Hsu	7	0	100	Convener
Independent Director	Chin-Shan Huang	7	0	100	
Independent Director	Yi-Chia Chiu	3	4	42.86	

Other disclosures:

I. The date of the Board meeting, the term, contents of the proposals, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be recorded under the following circumstances in the operations of the Audit Committee meeting. (Please see the following description for details)

(I) Items specified in Article 14-5 of the Securities and Exchange Act.

(II) In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors: None.

II. The Independent Directors' avoidance of interest motion should indicate the names of the Independent Directors, content of the motion and reasons of avoidance of interest as well as the involvement in voting: N/A.

III. Independent directors' communication with internal auditors and CPAs (shall include major items, methods, and results of communication regarding the Company's financial position and business operations):

The Auditing Office periodically submits audit reports to independent directors for review, and reports to directors during Board meetings.

CPAs and chief auditors are invited to attend periodic Audit Committee meetings, and related supervisors are also invited as needed. CPAs summarize governance items reviewed in financial reports, and communicate with the Audit Committee via writing or in person. Meetings are to be arranged depending on the circumstances if there are other issues about operation or internal control that require immediate discussion.

Please visit our website for communications among independent directors, supervisors, the head of auditing, CPAs, and the head of accounting:

ttp://www.globeunion.com/gb/page.php?key=investor&class=web

Resolutions of the Audit Committee

Audit Committee	Board of Directors	Details of the meeting and subsequent developments	Results of Audit Committee resolutions	The Company's response to Audit Committee opinions
1st-term 1st meeting 2018.07.03	17th-term 2nd meeting 2018.07.03	1. Base date of capital increase through issuance of new shares by exercising the conversion of employee warrants.	All members attending the meeting approved.	None.
		2. The Company's engagement in transactions of derivatives.		
1st-term 2nd meeting 2018.08.03	17th-term 3rd meeting 2018.08.03	1. Consolidated financial reports for the second quarter of 2018.	All members attending the meeting approved.	None.
		2. The Company's routine evaluation of CPAs' independence.		
		3. Base date of capital increase through issuance of new shares by exercising the conversion of employee warrants.		
		4. The Company's engagement in transactions of derivatives.		
		5. Company application for bank loan.		
1st-term 3rd meeting 2018.10.08	17th-term 4th meeting 2018.10.08	1. The Company's proposal to buy back stocks for cancellation of shares.	All members attending the meeting approved.	None.
		2. Base date of capital increase through issuance of new shares by exercising the conversion of employee warrants.		
		3. The Company's engagement in transactions of derivatives.		
		4. Company application for bank loan.		
1st-term 4th meeting 2018.11.07	17th-term 5th meeting	1. Consolidated financial reports for the third quarter of 2018.	All members attending the meeting	None.

<table>
<tr><th>Audit Committee</th><th>Board of Directors</th><th>Details of the meeting and subsequent developments</th><th>Results of Audit Committee resolutions</th><th>The Company's response to Audit Committee opinions</th></tr>
<tr><td></td><td>2018.11.07</td><td>2. The Company's engagement in transactions of derivatives.</td><td>approved.</td><td></td></tr>
<tr><td rowspan="5">1st-term
5th meeting
2018.12.14</td><td rowspan="5">17th-term
6th
meeting
2018.12.14</td><td>1. The Company's 2019 Group Operating Plan and budget.</td><td rowspan="5">All members attending the meeting approved.</td><td rowspan="5">None.</td></tr>
<tr><td>2. 2019 Annual Audit Plan.</td></tr>
<tr><td>3. Base date of capital increase through issuance of new shares by exercising the conversion of employee warrants.</td></tr>
<tr><td>4. The Company's engagement in transactions of derivatives.</td></tr>
<tr><td>5. Company application for bank loan.</td></tr>
<tr><td rowspan="7">1st-term
6th meeting
2019.03.11</td><td rowspan="7">17th-term
7th
meeting
2019.03.11</td><td>1. The Company's 2018 Business Report and financial statements.</td><td rowspan="7">All members attending the meeting approved.</td><td rowspan="7">None.</td></tr>
<tr><td>2. Revisions of some articles in the Company's Procedure for the Acquisition and Disposal of Assets.</td></tr>
<tr><td>3. Base date of capital increase through issuance of new shares by exercising the conversion of employee warrants.</td></tr>
<tr><td>4. Record date of reduction of treasury stock.</td></tr>
<tr><td>5. Lifting of the non-compete clause for directors.</td></tr>
<tr><td>6. The Company's engagement in transactions of derivatives.</td></tr>
<tr><td>7. Company application for bank loan.</td></tr>
<tr><td rowspan="2">1st-term
7th meeting
2019.03.29</td><td rowspan="2">17th-term
8th
meeting</td><td>1. Earnings distribution</td><td rowspan="2">All members attending the meeting</td><td rowspan="2">None.</td></tr>
<tr><td>2. 2018 Statement of Internal Control.</td></tr>
</table>

Audit Committee	Board of Directors	Details of the meeting and subsequent developments	Results of Audit Committee resolutions	The Company's response to Audit Committee opinions
	2019.03.29	3. Amended some articles of the Company's Operating Procedures of Fund Lending and Endorsement Assurance Guidelines.	approved.	
		4. The Company's engagement in transactions of derivatives.		

Communications among independent directors, supervisors, the head of auditing, CPAs, and the head of accounting

Date	Meeting	Main Points of Communication	Recommendations and results
2018.02.27	Communication Meetings	Audit of the 2017 financial statements I. Explanation from the CPA 1. Key points of the audit report. 2. Main reason for the decrease in operating expenses. 3. Income tax expense description. 4. Description of the effect of updates to IFRS9, IFRS15, and IFRS16. 5. Description and reminder of law changes. II. Other discussion items	No objection No objection No objection No objection No objection N/A
2018.04.03	Board of Directors	Internal audit report for the first quarter of 2018: Audit plan achievement rate and deficiencies and abnormalities in audit items	No objection
2018.05.03	Board of Directors	Consolidated financial reports for the first quarter of 2018	No objection
2018.05.25	The General Shareholders' Meeting elected new directors, abolished the position of supervisor, and established an Audit Committee in accordance with the law.		
2018.07.03	Audit Committee Board of Directors	Internal audit report for the second quarter of 2018 Audit plan achievement rate and deficiencies and abnormalities in audit items Status of the IFRS 16 implementation plan	No objection No objection
2018.08.03	Audit Committee	Audit items of the 2018 Q2 financial statements Explanation from the CPA I. Contents of the Customer Statement II. Scope of Group Audit III. Audit report prepared by the CPA IV. Sales revenue (including gross margin) V. Analysis of operating expenses VI. Analysis of non-operating income and expenses VII. Law updates VIII. Other discussion items	No objection No objection No objection No objection No objection No objection No objection N/A

Date	Meeting	Main Points of Communication	Recommendations and results
2018.08.03	Audit Committee Board of Directors	Consolidated financial report for the second quarter of 2018	No objection
2018.10.08	Audit Committee Board of Directors	Internal audit report for the third quarter of 2018 Audit plan achievement rate and deficiencies and abnormalities in audit items Status of the IFRS 16 implementation plan	No objection
2018.11.07	Audit Committee Board of Directors	Audit items of the 2018 Q3 financial statements Explanation from the CPA I. Contents of the Customer Statement II. Scope of Group Audit III. Audit report prepared by the CPA IV. Analysis of sales revenue and profit margin V. Analysis of operating expenses VI. Analysis of non-operating income and expenses VII. KAM identified using the key audit matter identification form VIII. Law updates IX. Other discussion items Consolidated financial report for the third quarter of 2018	No objection No objection No objection No objection No objection No objection No objection No objection N/A No objection
2018.12.14	Audit Committee Board of Directors	Internal audit report for the fourth quarter of 2018 Audit plan achievement rate and deficiencies and abnormalities in audit items Discussed and approved the 2019 Annual Audit Plan	No objection No objection
2019.03.11	Audit Committee Board of Directors	Audit of the 2018 financial statements Explanation from the CPA I. Matters of communications with the corporate governance department and management (I) CPA independence (II) Contents of the Customer Statement (III) Scope of Group Audit (IV) Key audit matters (KAM) (V) Audit opinions of the CPA in 2018 II. Ernst & Young Data Analysis III. Securities and exchange law update IV. Overseas Holding Company – Effects of the Draft Economic Substance Code 2018 consolidated financial reports and standalone financial reports	No objection No objection No objection No objection No objection No objection No objection No objection No objection
2019.03.29	Audit Committee Board of Directors	Internal audit report for the first quarter of 2019 Audit plan achievement rate and deficiencies and abnormalities in audit items	No objection

Supervisor participation in Board affairs:

The term for the 16th-term Board of Directors runs from June 26, 2015 through to May 24, 2018.

The Board of Directors met 4 times (A) during 2018 and as of May 25, 2018. The attendance was as follows:

Title	Name	Actual attendance (B)	Actual attendance rate (%) (B/A)	Notes
Supervisors	Chi-Chuan Chung	2	50%	(Representative, Rui-Fu International Investment Co., Ltd.) Dismissed on May 25, 2018
	Chih-Wei Lin	3	75%	
	Mei-Hui Kao	4	100%	

Other disclosures:

I. Composition and responsibility of supervisors:

(I) Supervisors, employees and shareholders' communication (for example, communication channels, methods, etc.):

The Company's employees and shareholders can contact the supervisors by phone, letter or e-mail.

(II) Supervisors' communication with internal auditors and CPAs (for example, communication over the Company's financial and business status-the methods and results, etc.):

1. The head of auditing submitted the audit report to the supervisors the month after the audits were completed. The supervisors filed no objections.
2. The head of auditing attended regular Board meetings and presented the audit report. The supervisors filed no objections.
3. The supervisors may discuss the audit results with the accounting firm through the head of auditing.
4. Communication meetings with the CPA, independent directors, head of accounting, and head of auditing on the Financial Report.

Periodically: The CPA should communicate with independent directors, supervisors, chief internal auditor, and the head of accounting regarding the implementation status and outcome of the inspection following the Annual Inspection Report.

Non-periodically: Meetings are to be arranged depending on the circumstances if there are other issues about operation or internal control that require immediate discussion.

II. If a Supervisor voices an opinion in the Board of Directors meeting, describe the date of the Board meeting, term of the Board, agenda items, resolutions adopted by the Board, and actions taken by the company in response to the opinion of the Supervisor: N/A.

3. Corporate governance implementation, deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reason for such deviations:

Assessed areas	Implementation status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
I. Has the Company set and disclosed Corporate Governance Code of Practice according to the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?"	✓		The Company has defined a Corporate Governance Code of Practice for promoting the operation of corporate governance. Disclosure is also carried out on the market observation post system and the corporate website.	No significant difference.
II. The Company's shareholding structure and shareholders' rights and interests				
(I) Has the Company set internal operations procedures for dealing with shareholder proposals, doubts, disputes, and litigation as well as implemented those procedures through the proper procedures?		✓	(I) To protect the interest of shareholders, the Company has appointed a spokesperson and deputy spokesperson to handle shareholder proposals or disputes.	(I) No significant difference.
(II) Does the Company have a list of major shareholders of companies over which the Company has actual control and the list of ultimate owners of those major shareholders?	✓		(II) The Company discloses the list of major shareholders and the list of ultimate owners of major shareholders in accordance with applicable regulations.	(II) No significant difference.
(III) Has the Company established and implemented risk control/management and firewall mechanisms between it and	✓		(III) The Company has established and implemented the relevant controls in our internal control systems.	(III) No significant difference.

Assessed areas	Implementation status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
affiliated corporations? (IV) Does the Company have internal regulations in place to prevent its internal staff from trading securities based on information yet to be public on the market?	✓		(IV) The Company has established the "Insider Trading Prevention Rules" prohibiting internal personnel and employees against using information not yet disclosed to the market for profit.	(IV) No significant difference.
III. Composition and responsibilities of the Board of Directors (I) Has the Board of Directors devised and implemented a plan for a more diverse composition of the Board?	✓		(I) The Corporate Governance Code of Practice specifies that the members of the Company's board of directors shall be selected with an emphasis on diversity of backgrounds, general knowledge, skills and the competencies required to perform incumbent duties.	(I) No significant difference.
(II) In addition to establishing a Compensation Committee and an Audit Committee, which are required by law, is the company willing to also voluntarily establish other types of functional committees?		✓	(II) We have established a Remuneration Committee and an Audit Committee in accordance with the law, but currently do not have any other functional committees.	(II) No significant difference.
(III) Has the company established and implemented methods for assessing the performance of the Board of Directors and		✓	(III) The Board of Directors passed the "Board of Directors Self-Evaluation or Peer Evaluation Regulations" on March 29, 2019.	(III) No significant difference.

Assessed areas	Implementation status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
conducted performance evaluation annually? (IV) Does the company periodically evaluate the level of independence of the CPA?	✓		(IV) The Company has an voluntary rotation mechanism in place for accountants. The Board of Directors approves all changes of the CPA. Starting in 2015, the Board of Directors assesses the independence of the accountants every year in accordance with Article 29 of the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies." Assessment of CPA independence: The investigation conducted by our investor services unit confirmed that the CPA does not hold any shares in the Company, and the CPA does not concurrently hold any position in the Company either. In addition, declarations on the accountant's role, responsibilities, and independence issued by the CPA were reviewed. It was determined that, except for costs associated with certification and related taxation, the CPA did not have any other financial interests or business interactions with the Company and both the CPA and members of	(IV) No significant difference.

Assessed areas	Implementation status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			the audit team were not currently holding nor held the position of director, manager, or one of significant influence on the audit work within the last two years, and they were not related biologically to staff handling the affairs mentioned above. As such, the independence of the Company's CPA was therefore confirmed, and was approved by the Audit Committee and Board of Directors on August 3, 2018.	
IV. Does the Company listed on the TWSE or TPEx have a unit or staff that specializes (or is involved) in corporate governance (including but not limited to providing information necessary for directors and supervisors to perform their duties, organizing board meetings and general shareholders' meetings, handling business registration and any change of registration, and compiling minutes of board meetings and general shareholders' meetings)?	✓		The Board of Directors' secretary is responsible for corporate governance-related affairs, and strengthens board functions on this basis. The secretary's main responsibilities include providing data needed by the Remuneration Committee, directors (including independent directors) and supervisors to perform their duties; assisting them with regulatory compliance; handling meetings of the Remuneration Committee, Audit Committee, Board of Directors, and Shareholders' Meeting; and preparing and planning the CSR report. 2018 business implementation status:	No significant difference.

Assessed areas	Implementation status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			1. Notified directors and supervisors of the agendas of Remuneration Committee, Audit Committee, and Board meetings seven days in advance. Convened meetings and provided information for meetings. Provide reminders for recusal for conflicts of interest, and completed meeting minutes within twenty days after the meetings were concluded. 2. Assisted the Remuneration Committee, Audit Committee, Board of Directors, and General Shareholders' Meeting proceedings and resolutions with regulatory compliance: (1) Verified whether if Remuneration Committee, Audit Committee, Board of Directors, and Shareholders' Meetings comply with the law and Corporate Governance Principles. (2) Assisted and reminded directors of laws and regulations they need to comply with when performing their duties or when the Board of Directors is adopting a resolution. (3) Responsible for the announcement of major	

Assessed areas	Implementation status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			resolutions adopted by the Board of Directors, ensures the regulatory compliance and correctness of its contents, and protects the rights and interests of investors. 3. Assists in providing data required by directors (including independent directors) to perform their duties, and schedules continuing education courses each year. 4. Independent directors individually meet with internal auditors or CPAs to understand the Company's financial and business needs, and assists in arranging related meetings. 5. Registers the date of the General Shareholders' Meeting in advance in accordance with the law, prepares meeting notices and meeting minutes within the specified period, and prepares Shareholders' Meeting Handbook and Annual Report within the corporate governance evaluation period. 6. Change of Registration: Completed applications for change of registration within the statutory period for revisions to the Articles of Association,	

Assessed areas	Implementation status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			reelection of directors, or changes in paid-in capital; handled matters required by Taiwan Stock Exchange Corporation and the branch of the National Taxation Bureau of the Central Area, Ministry of Finance with jurisdiction. 7. Planned and compiled the CSR report.	
V. Does the company establish a communication channel and build a designated section on its website for stakeholders (including without limitation shareholders, employees, customers, and suppliers, etc.) and properly respond to corporate social responsibility issues that stakeholders are concerned about?	✓		We set up a dedicated stakeholder section with mailboxes of the spokesperson, deputy spokesperson and representatives on key CSR issues, in hopes of achieving effective and smooth communication and protecting the reasonable and legal rights of both parties.	No significant difference.
VI. Has the Company hired a professional agency to handle tasks and issues related to holding the shareholders' meeting?	✓		The Company has appointed the transfer agency department of SinoPac Securities to handle matters relating to the general shareholders' meeting and investor affairs.	No significant difference.
VII. Information disclosure (I) Has the Company established a corporate website to disclose information regarding the Company's financial, business and	✓		(I) We disclose information regarding our financial position, business, and corporate governance on our website. We file extraordinary and regular	(I) No significant difference.

Assessed areas	Implementation status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
corporate governance status?			financial reports on our financial position and business operations in accordance with relevant laws and regulations.	
(II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company's website)?	✓		(II) We appointed a spokesperson and deputy spokesperson in accordance with regulations, and have dedicated personnel to handle issues of institutional investors and other investors. Related departments are responsible for disclosing information on our Chinese and English website.	(II) No significant difference.
VIII. Does the Company have other information that is helpful for understanding its status of corporate governance (including but not limited to employee rights and interests, employee well being, investor relations, supplier relations, rights of interested parties, further education sought by Directors and Supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, the taking out of liability insurance	✓		(I) Employee rights and care: Our Company has always treated employees with honesty. We protect the legal rights of employees in accordance with the Labor Standards Act and have established an employee welfare committee. A range of employee benefits (refer to V. Business Overview 5. Employee-employer relations (starting from p. 112) of this annual report) as well as education and training are used to build a relationship of mutual trust with employees.	No significant difference.

Assessed areas	Implementation status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
for Directors and Supervisors)?			(II) Investor relations: We have implemented the spokesperson system to handle suggestions for shareholders and answer their queries in as much detail as possible, so that they better understand our operations and business situation. We handled matters before/after the General Shareholders' Meeting in accordance with the Company Act and related laws and regulations, fully disclosed relevant information, and simultaneously announce material information in Chinese and English to fully protect shareholders' right to know, so that they can participate or make a decision on this basis. (III) We maintain a positive relationship with our suppliers. (IV) We respect the rights of stakeholders. Stakeholders can communicate and make suggestions to the Company in order to protect their legal rights. (V) Continuing education for Company directors and supervisors: Please see Supplement 1 below. (VI) Implementation of risk management policies and	

Assessed areas	Implementation status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			risk assessment standards: Please refer to the risk management section (starting from p. 132) of this Annual Report. (VII) The Company maintains a stable and positive relationship with customers in order to generate profits. (VIII) We continued to purchased liability insurance for directors and supervisors from December 31, 2018 to December 31, 2019. The insured amount (US$7.5 million), coverage, and premium were reported to the Board of Directors on March 11, 2019. Insurance coverage is disclosed on the Market Observation Post System in accordance with regulations.	

IX. Explain improvements made according to corporate governance evaluation results released in the most recent year by the corporate governance center of Taiwan Stock Exchange and provide priorities to be reinforced and measures among those pending improvement.

Results of the fourth corporate governance evaluation were reported in the 25th meeting of the 16th-term Board of Directors on May 3, 2018.

Un-scored items in the 5th corporate governance evaluation (preliminary) results are as follows:

Improved items:

The Board Performance Evaluation Regulations or Procedures were approved by the Board of Directors on March 29, 2019.

Assessed areas	Implementation status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
Not yet improved but prioritized items: Establish the Remuneration Committee before the end of June 2019 with more than half of all members being independent directors. Synchronized, full report of major news in English. Increase the attendance rate of all directors. Directors complete the required number of hours of continuing education in accordance with the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies.				

Supplement 1. Continuing education for Company directors (including independent directors) and supervisors:

Name	Title	Date	Organizer	Course Name	Hours
Scott Ouyoung	Director's representative	2018.07.13	Securities & Futures Institute	2018 Insider Trading Compliance Seminar for Public Listed and Unlisted Companies	3
Chi-Keung Chung	Director's representative	2018.06.20	Taiwan Corporate Governance Association	Board of Directors Function and Performance Evaluation	3
		2018.06.21	Taiwan Corporate Governance Association	How enterprises supervise the implementation of risk management and crisis management	3
		2018.08.09	Securities & Futures Institute	New Trends in Corporate Governance for Corporate Sustainability	3
		2018.08.31	Securities & Futures Institute	The Company Act Amendments and Effects on Corporate Governance and Directors'/Supervisors' Responsibilities	3
Wen-Mei Yiu	Director's representative	2018.07.10	Securities & Futures Institute	2018 Insider Trading Compliance Seminar for Public Listed and Unlisted Companies	3
		2018.07.13	Taiwan Corporate Governance Association	How directors fulfill their duty of loyalty (including ruling analysis and best practices)	3
		2018.09.12	Accounting Research and Development Foundation	How to use consolidated financial statements to improve management performance	3

Name	Title	Date	Organizer	Course Name	Hours
		2018.09.28	Taiwan Corporate Governance Association	How do directors and supervisors from non-financial backgrounds review financial reports	3
Chin-Shan Huang	Independent Director	2018.10.25	The Institute of Internal Auditors - Chinese Taiwan	The Trade Secrets Act and analysis of non-compete cases	6
Young-Sheng Hsu	Independent Director	2018.09.20	Accounting Research and Development Foundation	Seminar on matters requiring cooperation when enterprises commission accountants to audit financial statements	3
		2018.10.29	Accounting Research and Development Foundation	Audit management practices for cost reduction and competition strategies	6
Yi-Chia Chiu	Independent Director	2018.10.05	Taiwan Corporate Governance Association	Fiduciary duties of directors and business judgment criteria - Case study	3
		2018.11.28	Accounting Research and Development Foundation	Investigation of cash flow in financial statement fraud cases and related legal responsibility	3

Note: Regardless of ticking "yes" or "no" for the operating situation, it should be described in the summary field.

4. Composition, duties, and operation of the Remuneration Committee:

Members of the Remuneration Committee

Identity Type (Note 1)	Qualifications / Name	Has at least 5 years of work experience and meets the following professional qualifications			Meets the independence criteria (Note 2)								Number of other public companies in which the member also serves as a member of their remuneration committee	Notes (Note 3)
		An instructor or higher position in the department of commerce, law, finance, accounting or other department related to the business needs of the Company in a public or private junior college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Chin-Shan Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Other	Chao-Tang Yue	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	4	
Independent Director	Yi-Chia Chiu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	2	3rd-term committee member Term to July 2, 2018
Other	Kuan-Chun Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Identity type shall be filled-out as director, independent director, or others.

Note 2: If any member meets any of the following criteria in the two years before being elected or appointed or during the term of office, please mark with "v" in the corresponding boxes below each code.

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

(2)Not a Director or Supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the committee member is an independent Director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50 percent of the voting shares.

(3)Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.

(4)Not a spouse, second degree kin or closer, or a direct blood relative of third degree or closer to anyone listed in the preceding three subparagraphs.

(5)Not a Director, Supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as one of its top five shareholders.

(6)Not a Director, Supervisor, manager or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company.

(7)Not a professional person, business owner, partner, Director, Supervisor, or manager of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultations to the company or any of its affiliated companies; nor a spouse of anyone listed herein.

(8)Does not meet any of the conditions stated in Article 30 of the Company Act.

Note 3: If the member is a director, please specify whether the member meets provisions provided by Paragraph 5, Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".

Roles and Responsibilities of the Compensation Committee

To improve corporate governance and the Company's director and manager remuneration system, perform the following duties, and submit recommendations to the Board of Directors for discussion:

(I) Stipulates and reviews regularly the compensation policies, systems, standards and structures, and performance of directors and managers.
(II) Regularly reviews and adjusts directors' and managers' remuneration.

Operation of the Remuneration Committee

(I) The current Remuneration Committee has 3 members.
(II) Term of 3rd-term committee members: From July 6, 2015 to May 25, 2018
Term of 4th-term committee members: From July 3, 2018 to May 24, 2021

The Remuneration Committee held 4 meetings (A) in 2018 and as of the date of this report. The qualifications and attendance of the committee members are as follows:

Title	Name	Actual Attendance (B)	Attendance by proxy (times)	Attendance rate (%) (B/A)	Notes
Convener	Chin-Shan Huang	4	0	100	Continued to serve on the 4th-term committee
Committee member	Chao-Tang Yue	3	1	75	Continued to serve on the 4th-term committee
Committee member	Yi-Chia Chiu	1	0	100	3rd-term committee member Term to July 2, 2018 Should attend 1 meeting
Committee member	Kuan-Chun Wang	4	0	100	Continued to serve on the 4th-term committee

Other disclosures:

I. In the event that a Remuneration Committee proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the agenda, the board's resolution, and the way the company handled the Remuneration Committee's proposals (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): N/A.

II. If a member voted against or had reservations on record or in writing regarding any resolution passed by the Remuneration Committee describe the date of committee meeting, term of the committee, agenda item, opinions of all members, and actions taken by the company in response to the opinion of members: N/A.

Date of Remuneration Committee meeting	Details of the meeting and subsequent developments	Opinion of the Remuneration Committee	The Company's response to Remuneration Committee opinions
3rd-term 11th meeting 2018.02.27	1. Approved the proposed remuneration for directors, supervisors, and employees in 2017.	Proposal approved as proposed by all members in attendance.	None.
	2.Reviewed the year-end bonuses for managers in 2017.		
	3.Established the remuneration to Audit Committee members.		
4th-term 1st meeting 2018.08.03	1.Reviewed the year-end bonus the president in 2017.	Proposal approved as proposed by all members in attendance.	None.
	2.Reviewed the employee bonuses proposed by managers in 2017.		
	3.Reviewed the proposed salary raises in 2018.		
	4.Discussed the Remuneration Committee's work plan for 2019.		
4th-term 2nd meeting 2018.11.06	1.Disbursement of manager separation pay.	Proposal approved as proposed by all members in attendance.	None.
	2.Reviewed the proposed salary raises for vice presidents.	Proposal approved as proposed by all members in attendance after the reasons for the raise were supplemented.	Provided supplementary descriptions according to the instructions of committee members.
	3.Reviewed the proposed salary for the new vice president.	This case still needs further negotiation, and members in attendance approved to include it in the agenda for further discussion.	After negotiations are completed, a meeting will be convened to review the proposal.

Date of Remuneration Committee meeting	Details of the meeting and subsequent developments	Opinion of the Remuneration Committee	The Company's response to Remuneration Committee opinions
4th-term 3rd meeting 2019.03.11	1.Approved the proposed remuneration for directors and employees in 2018.	Proposal approved as proposed by all members in attendance.	None.
	2.Acknowledged the Company's 2018 year-end bonus distribution proposal for managers.	Proposal approved as proposed by all members in attendance.	None.
	Extraordinary motions:		
	1.The Financial Division acknowledge salary raises for assistant vice presidents.	Proposal approved as proposed by all members in attendance.	None.
	2.Committee Member Wang proposed: Review the director and managers' remuneration policy, system, standards, and structure in the next meeting in accordance with the Remuneration Committee Charter.	All members attending the meeting approved.	Included in the meeting minutes as instructed by the chairperson and will be proposed in the next meeting.
	3.Committee Member You proposed: Year-end bonuses of managers should be reviewed and approved by the Remuneration Committee before being distributed.	All members attending the meeting approved.	Included in the meeting minutes as instructed by the chairperson and will be handled accordingly in the future.

5. Implementation of corporate social responsibility: The Company's systems and measures and implementation status with respect to environmental protection, community involvement, social contribution, social service, public interest, consumer interests, human rights, safety and health, and other social responsibility activities:

Assessed areas	Implementation status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary (Note 2)	
I. Implementation of corporate governance				
(I) Does the Company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis?	✓		(I) The Company has defined the Company's Corporate Social Responsibility Principles to guide the fulfillment of our corporate social responsibilities.	(I) No significant difference.
(II) Did the Company provide social responsibility training on a regular basis?		✓	(II) The Company does not yet provide regular educational training on corporate social responsibility.	(II) Education and training will be organized by the Company as necessary.
(III) Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior managerial officers and reports its progress to the Board of Directors?	✓		(III) The Company's Secretariat of the Board of Directors is the designated unit for promoting corporate social responsibility. It is responsible for the proposal and implementation of CSR policies, systems, related management guidelines, and action plans. It also reports regularly to the Board of Directors. The Company's CSR Report task force is responsible for the overall planning, communication, and integration, as well as compiling, editing, and revising data. The Secretariat of the Board of Directors is the designated	(III) No significant difference.

Assessed areas	Implementation status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary (Note 2)	
			unit for promoting corporate social responsibilities. The Board of Directors secretary serves as the convener and the chairman's secretary is responsible for implementation and integration. Members of the task force are representatives from respective departments.	
(IV) Did the Company formulate reasonable remuneration policies, integrate employee performance appraisal systems with CSR policies and establish effective reward and punishment systems?	✓		(IV) The Company has established reasonable salary and compensation policies. A clear system of rewards and penalties has been defined in the work rules, ethical corporate management principles, ethical corporate management operating procedures, and the Code of Conduct, and it is being implemented accordingly. Article 25-1 of the Company's Articles of Association: If the Company was profitable during the year, at least 2% of the profit shall be allocated as employee remuneration first, and no more than 2% may be allocated as remuneration for directors and supervisors. However, an amount shall be set aside in advance to compensate for cumulative losses, if any. Employee bonuses may be paid in shares or cash. Employees at affiliated companies that satisfy certain criteria may also qualify.	(IV) No significant difference.

Assessed areas	Implementation status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary (Note 2)	
II. Fostering a sustainable environment				
(I) Is the Company committed to improving the efficiency of the various resources and using recycled materials which have a low impact on the environment?	✓		(I) Actively working to increase resource utilization: We increased the recycling rate of process water, wastewater treatment and recycling, use recycled water, product packaging that is 100% recyclable, installed water saving devices on faucets, e-operations, use recycled printing paper and reducing paper consumption, waste sorting, waste reduction and recycling, kitchen scrap collection, and use of personal cutlery. These measures help to conserve the Earth's resources and protect environmental hygiene. Air-conditioning equipment is also only switched on when the indoor temperature is at 26℃ or higher.	(I) No significant difference.
(II) Has the Company established a proper environmental management system based on the characteristics of the industry?	✓		(II) The head office does not generate any hazardous impact on the environment. Other factories comply with air pollution restrictions of local governments. Emissions are collected through pipes and go through an exhaust and wet purification system so that all emissions comply with standards. We switched to a natural gas boiler in coordination with the increase in heat recycling, lowering pollutant emissions to comply with regulations. The head office manages all	(II) No significant difference.

Assessed areas	Implementation status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary (Note 2)	
			domestic wastewater along with the processing zone's sewage disposal. Production plants in China comply with the wastewater emission concentration restrictions of local governments, and constantly improves wastewater treatment processes and increases recycling. Our plants continue to manage and reduce waste, and all waste is disposed by qualified disposal companies in each area.	
(III) Has the Company taken note of any impacts climate change has had on its operations and engaged in measuring greenhouse gas emissions, establishing a corporate energy conservation and carbon reduction strategy, as well as establishing a greenhouse gas reduction strategy?		✓	(III) At present, our Shandong Plant has implemented the ISO14046 GHG Inventory System. Each plant periodically washes its chiller and cooling tower, is gradually replacing lights to LED lights, uses heat recycling equipment, is implementing office energy saving measures, and buying new energy efficient equipment to achieve energy conservation & carbon reduction.	(III) No significant difference.

Assessed areas	Implementation status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary (Note 2)	
(III) Upholding public interests				
(I) Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(I) Our employee management regulations comply with labor laws. We also provide employees with labor/national health insurance, pension contributions and company insurance in accordance with the law to protect their rights.	(I) No significant difference.
(II) Has the Company set up an employee hotline or grievance mechanism to handle complaints properly?	✓		(II) The Company 1. Established a Sexual Harassment Prevention and Complaints Committee as required by law. 2. Employees can use the internal e-mail system to communicate directly and effectively with all managers. 3. They can also use the <Globe Union Cares for You> complaints/suggestion mailbox (gu.careyou@globeunion.com) to send feedback or suggestions.	(II) No significant difference.
(III) Does the Company provide a safe and healthy working environment and provide employees with regular safety and health training?	✓		(III) We provide a safe and healthy working environment. We also provide employees with regular safety and health training. Please see Postscript 1 for more information.	(III) No significant difference.
(IV) Has the Company set up a channel for communicating with employees on a regular basis, and reasonably inform employees of any significant changes in operations that may have	✓		(IV) 1. We use electronic announcements to communicate with employees in a timely manner. 2. Employee-employer meetings are regularly convened in accordance with the law. Meeting minutes are kept	(IV) No significant difference.

Assessed areas	Implementation status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary (Note 2)	
an impact on them?			by HR responsible for tracking the progress of meeting resolutions. 3. A "Birthday Party" is held each month with managers invited sometimes to share their insights. The event is also used for departmental announcements and networking between employees. 4. An annual presentation is held each year with managers above the grade of vice president detailing company tasks from the previous year and the plans for the coming year.	
(V) Has the Company established an effective career development and capability training program for employees?	✓		(V) 1. We use the annual "HR Evaluation Committee" to conduct objective assessments and provide employees with fair opportunities for promotion. 2. The Company also offers employees job rotation and international opportunities. Apart from prioritizing employees' personal preferences, job rotations are used to support the Company's development needs. 3. The Company also provides employees with OJT and Off-JT training that is required for them to be functional at work. Job rotations and trainings are used to accomplish the purpose of talent development.	(V) No significant difference.

Assessed areas	Implementation status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary (Note 2)	
(VI) Has the Company established any consumer protection mechanisms and complaint procedures regarding R&D, purchasing, production, operation and service?	✓		(VI) We maintain excellent channels of communication with our customers. To protect the rights of consumers, we have appropriate rules in place for handling customer complaints. This ensures that customer complaints are taken seriously and dealt with immediately.	(VI) No significant difference.
(VII) In terms of the marketing and labeling of products and services, has the Company followed relevant laws, regulations, and international norms?	✓		(VII) Our products are mainly intended for export. We have advertised and labeled goods and services according to relevant regulations and international standards.	(VII) No significant difference.
(VIII) Before doing business with suppliers, does the Company assess whether or not the suppliers have had previous records of negatively affecting the environment or society?		✓	(VIII) We have rules in place for managing supplier quality. While we do not require suppliers to provide their past records, we do pay attention to their record on environmental impact and social responsibility.	(VIII) No significant difference.
(IX) Do the Company's contracts with major suppliers include a clause that states that if the supplier violates our corporate social responsibility policies, resulting in significant impacts to the environment and society, the Company retains the right to terminate the contracts at any time?		✓	(IX) This is currently not included in our contracts but the relevant clauses will be added in the future.	(IX) The relevant clauses will be added to contracts in the future.

Assessed areas	Implementation status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary (Note 2)	
(IV) Enhancing information disclosure (I) Has the Company disclosed relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System?	✓		Our Company's provides disclosure through our corporate website and the market observation post system.	No significant difference.
(V) If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe any difference between the principles and their implementation: Our Company has defined the "Corporate Social Responsibility Principles" and its operational differences are described above.				
(VI) Other key information useful for explaining status of corporate social responsibility practices: "Society" is made up of "people" playing different roles. Our Company aims to become the most trustworthy company in the world and realize sustainable development. We therefore strive to create an exceptional working environment so that even as we win over the trust of customers, employees, suppliers, shareholders and competitors we are also fulfilling our social responsibility. We are constantly promoting and implementing concepts of environmental protection. We support and sponsor organizations in society, including NT$80 thousand to the Straits Economic & Cultural Interchange Association and NT$160 thousand to Taichung Processing Region Friendship Association, Amazing Grace Deaf Bakery, and Eden Bakery. Our chairman established the Hope Media Foundation and actively engaged in charity donations and events, allocating approximately NT$19,082 thousand for charity events throughout the year: The children's theater "Character Education to do Boldly What is Righteous" was open to 10 schools over the year, Taiwan Come Forward Award, Taichung City Social Welfare Account supported the Bureau of Social Affairs in implementing the Project to Keep Homeless from Freezing in Winter, the Subsidy Project for Settlement of Economically Disadvantaged People, living allowance for students under the poverty line and settlement expense subsidies for protective cases, Taichung City Government Sports Bureau Sports Scholarship for Students Under the Poverty Line, 2018 Creativity Contest, Hometown Long-term Care Happiness Package Experimental Project, Center for Media and Social Impact of National Central University, New Taiwan Volunteer Group, repairing shelters for the underprivileged and providing ideal classrooms for after-school programs, Hsinchu Deaf Association "Counseling Group for People with Hearing Impairment and Volunteer Training Project," "New Barrier-free Building Construction Project," etc. Out of respect for human rights, all Company employees are				

Assessed areas	Implementation status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary (Note 2)	
treated equally regardless of gender, religion, political affiliation on employment opportunity. We strive to create a good working environment free from all forms of discrimination and harassment. All safety and health aspects are monitored and comply with government regulations.				
(VII) If the corporate social responsibility reports have been certified by external institutions, they should state so below: The Corporate Social Responsibility Report of the Company compiled for 2018 has been validated and authenticated by the accounting firm Ernst & Young as a third party.				

Note 1: Work environment and personal protection measures: Our Company recognizes the importance of protective measures for the workplace and for individual employees. Our key targets and implementations are as follows:

Item No.	Target/Goal	Project	Current situation	Implementation status
1.	Zero-accident elevator	Cargo elevators are for cargo only. Overloading is strictly prohibited. They must be maintained and serviced by qualified vendors on a regular basis.	Contracts have been signed with professional vendors for the regular maintenance and service of elevators. Elevators must pass the annual inspection to remain in service.	The heads of relevant units are informed on the spot about the prohibition against passengers in the cargo elevator and over-loading. Elevator safety and care rules are posted on the bulletin Board. All equipment used by the Company is rated the highest class among all enterprises in terms of safety and standardization.
2	Zero electrical hazards	Every electrical equipment should comply with Article 9 of the Regulations for Electrical Technician and Power Facility Inspection and Maintenance Management, and the equipment should be worked upon in	Contracts have been signed with qualified vendors to conduct electrical safety inspections of all factory circuits, power-off tests, and care are taking place each year at least once, as required.	Power circuits suspected of being over-loaded are immediately reviewed for improvement. All circuit boxes are labeled with the warning "Do not open if you are not a professional circuit operator" in order to prevent against electric shock hazards.

Item No.	Target/Goal	Project	Current situation	Implementation status
		compliance with Regulations for Safe Electricity Usage. All electrical equipment comes with a residual current circuit breaker and earth-fault protection.		
3	Zero fire hazard	Fire prevention equipment is inspected and repaired within a specific time frame according to applicable requirements each year.	In accordance with Article 15 of the Enforcement Rules of Fire Services Act, one 4-hour firefighting, emergency notification, and evacuation training drill takes place at least once every 6 months, and the local firefighting agency is notified in advance. The fire prevention and maintenance unit services, maintains, and replaces damaged facilities on a regular basis. The Industrial Safety Group performs safety audits on a daily basis to make sure that the firefighting access, fire hydrants, and other safety equipment are normal.	Any safety concern in fire safety equipment is to be addressed in a timely manner. If it is abnormal and is determined through inspection to have been damaged, it will be taken care of and replaced immediately, and it will also be numbered for management.
4	Domestic water supply switched over to pure tap water	The pipelines have been modified so that all water requirements can be met directly by tap water. Follow national policies.	The Administration Division issued a warning that the on-site water supply is groundwater that may have been contaminated by heavy metals or other toxins; drinking it directly is strictly prohibited and it should be used carefully.	The entire plant has now switched over to tap water. Drinking water now has filtration equipment installed, and the equipment is serviced periodically.
5	Electronic access control	Apply electronic access control to prevent against unauthorized access. Follow applicable access-control requirements of the Company.	New employees are consistently given limited access. Applications for special access require approval from an assistant manager, division head, or higher-ranking official.	Access control records are maintained. Once an employee is no longer with the Company, access is immediately revoked.

Item No.	Target/Goal	Project	Current situation	Implementation status
			External people visiting for business must obtain a pass. Visitors must follow instructions and park their vehicles in designated areas. Related release receipts for goods leaving the site will be inspected and verified.	
6	After-hours security	Each day, the last employee to leave the site must set the security alarm to keep the Company safe. After working hours, staff may only access the site under special circumstances, and only after having explained their purpose to the security guard in order to ensure personnel and property safety.	Employees working overtime on holidays and on the weekends must first register with the General Administration Section and collect the security token. The security token must be returned on the next working day to ensure effective management. Staff to work overtime on holidays and on the weekends have to follow the overtime staff list issued by the Department of Human Resources.	If the alarm is triggered for unknown reason, the security company or security guard on site shall find out what is going on and report the incidence.
7	Air-conditioning maintenance management	The chillers, fans and cooling towers undergo planned maintenance.	Chillers are regularly inspected during operation. Any problems are scheduled for correction.	The cooling towers are regularly cleaned and chlorine tabs added to prevent against legionnaire's disease and to protect against generation of high pressure on the chillers to reduce expenditure on electricity.
8	Zero-accident for power centrifuge	Design the automatic inspection checklist and ask operators to perform periodic inspections, as required.	Article 74 of the Labor Safety Facilities Regulations stipulates that the power centrifuge must come to a complete stop before any object is removed from the machine.	Items are truthfully inspected and verified, and heads of executive units are asked to provide precise guidance.

Item No.	Target/Goal	Project	Current situation	Implementation status
9	Zero-accident for fire-related operations	The operating unit shall inform the General Administration Section if operations likely to generate sparks are to be performed. The operating unit shall follow the Fire Operating Guide.	The General Administration needs to inspect and make sure that there is no safety concern and shall inform operators of details to pay attention to before fire operations begin, despite the fact that a fire operation has been applied for and approved.	All danger sources are to be removed from the fire operation area, and areas with falling sparks are monitored at all times. Fire extinguishers shall be available at the workplace and readily accessible. Based on the class shown on the fire operation certificate, safety measures at the operation site and time-effectiveness of the operating certificate are checked from time to time.
10	Contractor safety and health declaration	Have contractors carefully read through the document before signing it and ask questions in advance if there is any area that is unclear to them. Reach an agreement regarding construction safety and health requirements, and confirm pre-construction protection and post-construction cleanup upon signing of a contract.	Contractors shall abide by requirements for safety management and provide operators with necessary protective equipment and devices. The construction management department, safety management department, and 6S management department shall confirm that protection requirements are fulfilled to warrant construction before it begins, inspect the process, and accept work upon completion.	The contractor may be ordered to stop work immediately in the event of a serious breach of safety and health regulations. Actions that may be taken for other non-conformities include mandated improvements by a given deadline and termination of contract.
11	Zero-accident cutting machines	Purchase of new automatic band saw	Starts and stops automatically when cutting objects to ensure safe operation by the operator.	The head of the user unit is required to restrict operation to designated personnel.
12	Labor safety protection	Embark on a series of safety knowledge trainings, set up a safety supervisor scheme, improve safety at the workshop. Establish a 3-tier safety education system and a supervisor safety and production accountability system.	All employees are to complete physical checkups for occupational diseases and health. A complete database of all employees' health records is to be established. All 3-tier safety training files are to be archived. Standards for carriage of labor	Apart from training on safety awareness, workplace safety and comfort is ensured through the workshop layout, improved ventilation and better natural/artificial lighting. Positions of employees are adjusted according to their physical condition.

Item No.	Target/Goal	Project	Current situation	Implementation status
			supplies are to be specified. Occupational safety and health examinations are to take place on a yearly basis.	
13	Pollution Control (Water, Air, Sound)	Perform pollution control according to the requirements and standards of the environmental protection department. Invest in waste water treatment systems; applicable clean energy; equipment for desulfurization, denitrification, and dust removal for waste gas prior to emission; and sound-proof equipment.	The Company is continuing to make improvements on water, air and noise pollution.	Emission indicators are monitored online and linked to the network of the environmental protection department. Environmental factors are inspected on a yearly basis to ensure constant improvements. Wastewater is recycled and reused.
14	Recycling and reuse	Improve the product yield, reduce waste generation, and strengthen 7S competitions and recycling of waste for reuse to reduce waste of resources, recycling, and reutilization	The product yield is to be discussed on a monthly basis. Recycling and reutilization of waste is to be managed. Utilization of residual heat should be continued. Reclaimed water is to be used for resource saving, and the outstanding 7S units are to be recognized.	The Company adheres strictly to environmental regulations during waste treatment for harm elimination, volume reduction and recycling. This effectively prevents any impact on the surrounding environment.
15	Energy conservation	To identify potential problems in energy use, we commissioned an external environmental technology company to audit our energy consumption. The Company also proposed and implemented clean production review.	A comprehensive management organization has been set up as part of our energy management system. A series of energy-saving and waste reduction schemes have been implemented and assessed.	Lighting, water, and electricity are being transformed. Kiln residual heat is recycled and re-utilized. Energy-saving electrical equipment is adopted. Reclaimed water is used again. The kilns are known for their high energy-saving performance. Energy-saving lights and water valves are used, and buildings such as dormitories and workshops are repaired. All of these are meant to promote energy conservation and consumption reduction, reduce the concentration of pollutants discharged, and realize effective overall emissions.

6. Ethical corporate management and measures adopted: Our Company requires all employees to adhere to the "Ethical Corporate Management Principles."

Assessed areas	Implementation status (Note 1)			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies" and reasons
	Yes	No	Summary	
I. Establishment of ethical corporate management policy and approaches				
(I) Has the Company stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the Board of Directors and the managerial officers committed in fulfilling this commitment?	✓		(I) We established the Ethical Corporate Management Principles, Ethical Corporate Management Operating Procedures and Code of Conduct, and work rules, and disclosed them on our website to ensure that all employees, the Board of Directors, and executives can practice proper ethics, eliminate corruption, and comply with government laws and regulations. This includes both internal management and external business activities.	(I) No significant difference.
(II) Does the Company have any measures against dishonest conducts? Are these measures supported by proper procedures, the Code of Conduct, disciplinary actions and complaint systems?	✓		(II) We have defined Ethical Corporate Management Principles in accordance with the relevant laws to establish a culture of ethical management at the company, and ensure its sound development.	(II) No significant difference.
(III) Has the Company taken steps to prevent occurrences listed in all subparagraphs under Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice	✓		(III) Our Ethical Corporate Management Principles include preventative measures against business activities at higher risk of unethical behavior, such	(III) No significant difference.

Assessed areas	Implementation status (Note 1)			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies" and reasons
	Yes	No	Summary	
Principles for TWSE/TPEx-Listed Companies" or business conduct that are prone to integrity risks?			as bribery, illegal political donations, the offering or receiving of illegal benefits, violation of business secrets, and more.	
II. Full Implementation of Ethical Management Principles (I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	✓		(I) According to Article 9 of the Code of Conduct, prior to any commercial transactions, the Company shall take into consideration the legality of its agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any transactions with persons so involved. When entering into contracts, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy. In the event that the trading counterparties are involved in unethical conduct, the Company may suspend or terminate the contract at any time.	(I) No significant difference.
(II) Does the Company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the Board of Directors on a regular basis?		✓	(II) We have not yet established a unit dedicated to (or involved in) the promotion of ethical corporate management underneath the Board of Directors.	(II) We will comply with the relevant regulations if necessary.

Assessed areas	Implementation status (Note 1)			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies" and reasons
	Yes	No	Summary	
(III) Has the Company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications?	✓		(III) Any (potential) conflicts of interest should be explained to the direct supervisor and action taken as directed by the superior to avoid such conflicts; if the superior allows the same person to remain in charge, he or she should give the order in writing.	(III) No significant difference.
(IV) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Are regular audits carried out by the Company's internal audit unit or commissioned to a CPA?	✓		(IV) We have established effective accounting and internal control systems. Internal auditors regularly audit compliance with the above systems and report the results to the Board.	(IV) No significant difference.
(V) Did the Company periodically provide internal and external training programs on integrity management?		✓	(V) We irregularly organize internal educational trainings on ethical corporate management. The head office organized four batches of courses as of March 2019 with 150 participants. Directors, however, are asked to adequately attend related seminars hosted by the Securities & Futures Institute.	(V) No significant difference.
III. Implementation of the Company's Whistleblowing System (I) Has the Company established concrete whistleblowing and reward system and have a convenient reporting channel in place, and assign an appropriate person to	✓		(I) We established a whistleblower e-mail whistle@globeunion.com to receive reports that specify the person, incident, location, and objects,	(I) No significant difference.

Assessed areas	Implementation status (Note 1)			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies" and reasons
	Yes	No	Summary	
communicate with the accused?			provided that the whistleblower provides his/her real name and contents are specific, complete, and out of intentions. The human resources department is responsible for handling related matters.	
(II) Has the Company established standard operating procedures for investigating reported cases and related confidentiality mechanism?	✓		(II) When Human Resources receives a report, it must reply within 48 hours whether if the report was accepted or if additional information is needed. Results must be replied within 7 work days and Human Resources must look into whether or not the whistleblower accepts the results. When necessary, Human Resources may take at most 60 days to close a case. The identity of whistleblowers is protected. If the whistleblower and contents of the report must be disclosed within an extent due to the investigation, consent must be obtained from the whistleblower.	(II) No significant difference.
(III) Did the Company adopt measures for protecting the whistle-blower against improper treatment or retaliation?	✓		(III) The Company is obligated to protect whistleblowers from improper act due to whistleblowing. If any of the Company's personnel seriously violates ethical conduct rules, the Company shall dismiss the person in	(III) No significant difference.

Assessed areas	Implementation status (Note 1)			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies" and reasons
	Yes	No	Summary	
			accordance with applicable laws and regulations or internal human resources guidelines.	
IV. Enhancing information disclosure (I) Has the Company disclosed its Ethical Corporate Management Principles and progress onto its website and M.O.P.S.?	✓		The Company has disclosed information related to ethical management on the company website and M.O.P.S.	No significant difference.
V. The Company shall establish its own Ethical Corporate Management Principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies" and clearly articulate the differences between its operations and the established code. We have defined the "Ethical Corporate Management Principles" and its operational differences are described above.				
VI. Other important information to facilitate a better understanding of the company's implementation of ethical corporate management: (such as review and amendment of Ethical Corporate Management Principles). Articles of the Ethical Corporate Management Principles were revised in March 2018 because supervisors were replaced by the Audit Committee. Articles of the Ethical Corporate Management Operating Procedures and Code of Conduct were revised in April 2018.				

7. If the company has established corporate governance principles and related guidelines, disclose the means of accessing this information:
   Market Observation Post System: http://mops.twse.com.tw/mops/web/t100sb04_1
   Can be downloaded from "Defining of Corporate Governance Rules" under the "Corporate Governance" section
   or the corporate website:
   http://www.globeunion.com/gb/page.php?key=investor&class=web
   Visit "Corporate Governance" under "Investor Relations"
8. Other significant information which may improve the understanding of corporate governance and operation:
   (1)We have defined the "Regulations governing Major Internal Information Disclosure" that explicitly define our Company's handling and disclosure mechanism for important disclosures. The regulations have been approved by the Board and announced through our internal system.
   (2)Licenses held by personnel involved with transparency of financial information: R.O.C. CPA: 1 accountant.
9. Status of implementation of internal control system:
   1. Statement of Declaration on Internal Control: Please refer to p. 147.
   2. Accountant engaged to review the internal control system: None.
10. Penalty on the Company and its personnel or punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvement in the past year and up to the date of report: None.
11. Important resolutions adopted in shareholders' meeting and Board of Directors' meeting in the past year and up to the date of report:

Major resolutions made at the shareholders' meeting and their implementation:
Date of shareholders' meeting: May 25, 2018

1. Acknowledged the Company's 2017 Business Report and financial statements.
2. Acknowledged the Company's proposed distribution of 2017 earnings.
   Implementation status:
   The shareholders' meeting will distribute NT$1.5 per share as cash dividend and authorize the Chairman of the Board to implement adjustment of the actual dividend payout ratio. The number of outstanding shares was affected by the exercise of employee stock warrants, so the cash divided was adjusted NT$1.49967266 per share on May 31; the ex-dividend date is July 4, 2018 and cash dividends will be paid out on July 25, 2018.
3. Approved the amendment to the Company's "Articles of Association."
   Implementation status:
   Amendment to the Articles of Association was approved by the Taichung Branch of the Export Processing Zone Administration, MOEA and announced on our website on June 12, 2018.
4. Approved the amendment to the Company's Regulations on Director and Supervisor Elections.
   Implementation status:
   The amended regulations were announced on the Market Observation Post System and the Company's website.

5. The amendment to articles of the Procedure for the Acquisition and Disposal of Assets was approved.
   Implementation status:
   The amended procedure has been followed. Information was disclosed on the market observation post system website and also the Company's website.
6. Passed the amendment to the Company's Operating Procedures of Fund Lending.
   Implementation status:
   The amended procedure has been followed. Information was disclosed on the market observation post system website and also the Company's website.
7. Passed the amendment to the Company's Endorsement Assurance Guidelines.
   Implementation status:
   The amended procedure has been followed. Information was disclosed on the market observation post system website and also the Company's website.

8. Completed the election of the Company's 17th-term directors (including independent directors).
   Person elected:
   Director: Ming-Ling Co., Ltd. Representative:
   Scott Ouyoung, Su-Hsiang Ou Young Chang, Shei-Saint Chen, Chi-Keung Chung
   Independent Director: Chin-Shan Huang, Young-Sheng Hsu, Yi-Chia Chiu
   Implementation status:
   Information about directors was announced after the shareholders' meeting. Registration of the new Board of Directors and Audit Committee was approved by the Taichung Branch of the Export Processing Zone Administration, MOEA on June 12, 2018, and change of company registration was completed.
9. Passed the lifting of the non-compete clause for the directors of the 17th-term Board of Directors.

Important Board resolutions:
Important resolutions reached by the Board of Directors in 2018 and up to the publication of the Annual Report are as follows:

Board meeting dates	Details of the meeting and subsequent developments	Items stated in Article 14-3 of the Securities and Exchange Act	Dissenting or qualified opinion of independent director(s)
16th-term 22nd time 2018.02.27	1. Allocation of remuneration for directors, supervisors, and employees of 2017.		
	2. The Company's 2017 Business Report and financial statements.		
	3. A proposal from a subsidiary to sell shareholding of a China subsidiary, Qingdao Globe Union Technology	✓	N/A

Board meeting dates	Details of the meeting and subsequent developments	Items stated in Article 14-3 of the Securities and Exchange Act	Dissenting or qualified opinion of independent director(s)
	Industrial Corp.		
	4. Proceed with the Company's 17th-term election of directors (including independent directors).		
	5. Lifted the non-compete clause for the directors of the 17th-term Board of Directors.		
	6. Designated time, location, shareholder proposal process, nomination process and proposed agenda for the 2018 General Shareholders' Meeting.		
	7. Base date of capital increase through issuance of new shares by exercising the conversion of employee warrants.		
	8. The Company's engagement in transactions of derivatives.	✓	N/A
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolution: All directors attending the meeting approved.		
16th-term 23rd time 2018.03.23	1. Earnings distribution.		
	2. 2017 Statement of Internal Control.	✓	N/A
	3. IFRS 16 "Rentals" might impact the result of preliminary evaluations, and an introduction task force will be established, and will prepare to introduce the plan and propose an agenda.		
	4. To modify the name of and certain terms in the "Articles of Association," "Regulations on Director and Supervisor Elections," "Procedure for the Acquisition and Disposal of Assets," "Operating Procedures of Fund Lending," "Endorsement assurance guidelines," "Rules of Procedures for Board of Directors Meetings," and "Ethical Corporate Management Principles."	✓	N/A

Board meeting dates	Details of the meeting and subsequent developments	Items stated in Article 14-3 of the Securities and Exchange Act	Dissenting or qualified opinion of independent director(s)
	5. Amendments to the agenda of the 2018 general shareholders' meeting.		
	6. To delegate CTBC Bank as the overall coordinating bank and management bank; CTBC Bank and other financial institutions under CTBC Bank's invitation will be the overall main processing bank ("Main Processing Bank") in charge of the combined trust project, as long as it does not exceed NT$2.5 billion.		
	7. Company application for bank loan.		
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolution: All directors attending the meeting approved.		
16th-term 24th meeting 2018.04.03	1. Qualification review of the candidates for directors at the 2018 General Shareholders' Meeting.		
	2. Revised the name or articles of the Internal Control System, Corporate Governance Code of Practice, Insider Trading Prevention Rules, Remuneration Rules for Directors and Supervisors, Remuneration Committee Charter, Ethical Corporate Management Operating Procedures and Code of Conduct.	✓	N/A
	3. Established the Company's Audit Committee Charter.		
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolution: All directors attending the meeting approved.		
16th-term 25th meeting 2018.05.03	1. Consolidated financial report for the first quarter of 2018.		
	2. Base date of capital increase through issuance of new shares by exercising the conversion of employee warrants.		

Board meeting dates	Details of the meeting and subsequent developments	Items stated in Article 14-3 of the Securities and Exchange Act	Dissenting or qualified opinion of independent director(s)
	3. The Company's engagement in transactions of derivatives.	✓	N/A
	4. Company application for bank loan.		
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolution: All directors attending the meeting approved.		
17th-term 1st meeting 2018.05.25	Chairman election: The new directors elected Scott Ouyoung as the Chairman of the Company.		
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolution: All directors attending the meeting approved.		
17th-term 2nd meeting 2018.07.03	1. Appointed new Remuneration Committee members.		
	2. Base date of capital increase through issuance of new shares by exercising the conversion of employee warrants.		
	3. The Company's engagement in transactions of derivatives.	✓	N/A
	4. Company application for bank loan.		
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolution: All directors attending the meeting approved.		
17th-term 3rd meeting 2018.08.03	1. Consolidated financial reports for the second quarter of 2018.		
	2. The Company's routine evaluation of CPAs' independence.	✓	N/A
	3. Base date of capital increase through issuance of new shares by exercising the conversion of employee warrants.		
	4. The Company's engagement in transactions of derivatives.	✓	N/A
	5. Company application for bank loan.		

Board meeting dates	Details of the meeting and subsequent developments	Items stated in Article 14-3 of the Securities and Exchange Act	Dissenting or qualified opinion of independent director(s)
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolution: All directors attending the meeting approved.		
17th-term 4th meeting 2018.10.08	1. Ratification of changes to manager(s).		
	2. The Company's proposal to buy back stocks for cancellation of shares.	✓	N/A
	3. Base date of capital increase through issuance of new shares by exercising the conversion of employee warrants.		
	4. The Company's engagement in transactions of derivatives.	✓	N/A
	5. Company application for bank loan.		
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolution: All directors attending the meeting approved.		
17th-term 5th meeting 2018.11.07	1. Consolidated financial reports for the third quarter of 2018.		
	2. Disbursement of manager separation pay.		
	3. The Company's engagement in transactions of derivatives.	✓	N/A
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolution: All directors attending the meeting approved.		
17th-term 6th meeting 2018.12.14	1. The Company's 2019 Group Operating Plan and budget.		
	2. 2019 Annual Audit Plan.		
	3. Base date of capital increase through issuance of new shares by exercising the conversion of employee warrants.		
	4. The Company's engagement in transactions of derivatives.	✓	N/A
	5. Company application for bank loan.		

Board meeting dates	Details of the meeting and subsequent developments	Items stated in Article 14-3 of the Securities and Exchange Act	Dissenting or qualified opinion of independent director(s)
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolution: All directors attending the meeting approved.		
17th-term 7th meeting 2019.03.11	1. Proposed remuneration for directors and employees in 2018.		
	2. The Company's 2018 Business Report and financial statements.		
	3. Revisions of some articles in the Company's Procedure for the Acquisition and Disposal of Assets.	✓	N/A
	4. Base date of capital increase through issuance of new shares by exercising the conversion of employee warrants.		
	5. Record date of reduction of treasury stock.		
	6. Lifting of the non-compete clause for directors and managers.		
	7. Time, location, shareholder proposal process, and proposed agenda for the 2019 General Shareholders' Meeting.		
	8. The Company's engagement in transactions of derivatives.	✓	N/A
	9. Company application for bank loan.		
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolution: All directors attending the meeting approved.		
17th-term 8th meeting 2019.03.29	1. Earnings distribution.		
	2. 2018 Statement of Internal Control.	✓	N/A
	3. Amended some articles of the Company's Operating Procedures of Fund Lending and Endorsement Assurance Guidelines.	✓	N/A
	4. Amended the place and agenda of the 2019 general shareholders meeting.		
	5. Established the Company's Standard Operating Procedures for Handling Directors' Requests.		

Board meeting dates	Details of the meeting and subsequent developments	Items stated in Article 14-3 of the Securities and Exchange Act	Dissenting or qualified opinion of independent director(s)
	6. Established the Board of Directors Self-Evaluation or Peer Evaluation Regulations.		
	7. The Company's engagement in transactions of derivatives.	✓	N/A
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolution: All directors attending the meeting approved.		

Attendance of Independent Directors at Board Meetings

Date / Name	2018									
	2/27	3/23	4/3	5/3	5/25	7/3	8/3	10/8	11/7	12/14
Chin-Shan Huang	◎	◎	△	◎	◎	◎	◎	◎	◎	◎
Young-Sheng Hsu	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎
Yi-Chia Chiu	◎	◎	◎	△	☆	◎	△	△	◎	◎

Date / Name	2019	
	3/11	3/29
Chin-Shan Huang	◎	◎
Young-Sheng Hsu	◎	◎
Yi-Chia Chiu	△	△

Note: ◎Attendance in person;△Attendance by proxy;☆Leave of absence.

12. Dissenting or qualified opinions of Directors or Supervisors against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report: N/A.

13.Resignation and dismissal of professional managerial officers related to the financial report including Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief R&D Officer and Chief Internal Auditor, in the past year and up to the date of report:

Summary of resignations and dismissals at the Company

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
Vice President (Chief Operations Officer)	Kuo-Chi Yen	2016.06.01	2018.09.14	Retirement
Vice President (Chief Business Officer)	Charles Irwin Frankel	2007.06.24	2018.10.31	Retirement
Vice President	Yu-Li Chou	2009.01.12	2018.10.31	Resigned

(V) Information on Fees to CPA:

Unit: NT$ thousand

Name of accounting firm	Name of Accountants	Audit fee	Non-audit fee					Accountant's duration of audit	Notes
			System design	Business registration	Human resources	Other	Subtotal		
Ernst & Young	Tzu-Ping Huang Hung-Kang Lin	7,835	-	-	-	600	600	2018	Non-audit fees: CSR consulting and assurance service fees

(I) For fees paid to certifying accountants, the firm of the certifying accountants and its affiliates, if non-audit fees exceed 25% of the audit fees then the amount of the audit and non-audit fees should be disclosed along with the nature of the non-audit service: Did not exceed 25%.

(II) If the accounting firm has been changed and the annual audit expenses were lower for the year of the firm change compared to that of the previous year, audit expenses before and after the changes and the reason for such changes should be disclosed: No change of accounting firm.

(III) If the audit expense has been decreased by more than 15% compared to the previous year, the amount, ratio, and reason for the reduction in audit expense should be disclosed: N/A.

(VI) Information on change of accountants: N/A.

(VII) Chairperson, president, managers in charge of finance or accounting of the Company who had worked at the firm of the certifying accountants or its affiliates within the last year, their name, position, and position at the firm of the certifying accountant or its affiliates should be disclosed: N/A.

(VIII) Share transfers and changes to share pledging by directors, supervisors, managers and shareholders holding more than 10% equity in the past year and up to the date of report:

1. Change in share equity among directors, supervisors, managers, and major shareholders:

Unit: Shares

Title	Name	2018		2019 Up to February 28	
		Increase (decrease) in the number of shares held	Increase (decrease) in pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in pledged shares
Director in person	Ming-Ling Co., Ltd.	–	–	–	–
Institutional Director Representative	Scott Ouyoung		–	–	–
	Su-Hsiang Ou Young Chang (Note 2)	–	–	–	–
	Hsien Ou Yang (Note 2)				
	Chi-Keung Chung	–	–	–	–
	Shei-Saint Chen(Note 3)	–	–	–	–
	Wen-Mei Yiu (Note 3)				
Independent director, principal	Chin-Shan Huang	–	–	–	–
Independent director, principal	Young-Sheng Hsu	–	–	–	–
Independent director, principal	Yi-Chia Chiu	–	–	–	–
Supervisors Principal	Rui-Fu International Investment Co., Ltd. (Note 4)	–	–	–	–
Supervisors Representative	Chi-Chuan Chung (Note 4)	–	–	–	–
	Chih-Wei Lin (Note 4)	–	–	–	–
	Mei-Hui Kao (Note 4)	–	–	–	–
President	Andrew Yates	–	–	–	–
Vice President	Kuo-Chi Yen (Note 5)	–	–	–	–
Vice President	Charles Irwin Frankel (Note 6)	–	–	–	–
Vice President	Yu-Li Chou (Note 7)	–	–	–	–
Vice President	Tsung-Min Chen	–	–	–	–
Vice President	Shu-Chi Lee	–	–	–	–
Assistant Vice President	Lei-Hui Lee	(55,000) (Note 1)	–	–	–
Assistant Vice President	Jung-Chao Lin(Note 8)	–	–	–	–
Assistant Vice President	Bhor-Chaou Chang (Note 8)	–	–	–	–
Assistant Vice President	Ming-Sheng Wei (Note 9)	–	–	–	–

Title	Name	2018		2019 Up to February 28	
		Increase (decrease) in the number of shares held	Increase (decrease) in pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in pledged shares
Assistant Vice President	Chung-Hsiang Chan (Note 10)	–	–		
Head of Accounting	Min-ling Wang	–	–	–	–

Note 1: Sold in central trading market.

Note 2: An institutional director changed its representative from Miss Su-Hsiang Ou Young Chang to Mr. Hsien Ou Yang on February 20, 2019.

Note 3: An institutional director changed its representative from Mr. Shei-Saint Chen to Miss Wen-Mei Yiu on June 1, 2018.

Note 4: After the General Shareholders' Meeting on May 25, 2018, an Audit Committee was established to replace supervisors in accordance with the law, and supervisors and their representatives were naturally dismissed.

Note 5: Kuo-Chi Yen retired on September 14, 2018.

Note 6: Charles Irwin Frankel retired on October 31, 2018.

Note 7: Yu-Li Chou resigned on October 31, 2018.

Note 8: Jung-Chao Lin and Bhor-Chaou Chang became Assistant Vice Presidents on January 1, 2018.

Note 9: Ming-Sheng Wei became Assistant Vice President on November 1, 2018.

Note 10: Chung-Hsiang Chan became Assistant Vice President on January 28, 2019.

2. Share transfer information (the parties to the transaction are related): N/A.

3.Share pledge information (the parties to the transaction are related): N/A.

(IX) Information on the relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree):

April 2, 2019

Name	Shareholding		Shareholding of spouse and underage children		Total Shareholding in name of others		Shareholders with the top 10 shareholding ratios who are related, or their spouses and second-degree relatives' names and their respective relationships.		Notes
	No. of shares	Equity ratio %	No. of shares	Equity ratio %	No. of shares	Equity ratio %	Name	Relationship	
Yue Feng International Co., Ltd. Investment account in the custody of Taishin Bank	26,159,515	7.34	0	0	0	0	N/A	N/A	N/A
Ming-Ling Co., Ltd. (Representative: Scott Ouyoung)	23,366,692	6.56	0	0	0	0	Scott Ouyoung	Director's Representative of Ming-Ling Co., Ltd.	N/A
Su-Hsiang Ou Young Chang	21,637,899	6.07	0	0	0	0	Scott Ouyoung	Spouse	N/A
Trust property account of Scott Ouyoung at the Taipei Branch of the United Bank of Switzerland	20,558,787	5.77	0	0	0	0	Scott Ouyoung	Principal	N/A
Lei Ouyang	20,373,132	5.72	0	0	0	0	Scott Ouyoung	Father/child	N/A
Trust property account of Scott Ouyoung at CTBC Bank	20,000,000	5.61	0	0	0	0	Scott Ouyoung	Principal	N/A
Hsien Ou Yang	19,999,772	5.61	0	0	0	0	Scott Ouyoung	Father/child	N/A

Name	Shareholding		Shareholding of spouse and underage children		Total Shareholding in name of others		Shareholders with the top 10 shareholding ratios who are related, or their spouses and second-degree relatives' names and their respective relationships.		Notes
	No. of shares	Equity ratio %	No. of shares	Equity ratio %	No. of shares	Equity ratio %	Name	Relationship	
Norges Bank Investment Account under the custody of Citibank (Taiwan)	7,426,268	2.08	0	0	0	0	N/A	N/A	N/A
Fubon Life Insurance Co., Ltd. (Representative: Tsai Ming-Hsing)	6,581,000	1.85	0	0	0	0	N/A	N/A	N/A
Kuo-Chi Yen's trust account under the custody of CTBC Bank	5,200,000	1.46	0	0	0	0	N/A	N/A	N/A

(X) The shareholding of the Company, directors, supervisors, managers and enterprises that are directly or indirectly controlled by the Company in the same re-invested company: N/A.

IV. Capital Overview

(I) Capital and Shareholding:

1. Sources of capital:

Unit: Share/NT$

Year Month	Issuing price	Authorized capital		Paid-in capital		Notes		
		No. of shares	Amount	No. of shares	Amount	Source of share capital	Shares acquired by non-cash assets	Other
December 2013	10	600,000,000	6,000,000,000	323,841,602	3,238,416,020	Conversion of employee warrants 997,000 shares Conversion of corporate bonds into shares 1,314,415 shares	None	Note 1 Note 2
March 2014	10	600,000,000	6,000,000,000	324,120,602	3,241,206,020	Conversion of employee warrants 279,000 shares	None	Note 1
May 2014	10	600,000,000	6,000,000,000	329,585,324	3,295,853,240	Conversion of employee warrants 73,000 shares Conversion of corporate bonds into shares 5,391,722 shares	None	Note 1 Note 2
September 2014	10	600,000,000	6,000,000,000	354,304,224	3,543,042,240	Capitalization of earnings 24,718,900 shares	None	Note 3
October 2016	10	600,000,000	6,000,000,000	355,304,224	3,553,042,240	Restricted share awards 1,000,000 shares	None	Note 4
March 2017	10	600,000,000	6,000,000,000	351,769,224	3,517,692,240	Reduction of treasury stock 3,535,000 shares	None	Note 5
August 2017	10	600,000,000	6,000,000,000	363,168,968	3,631,689,680	Conversion of corporate bonds into shares 11,399,744 shares	None	Note 2

Year Month	Issuing price	Authorized capital		Paid-in capital		Notes		
		No. of shares	Amount	No. of shares	Amount	Source of share capital	Shares acquired by non-cash assets	Other
November 2017	10	600,000,000	6,000,000,000	364,888,962	3,648,889,620	Conversion of corporate bonds into shares 1,719,994 shares	None	Note 2
December 2017	10	600,000,000	6,000,000,000	366,855,962	3,668,559,620	Conversion of employee warrants 1,967,000 shares	None	Note 6
March 2018	10	600,000,000	6,000,000,000	367,440,962	3,674,409,620	Conversion of employee warrants 585,000 shares	None	Note 6
May 2018	10	600,000,000	6,000,000,000	367,575,962	3,675,759,620	Conversion of employee warrants 135,000 shares	None	Note 6
July 2018	10	600,000,000	6,000,000,000	367,595,962	3,675,959,620	Conversion of employee warrants 20,000 shares	None	Note 6
August 2018	10	600,000,000	6,000,000,000	367,707,962	3,677,079,620	Conversion of employee warrants 112,000 shares	None	Note 6
October 2018	10	600,000,000	6,000,000,000	367,944,962	3,679,449,620	Conversion of employee warrants 237,000 shares	None	Note 6
December 2018	10	600,000,000	6,000,000,000	368,159,962	3,681,599,620	Conversion of employee warrants 215,000 shares	None	Note 6
March 2019	10	600,000,000	6,000,000,000	368,211,962	3,682,119,620	Conversion of employee warrants 52,000 shares	None	Note 6
March 2019	10	600,000,000	6,000,000,000	356,211,962	3,562,119,620	Reduction of treasury stock 12,000,000 shares	None	Note 7

Note 1: October 12, 2007, Jin-Guan-Zheng-Yi-Zi No. 0960056164.

Note 2: August 26, 2011, Jin-Guan-Zheng-Fa-Zi No. 1000038685.

Note 3: July 29, 2014, Jin-Guan-Zheng-Fa-Zi No. 1030028697.

Note 4: July 20, 2016, Jin-Guan-Zheng-Fa-Zi No. 1050027765.

Note 5: January 11, 2017, Jin-Guan-Zheng-Jiao-Zi No. 1060000830.

Note 6: October 2, 2015, Jin-Guan-Zheng-Fa-Zi No. 1040039608.

Note 7:December 14, 2018, Jin-Guan-Zheng-Fa-Zi No. 1070346458.

April 2, 2019 Unit: Shares

Type of Shares	Authorized capital			Notes
	Shares issued and outstanding (Note)	Unissued shares	Total	
Ordinary shares	356,236,962	243,763,038	600,000,000	Conversion of convertible bonds into 120,000,000 shares.

Note: Currently 356,236,962 ordinary shares outstanding (among which 25,000 shares have not completed company change registration).

2. Shareholder structure:

April 2, 2019 Unit: Shares

Shareholder structure / Quantity	Government agencies	Financial institutions	Other legal persons	Individuals	Foreign institutions and foreigners	Total
No. of People	0	5	59	12,271	119	12,454
No. of shares held	0	13,677,855	78,058,192	187,262,890	77,238,025	356,236,962
Shareholding ratio (%)	0	3.84	21.91	52.57	21.68	100.00

3. Share distribution:

April 2, 2019 Unit: Shares; par value of NT$10 per share

Shareholding range	Number of shareholders	No. of shares held	Shareholding ratio %
1 to 999	3,576	765,956	0.22
1,000 to 5,000	5,526	12,416,628	3.49
5,001 to 10,000	1,448	11,043,621	3.10
10,001 to 15,000	571	6,981,727	1.96
15,001 to 20,000	290	5,335,681	1.50
20,001 to 30,000	330	8,295,569	2.33
30,001 to 50,000	272	11,043,970	3.10
50,001 to 100,000	191	13,502,061	3.79
100,001 to 200,000	111	15,628,374	4.39
200,001 to 400,000	61	17,037,886	4.78
400,001 to 600,000	29	14,638,675	4.11
600,001 to 800,000	7	4,590,417	1.29
800,001 to 1,000,000	7	6,245,976	1.75
Over 1,000,001	35	228,710,421	64.2
Total	12,454	356,236,962	100.00

Note: As of book closure on April 2, 2019. Currently 356,236,962 ordinary shares outstanding.

4. Major shareholders: Shareholders with a shareholding ratio of over 5%

April 2, 2019 Unit: Shares

Shares / Name of major shareholder	No. of shares held	Shareholding ratio (%)
Yue Feng International Co., Ltd. Investment account under the custody of Taishin Bank	26,159,515	7.34
Ming-Ling Co., Ltd.	23,366,692	6.56
Su-Hsiang Ou young Chang	21,637,899	6.07
Trust property account of Scott Ouyoung at the Taipei Branch of the United Bank of Switzerland	20,558,787	5.77
Lei Ouyang	20,373,132	5.72
Trust property account of Scott Ouyoung at CTBC Bank	20,000,000	5.61
Hsien Ou Yang	19,999,772	5.61

5. Share price, net worth, earnings, dividends and related information for the previous two years:

<table>
<tr><th colspan="3">Year / Item</th><th>2017</th><th>2018</th><th>The current year up to February 28, 2019</th></tr>
<tr><td rowspan="3">Market price per share</td><td colspan="2">Highest</td><td>25.80</td><td>22.6</td><td>17.25</td></tr>
<tr><td colspan="2">Lowest</td><td>15.80</td><td>13.9</td><td>16.2</td></tr>
<tr><td colspan="2">Average</td><td>19.64</td><td>17.94</td><td>16.89</td></tr>
<tr><td rowspan="2">Net worth per share</td><td colspan="2">Pre-distribution</td><td>16.39</td><td>16.56</td><td>–</td></tr>
<tr><td colspan="2">After distribution</td><td>14.89</td><td>15.26</td><td>–</td></tr>
<tr><td rowspan="3">Earnings per share</td><td colspan="2">Weighted average shares</td><td>352,697,755</td><td>365,194,883</td><td>–</td></tr>
<tr><td rowspan="2">Earnings per share</td><td>Pre-adjustment</td><td>1.98</td><td>1.69</td><td>–</td></tr>
<tr><td>Post-adjustment</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td rowspan="4">Dividends per share</td><td colspan="2">Cash dividends</td><td>1.5</td><td>1.3</td><td>–</td></tr>
<tr><td rowspan="2">Stock grants</td><td>Earnings</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Additional paid-in capital (APIC)</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td colspan="2">Accumulated unpaid dividend</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td rowspan="3">Return analysis</td><td colspan="2">Price-earnings (P/E) ratio (Note 1)</td><td>9.92</td><td>10.62</td><td>–</td></tr>
<tr><td colspan="2">Price-dividend (P/D) ratio (Note 2)</td><td>13.09</td><td>13.80</td><td>–</td></tr>
<tr><td colspan="2">Cash dividend yield rate (Note 3)</td><td>0.08</td><td>0.07</td><td>–</td></tr>
</table>

Note 1: Price-earnings (P/E) ratio = Average market price / Earnings per share.

Note 2: Price-dividend (P/D) ratio = Average market price / Cash dividends per share.

Note 3: Cash dividend yield rate = Cash dividend per share / Average market price.

6. Dividend policy and implementation status:

(1) Dividend policy:

The Company's Articles of Association stipulate that: If there is a surplus balance shown in the Company's yearly final accounting, the surplus balance shall be used to pay for income tax in accordance with the law, and then used to compensate for deficits in previous years; 10% of the remaining amount shall then be allocated as legal reserve, but allocation to the reserve may not be required if the legal reserve has reached the company's paid-in capital. After the surplus balance has furbished or been reversed from the legal reserve in accordance with the regulations of the competent authority, it should be combined with the undistributed surplus balance from previous years. The resulting amount should be distributed per the surplus distribution proposal drafted by the board of directors to be submitted to a shareholders' meeting for final resolution and approval.

The Company's dividend policy stipulates that no less than 30% of the available surplus balance should be distributed to shareholders as dividends in accordance with current and future development plans and with consideration to investment market trends, cash-flow demands, and domestic and international competition status as well as consideration of shareholders' interests.

Distribution of company surplus may be in the form of stock dividends or cash based on considerations of capital budgeting, business expansion needs, and sound financial plans for the purpose of sustainable growth, but cash dividends should be no less than 60% of total shareholder dividends for the current year. The aforementioned dividend distribution policy may take into consideration the Company's business needs, transfer investment and merger cash-flow requirements, and circumstances such as major legislation change; appropriate adjustment to the ratio of cash dividend distribution will be proposed to the shareholders' meeting for final resolution by the board of directors.

(2) Current year dividend distribution proposal to the shareholders' meeting:

Having taken into consideration taxation affairs and return on equity, it is intended through the current shareholders' meeting to issue cash dividends of NT$ 1,300 per thousand shares to shareholders as bonus.

7. The effects of the stock dividends proposed by the shareholders' meeting on the Company's business performances and earnings per share: N/A.

8. Remuneration of employees, directors and supervisors:

(1)Percentages and ranges of employee remuneration to directors and supervisors, as specified in the Company's Articles of Association:

According to the Company's Articles of Association:

If the Company was profitable during the year, at least 2% of the profit shall be allocated as employee remuneration first, and no more than 2% may be allocated as remuneration for directors and supervisors. However, an amount shall be set aside in advance to compensate for cumulative losses, if any.

Employee bonuses may be paid in shares or cash. Employees at affiliated companies that satisfy certain criteria may also qualify.

(2)Basis for estimating the amount of remuneration of employees, directors and supervisors, basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period：If any changes made to the amounts after the annual financial reports are published, the changes will be applied in accordance with accounting estimation changes and will be included in the financial statements of the following year.

(3)Remuneration proposals passed by the board of directors:

(A) Employee, director and supervisor remuneration will be distributed in cash or shares. If there is any discrepancy with the recognized costs for the year then the difference, reason, and response should be disclosed:

According to the Company's Articles of Association, the board of directors decided on March 11, 2019 to increase director/supervisor remuneration to NT$4,505 thousand and employee remuneration to NT$23,973 thousand (both remunerations to be distributed in the form of cash). The difference between these numbers and the total combined estimated amount, which is NT$26,970 thousand, will be listed as a cost adjustment for the year 2019.

(B) The amount of employee bonus to be paid in stocks out of the current company-level financial report in terms of the sum of net profit after tax and employee bonus: N/A.

(4)Any discrepancy between actual remuneration distribution of employees, directors and supervisors (including the number of shares, the amount and share price) and the recognized remuneration of employees, directors and supervisors, and disclosure of the differences, reasons and responses:

The board of directors decided on February 27, 2018 to increase director/supervisor remuneration to NT$5,006.5 thousand and employee remuneration to NT$26,500 thousand (both remunerations to be distributed in the form of cash). The difference between these numbers and the total combined estimated amount, which is NT$31,586 thousand , will be listed as a cost adjustment for the year 2018. The actual amount of remuneration distributed to employees, directors and supervisors was consistent with the resolution of the Board of Directors.

9. Stock buyback: The most recent year and as of the printing date of the Annual Report

Company stock buyback

The current treasury reduction has been approved through the Jia-Shou-Zhong-Zi-No. 1084200040 letter from the competent authority dated March 22, 2019 to be registered as change.

Times of buyback	8th (batch)
Purpose of buyback	Safeguarding the Company's credit and shareholders' equity
Buyback period	2018/10/11~2018/12/07
Buyback price range	11.03~24.47
Types and number of shares bought back	12,000,000 ordinary shares
Cash value of shares bought back	186,188,289
Number of shares canceled or transferred	12,000,000 shares
Number of shares in accumulated holding	0 shares
Ratio of accumulated holding Ratio of total outstanding shares (%)	0%

(II) Issuance of corporate bonds: N/A.

(III) Issuance of preferred stocks: N/A.

(IV) Issuance of global depositary receipts (GDR): N/A.

(V) Issuance of employee share options and new restricted employee stock:

1. Exercise of employee stock option plan (ESOP):

(1) Outstanding employee share options and impact on the shareholder equity

April 2, 2019

Tranche of ESOP	4th (batch) Employee share options
Date of approval by competent authorities	October 02, 2015
Date of issuance (processing)	October 29, 2015
Units granted	10,500,000 shares
Ratio of shares granted To total shares issued	2.96%
Subscription duration	5
Mode of implementation	Issuance of new shares
Time fame and ratio of restricted subscription (%)	First issue of share options totaled 1,800,000 shares. 50% can be exercised two years from the day after issuance; 100% can be exercised after three years. Second issue of share options totaled 8,700,000 shares. 100% can be exercised two years from the day after issuance.
Units exercised (shares)	3,348,000
Amount exercised (NT$)	45,226,599
Number of rights unexercised	4,507,000
Exercise price for unexercised units (NT$)	12.7
Ratio of unexercised number of rights to ratio of total outstanding shares (%)	1.26%
Impact on shareholders' equity	Dilution of our Company's earnings per share is still generally limited and so will not exert a major impact on shareholders' equity.

(2) Managers who have acquired employee stock warrants and the 10 employees with the highest number of convertible rights and the conditions of their exercise and subscription as of the printing date of the Annual Report:

Issued on October 29, 2015Up to April 2, 2019

Unit: No. of shares: Thousand shares; Amount: NT$ thousand

	Title	Name	Number of rights vested	Ratio of vested rights to total outstanding shares	Exercised				Unexercised			
					Number of rights	Subscription price	Value of rights	Ratio of rights to total outstanding shares	Number of rights	Subscription price	Value of rights	Ratio of rights to total outstanding shares
Managers	President	Andrew Yates	4,150	1.16%	810 300	13.7 12.7	11,097 3,810	0.31%	3,040	12.7	38,608	0.85%
	Vice President	Tsung-Min Chen										
	Assistant Vice President	Lei-Hui Lee, Jung-Chao Lin, Bhor-Chaou Chang, Ming-Sheng Wei										
	Head of Accounting	Min-ling Wang										
	President of overseas subsidiary	Keith Yurko、Daniel Merecier、Richard George										
	Vice president of overseas subsidiary	Janet Oh、Glenn Diehl、Robert Walsh、Kevin McJoynt、Jason Shaw、Zhen-Hui Jin 、Hong-Ting Wang										
	CEO of subsidiary	Hsia-Ling Ssu										
	President of subsidiary	Mei-Ling Ssu										
	Vice president of subsidiary	Chi-Fang Kuo										

Issued on October 29, 2015Up to April 2, 2019

Unit: No. of shares: Thousand shares; Amount: NT$ thousand

	Title	Name	Number of rights vested	Ratio of vested rights to total outstanding shares	Exercised				Unexercised			
					Number of rights	Subscription price	Value of rights	Ratio of rights to total outstanding shares	Number of rights	Subscription price	Value of rights	Ratio of rights to total outstanding shares
Top ten employees	Shu-Xian Gong, Shu-Hui Su, Yi-Hong Lai, Qing-Feng Lai, Chao-Gen Xiao, An-Ni Xiao, Zhong-Yi Zheng, Long-Xing Cai, Jun-Li Cai, Xiu-Ru Liu, Hong-Zhen Yang, Zhao-Da Yang, Zong-Yi Huang, Li-Fen Chen, Li-Yu Chen, Jun-Xian Chen, Zhong-Yu Guo, Kuo-Hsiang Cao, Ming-Feng Zhang, Zhong-Xiang Zhang, Ri-Dong Zhang, Ren-Zhe Zhang, Da-Ying Zhang, Da-Jun Zhang, Qiu-Lan Gao, Jia-Hua Yuan, Liang-Ying Ke, Zong-Nan Jiang, Li-Zhen Lin, Yi-Ping Lin, Ping-He Lin, Yi-Jun Lin, An-Xi Lin, Shi-Xian Lin, Tsun-chu Chou, Si-Yu Wang, Shu-Juan Li, Jun-Hong Li, Xiu-Ling Li, Yi-Hui Wu, Hong-Yen Yu, Wan-Ning He, Nai-Ching Shih, Fu-Sheng Ku, Tian-Yi Wang, Nathalie Vandecraen		2,365	0.66%	1,683 135	13.7 12.7	23,057 1,715	0.51%	547	12.7	6,947	0.15%

2. Processing of the issuance of restricted share awards:

(1) The issuance of restricted share awards yet to completely meet the vesting condition and their impacts on shareholder equity shall be disclosed up to the date the Annual Report was printed:

April 2, 2019

Types of restricted share awards	1st (batch) issuance of restricted share awards
Date of approval by competent authorities	2016.07.20
Issuance date	2016.10.06
Number of restricted share awards issued	1,000,000
Issuing price	0
Ratio of restricted share awards issued to total shares issued and outstanding	0.28%
Vesting condition for restricted share awards	1. After employees are assigned the restricted share awards according to the regulations herein, if they are still working for the Company at three years from the base date of capital increase (date of acquisition) and have not violated the Company's labor contract, work rules, or personnel rules and the return on equity (ROE) each year from 2016 to 2018 is on average greater than right percent (8%), the ratio of shares that can be vested is: 50%. 2. After employees are assigned the new restricted share awards according to the regulations herein, if they are still working for the Company at three years from the base date of capital increase (date of acquisition) and have not violated the Company's labor contract, work rules, or personnel rules and the return on equity (ROE) each year from 2016 to 2018 is on average greater than ten percent (10%), the ratio of shares that can be vested is: 100%.
Restricted rights of restricted share awards	1. Employees are not allowed to sell, mortgage, transfer, gift, pledge, or dispose of their respective restricted share awards in any other way before they fulfill the vesting criteria.

Types of restricted share awards	1st (batch) issuance of restricted share awards
	2. Attendance, proposal, speech, and voting rights in shareholders' meeting are to be conducted in accordance with the trust custodianship contract. Before the said restricted share awards reach vesting conditions, the employees may not take part in the distribution of shares, dividends, capital surplus in cash (shares) and subscription of shares upon capital increase in cash. For employees who reach the vesting conditions during the period starting from 15 business days before the book closure date for stock grants, cash dividends, or capital increase in cash up to the base date for distribution of rights, their attendance, proposal, speech, and voting rights in shareholders' meeting to lift the restriction over the shares they hold shall still be based on the trust custodianship contract and they may still not be entitled to distribution of earnings.
Custody of restricted share awards	Restricted share awards will be in trust custody before the vesting conditions are fulfilled.
Method for handling failure to meet vesting conditions following assignment of new stock to or subscription by employees	If the vesting conditions are not fulfilled, the Company will recall the shares and void them free of charge in accordance with the law.
Number of recalled or bought-back restricted share awards	0
Number of unrestricted new shares	0
Number of restricted new shares	1,000,000
Ratio of number of restricted new shares to total outstanding shares (%)	0.28%
Impact on shareholders' equity	Dilution of our Company's earnings per share is still generally limited and so will not exert a major impact on shareholders' equity.

(2) Names of managers who have received restricted share awards cumulatively up to the date the Annual Report was printed and Top 10 employees in terms of the number of shares they acquired and the status of acquisition:

April 2, 2019 Unit: Shares; NT$1,000

	Title	Name	Number of restricted share awards acquired	Ratio of number of restricted share awards to number of total shares issued and outstanding	Unrestricted				Restricted			
					Number of unrestricted shares	Issue price	Issued amount	Ratio of unrestricted shares to number of total shares issued and outstanding	Number of restricted shares	Issue price	Issued amount	Ratio of restricted shares to number of total shares issued and outstanding
Managers	President	Andrew Yates	1,000,000	0.28%	0	0	0	0	1,000,000	0	0	0.28%
Employees	None	None	0	0%	0	0	0	0	0	0	0	0%

(VI) Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies: N/A.

(VII) Implementation of capital allocation plan:

1. Content of plan: Up to the season prior to the printing date of this Annual Report, negotiable securities issued in previous batches or private placements that have not been completed or were completed within the last three years and have not yet realized the estimated return: None.
2. Execution status Item-by-item analysis of the execution status of the aforementioned plans' objectives, up to the season prior to the printing date of this Annual Report, compared to original estimated return: None.

V. Operational Highlights

(I) Business activities

1. Business scope

Globe Union's main area of business is the manufacturing and distribution of bathroom and kitchen products, including design, development, manufacturing, marketing, branding, and sales channel operation; The company has also set up business operation offices in North America, Europe, and Mainland China. It is one of the few companies in the industry equipped with design, manufacturing, sales and business operation capacity. The company takes advantage of diversified forms of business, combining sales of its own brand in the North American and European markets, private label manufacturing for DIY/large bathroom brands globally, providing professional sales channel distribution services, and selling high-end kitchen and bathroom products in Taiwan. The four business models are strategically deployed across the global bathroom product market so that the company's products will have high saturation across different niche markets.

To streamline the group's organizational structure and decision-making process, we restructured our business groups in 2018 based on their business patterns. The four business groups and percentage of revenue accounted for by each business group are as follows: NAB accounts for 35% of revenue, GPB accounts for 32% of revenue, PJH accounts for 29% of revenue, and HB accounts for 4% of revenue. Revenue breakdown by region: North America accounts for 57% of revenue, followed by Europe at 34%, and China and other regions at 9%.

Business breakdown:

Product	2018 (%)	Notes
Faucets and showers	44	
Ceramics	33	
Kitchen products	2	Note 1
Other	21	Note 2
Total	100	

Note 1: Kitchen products include packaged kitchen systems and kitchen equipment parts.

Note 2: Other covers operating income from kitchen and bathroom accessories, shower cubicles, cabinets and distribution services.

New products under development:

1. Optimization of the kitchen faucet retraction mechanism.
2. Faucet magnetic docking technology.
3. R&D of new-generation water-conserving PB valves.
4. Easy-to-install technology – Fast mount.
5. R&D of third-generation top-mount technology.
6. Mechanical touch kitchen faucet development.
7. R&D high cleansing efficiency spray of kitchen faucets.
8. R&D of high-pressure ceramic injection molding technology.
9. Advanced coating technology development for anticorrosion coating.
10. R&D of a new PVD process for ND finish.
11. R&D of metallic polymer materials.
12. Faucet material optimization for designs and applications.

2. Industry Overview:

Globe Union product sales consist mainly of faucets and sanitary ceramics such as kitchen/bathroom faucets, hardware fittings and sanitary ceramics. Sales channels include wholesale/retail channels such as new home furnishings, renovations and commercial/office space. Industry development is closely linked to activity in the property market as well as overall market consumption.

After two years of steady growth, the global economy will begin to grow at a slower than expected pace. The IMF lowered its global economic growth estimate in its report published in January 2019. The U.S.-China trade war, China's economic slowdown, the European Central Bank ending its QE program, and Brexit have weakened economic growth momentum. As a result, global economic growth is estimated at 3.5% in 2019 (the lowest rate in 3 years) and 3.6% in 2020. The IMF will further lower its estimates if the trade war escalates.

As the U.S. fiscal stimulus fades and with the Fed hiking rates, growing government and private debt, and instability in the financial market, the U.S. economy is expected to growth 2.5% and 1.8% in 2019 and 2020, respectively. U.S. Economic growth rate in 2019 and 2020 will remain above the potential growth rate, and the main driving force is a health employment market, strong private consumption, and soft inflation. According to estimates by the National Association of Realtors, existing home sales is expected to decline by 1.1% while new single-family sales is expected to grow by 4.3% in 2019 compared to 2018. Housing start, a leading indicator for the housing market, is expected to reach 1.29 million homes (a 3.5% growth compared to 2018).

In Europe, due to the possibility of a hard Brexit, economic growth rates in the Eurozone is expected to be 1.6% and 1.7% in 2019 and 2020, respectively. The IMF believes that slowing automobile production growth in Germany (mainly due to the revised automobile emission standard and slowing overseas demand), deterioration of Italy's financial situation, and political instability in France also cast a shadow on the development of the Eurozone.

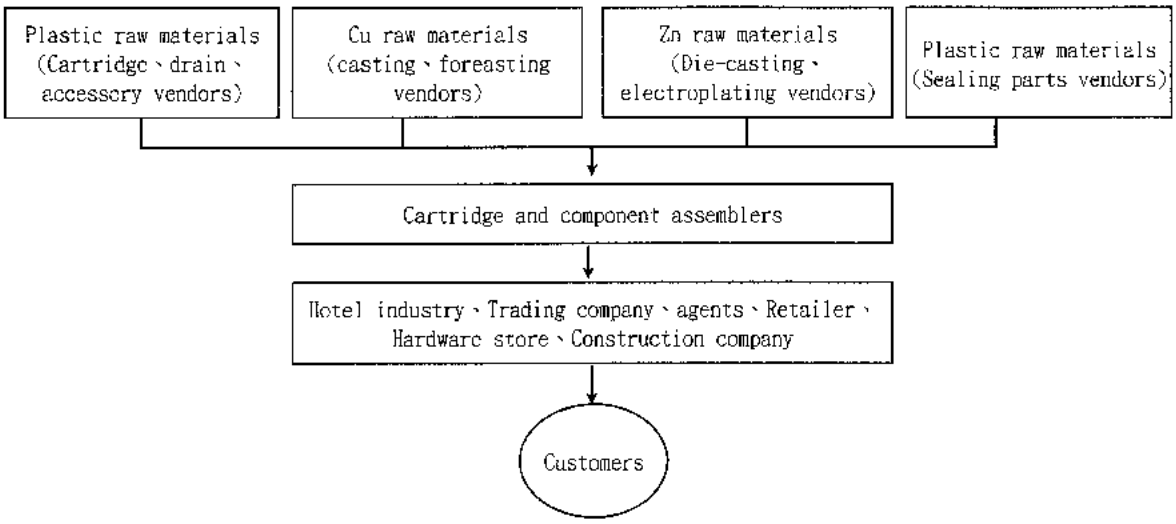
China's economic slowdown in 2018 was mainly due to tightening of financial supervision to suppress the shadow banking sector. External uncertainties further slowed economic growth. Under the pressure of further slowdown in 2019, China's supervisory institution relaxed financial supervision in response and lowered the reserve ratio to increase liquidity as its fiscal stimulus policy. The IMF expects China's economy to grow 6.2% in both 2019 and 2020.

China is the world's main manufacturer of industrial products. Due to the rapid rise of production cost, China's manufacturing industry is losing its low cost advantage. Coupled with the U.S.-China Trade War, companies must begin to consider their response strategy, and strategically adjust their global supply chain, accelerate automation, and consider niche markets or merger and acquisition, so as to mitigate the negative impact of trade frictions.

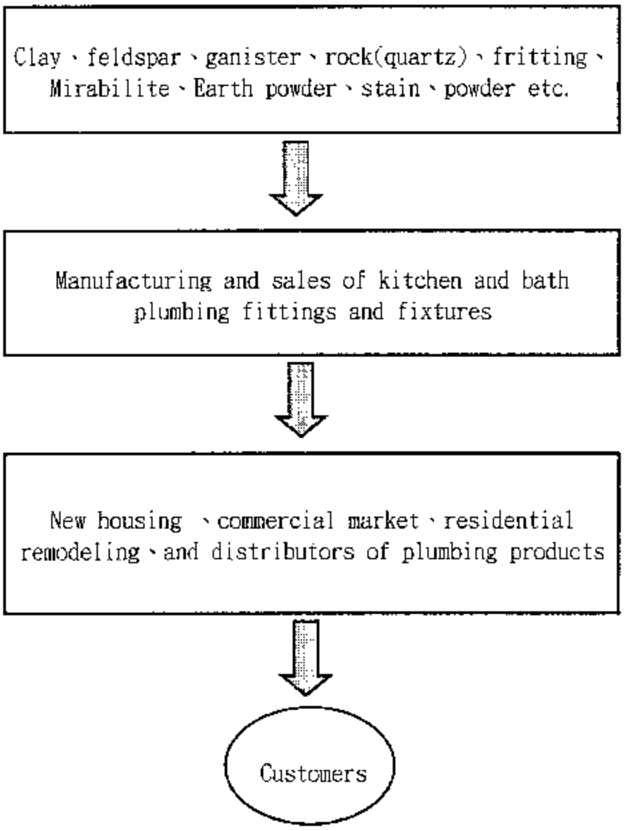
In terms of products in the kitchen/bathroom product sector, because kitchen and bathroom products are indispensable in day-to-day life, product make-up is not going through major changes, but as new technology emerges and environmental consciousness increases, demands for kitchen and bathroom products are no longer just a matter of practicality, but also of energy conservation, efficiency, and environmental protection, which have become a part of our genetic material in sustainable design. Bathroom products designed with different materials, innovative technologies, or new visual elements may become a part of new luxury designs.

Upper, mid, and down-stream industry supply chain:

Upper, mid, and down-stream faucet industry supply chain:



Upper, mid, and down-stream ceramics industry supply chain:



Source: Taiwan Industry Economics Services by Taiwan Institute of Economic Research. Basic Resources in Fireproof and Ceramic Products Manufacturing Sector, August 29, 2017.

Product development trends and competition：

Product development：

- Contemporary Design：The rise of generation X has brought simple designs and simple lifestyles. Open and more spacious kitchen have gradually become the focus in life. Modernization and application of technologies that affect kitchen faucets.
- Demand on active aging：The gradually aging baby boomers have urgent demand on bathroom products for active aging. Bathtubs disappeared and are being replaced by products with a moderate appearance and ergonomic design for the elderly.
- Quality First：People are more willing to spend money on high-quality products and have an understanding and search for products with better quality and functions. Major European and American brands are gradually expanding their product lines to more affordable products, giving the public a taste of high-quality, fairly priced products, but also making it harder for low priced products to survive.
- Water conservation and environmental friendliness：Water conservation and energy efficiency have always been a point of contention between product legislation and customer satisfaction. New products can now satisfy both: when customers require heavy water pressure, boost can be used to satisfy that while conserving water, and temporary adjustments can be made in the meantime. Concerning applications in the bathroom, with the introduction of the pause mode, when water temperature has reached pre-set levels, a portion of water flow can be temporarily suspended to maintain constant temperature during showers.
- Thoughtful smart products：After a period of aiming too high for smart products, bathroom products have finally found a relatively reasonable path to application. Combining speech control centers such as Alexa, manufacturers no longer need to develop new systems; rather, they can borrow from AI databases and connect to the internet through voice input for remote control. This brings extraordinary application freedom and convenience to consumers. The availability of AI systems also helps accelerate developers' workflow, reducing necessary investment and enabling faster product development and upgrades.

Competition：

Competition and cooperation between manufacturers - big brands - retailer

Mainstream European and American products are taking the retail market with their high-quality, fair-priced products, making it hard for distributor brands to survive. Manufacturers began developing non-metallic structures to maintain their profit margins and meet new product safety standards, lowering cost while complying with stricter safety standards.

North American customers have gradually developed a preference for brand products. Under the competition of Kohler and Hansgrohe, mid-end brands replaced some distributor brands and challenged the conventional manufacturer-distributor business model. Distributors began working with big brands, which has forced manufacturers to work with mid-end brands to create OEM opportunities for their product lines.

Product competition in lead-free faucets will replace traditional faucets due to the popularization of low-lead copper, and design and production are going completely lead-free, with zinc die-casting and plastic pipes as the new dominant materials. A company that started out from plastics instantly became a market competitor.

3. Overview of Technology and R&D:

(1) R&D Expenses of the latest year, up to the print date of this Annual Report

Unit: NT$ thousand

Year / Item	2018	Up to February 28, 2019 (Company reported amount)
R&D Expenses	234,619	36,617

(2) Successfully developed technologies and products

Item	Project Name	Current situation	R&D details and impact
1	Development of toilet turning equipment	We successfully developed toilet turning equipment to reduce the demand on manual labor.	(1) Reduced the demand on manual labor, reduced occupational injuries, and increased employment intention. (2) Reduced quality abnormalities caused by employee turnover. (3) Each turning line will require 1 less employee.

Item	Project Name	Current situation	R&D details and impact
2	Advanced coating technology development for anticorrosion coating	(1) Completed the verification of the new PVD process. (2) Completed laboratory grade samples and passed the CASS 2-hour quality verification.	Developed new PVD technology and equipment and gained the capability to mass produce PVD Cr-N film that meet anticorrosion requirements, replacing the anticorrosion characteristics and color provided by conventional electroplating. This gave us an edge in PVD coating technology in the industry.
3	R&D of a new ND color PVD process	The new ND color PVD process has been introduced to the electroplating factory (1) Canceled conventional electroplating of Cr coating. (2) Increased ZrN and CrN to strengthen corrosion resistance.	The new ND color PVD process effectively reduces unit process cost by about 30%.
4	Faucet material optimization for designs and applications	A considerable amount of materials used in our faucets are alloys of copper and precious metals and high value plastics. We are developing and adopting new plastic materials and optimizing the design of structures to replace copper materials or high value engineering plastics.	(1) Successfully introduced two substitutes for GV-5FWA high temperature nylon. (2) Successfully used PPS to replace a number of copper parts.
5	Mechanical touch switch faucets	(1) First kitchen and lavatory faucet has been developed and finished shipment to European customers. (2) Development of the kitchen sink spray faucet switch structure was completed and installation and testing is currently being carried out. (3) Taiwan, China, USA patent granted, applying EU patent.	(1) A head of the industry to develop mechanical touch device and apply in kitchen and lavatory faucet. (2) This touch switch is easier to operate than the traditional faucet, need to grasp the way, the user can use any part of the body or tools for the faucet switch, greatly enhance the convenience of en and lavatory faucet.

Item	Project Name	Current situation	R&D details and impact
6	Easy-to-install technology	Completed the development of easy-to-install nuts	We used a design with relatively few parts but the same functions as our competitors to gain greater cost competitiveness.
7	R&D of new-generation water-conserving PB valves	Market and legislation have increasingly strict requirements for water conservation in constant-temperature valves, yet decrease in water flow has negative impact on maintaining constant-temperature; this paradox has become a common challenge for all manufacturers.	We aim to satisfy market demands by designing a bath valve that can quickly fill the bathtub with hot water, reduce water consumption during showers, and at the same time maintain constant water temperature.

4. Long- and short-term business plans：

Short-term business plan：

(1) Integration and expansion of the NAB Business Group

We integrated two self-owned brands, Danze by Gerber and Gerber, in 2016 to enhance our brand competitiveness, using our stable wholesale channels and portfolio of well-designed products to expand business. We integrated production, sales, and R&D during our organizational structuring in 2018 to achieve stable supply and business growth. Our marketing strategy is based on improving our product portfolio and enhancing product services. The Company will be rebranded as featuring mid- to high-end, high-quality and design-oriented products to increase overall revenue contribution.

(2) Reorganization and development of the GPB Business Group

The private label manufacturing market is becoming growingly difficult. Our short-term strategy is to increase the profitability of the GPB Business Group and not pursue revenue growth. We formulated a new price adjustment mechanism with customers based on exchange rate and raw material fluctuations to stabilize profits. To improve the efficiency of implementing marketing strategies and to concentrate resources to strengthen customer relationships, we will take advantage of the PLM (Product Lifecycle Management) platform, supervise product development and sales processes, increase utilization of common parts to reduce production complexity, improve contact and management of production and sales.

(3) Steady growth of PJH professional sales channel services

U.K.'s PJH is a leading local professional sales channel service provider. In recent years, through continuous improvement of the logistical operational structure, the delivery service has been shortened from 72 hours to 24 hours, dramatically increasing service efficiency and customer satisfaction. Recently, revenues of all of PJH's businesses have shown growth, and the company will continue to manage and reduce costs in order to maintain steady profit influx.

(4) Further Upgrade of Channels for High-end Home Boutique Kitchen Products

Home Boutique's main business is the distribution and sales of international high-end kitchen and bathroom products. The company has been developing Taiwan's high-end bathroom market for numerous years, and has become the industry's benchmark for high-end kitchen and bathroom products. Starting in 2018, we began actively bringing high-end bathroom micro brands into the middle priced market, and expanded our business to online and retail channels. According to market surveys, the domestic housing market is beginning to recover. Due to changes in demographic structure and consumption concepts, smaller luxury housing units have become more appealing to consumers. Home Boutique uses its years of experience and unique vision for high-end kitchen and bathroom products, and began developing its own cupboard brand for the small luxury housing wholesale market. It has already gained good results and expects to see continued growth this year.

Long-term business plan：

(1) Increase production efficiency

The Company has introduced and self-developed assisting facilities that improve production efficiency and reduce labor intensity. In accordance with the concepts of environmental protection and energy conservation, the Company improved its production environment and yield rates, building a new generation of future-oriented factories.

(2) Channel development and expansion

Sales channel strategies of self-owned brands are already undergoing reform due to consumer and market differentiation. The company takes full advantage of its product design and manufacturing capacity and brand recognition, allowing it to uncover new sales platforms. In addition, sales channel strategies will focus on establishing virtual sales channels as the main channel for future product sales. Brand and product information transparency will allow faster interactions with consumers on the web.

(II) Market and Sales Overview：

1. Market analysis: Our Company is in the bathroom and kitchen products industry. Our main markets are North America and Europe.

(1). Main markets

Unit: NT$ thousand

Year / Region	2017		2018	
	Amount	%	Amount	%
North America	10,070,081	56.23	10,081,715	56.39
United Kingdom	4,963,550	27.71	5,138,455	28.74
Other	2,876,493	16.06	2,658,950	14.87
Total	17,910,124	100.00	17,879,120	100.00

(2). Market Share：

The company's main business regions are the North American and European regions, of which U.K.'s PJH revenues are a main part. In 2018, the Company's revenue was NT$10.08 billion in North America and NT$5.14 billion in the U.K. With sophisticated services, top-notch quality, and the two-pronged strategy of self-owned brands and OEM, the Company will occupy a good position in the global bathroom and kitchen products industry.

(3). Future Market Supply and Demand and Future Growth：

(A) Supply and demand:

According to the analysis in Global Plumbing Fixtures & Fittings Market published by Technavio in 2018, the compound annual growth rate of the global bathroom and kitchen products industry from 2018 to 2022 will be 5%. The report pointed out that the key factor to market growth was the increase in construction activity. Economic growth and higher living standards has driven the continued growth of the global building market. The report also stressed that eco-friendly kitchen and bathroom products is one of the main emerging trends in the global bathroom fitting market.

①USA

The 2017 report of Freedonia Inc. showed that the demand for bathroom fixtures in the U.S. will have a compound annual growth rate of 4.3% from 2016 to 2021, and may reach US$13.3 billion in 2021.

The two key markets for bathroom equipment and faucets are home starts and home renovations. The recovery of the US housing and renovation market as well as the increasing popularity of green building indicates that American demand for bathroom equipment will continue to grow each year. New commercial buildings such as hotels, office buildings, schools and hospitals will also drive demand for bathroom equipment.

②Europe

According to a report by the German market research company Titze, central Europe (including 9 countries, such as Germany, U.K., and France) will reach US$14 billion in the bathroom fitting market in 2017. An AMA Research report showed that the United Kingdom's faucet market went through a period of slow growth, and then benefited from the increased demand on new housing and private businesses. The market improved between 2014 and 2016 and is expected to grow 4% to US$260 million in 2017.

(B) Growth potential：

A Fediyma report showed that the output value of the global home renovation sector will reach US$670 billion in 2017, up 2.6% compared with 2016. Europe accounted for 28% (US$187 billion). The North American market, according to HIRI (Home Improvement Research Institute), expects lower housing supply and price hikes to drive the home improvement market to grow 6.3% to US$398 billion in 2018. However, HIRI expects growth to slow after 2019 and estimates 4.2% growth in 2019-2022.

(4). Competitive niche

(A) High market share of self-owned brands and stable retail channels

The company's North American brand Gerber is 100 years old. The company continues to invest in developing environmentally friendly and water-conserving features in our products; that's why our quality and reliability are widely recognized by the plumbing/electrician community and wholesale channels. We are third in market share in the U.S. ceramic fittings market, which gives us a very stable competitive edge.

(B) Clear strategic business placement and development models for core technology

- Self-owned brands and OEM two-pronged model:

Utilizing the two-pronged model of self-owned brands and OEM, we combine product profiles and product lifecycle management systems to reduce development costs and speed up product release schedules. In terms of sales strategies, we introduce products that coincide with the legislation, functional, and price demands of their respective markets globally and improve our profits by focusing on high-value innovative products.

- Mastering core development technology:

We intend to take full advantage of key development technologies, proactively research and develop high added-value products, and improve technical production procedures, paired with strategic patent placement. This will allow us to enhance our products' value proposition.

(C) Strengthen the governance system of the board of directors and professional management teams, ensure that the company does honest business and has sustainable development

With rich organizational experience, the company's technical capacity, production and manufacturing, customer relations, service network, and organizational and management culture have reached maturity. Under the board's supervision, professional management teams plan and develop short- and mid-term business plans, with the goal of precise management and efficiency, improvement of quality and cost control, and, eventually, a steady profit stream and growth. We also abide by the Company's commitment to sustainable growth and strive to develop sustainably through long-term planning, cautiousness, and steady steps.

(5). Favorable and unfavorable factors to long-term development and response measures

Favorable factors：

Products and brand positioning in different markets globally, reducing the risk of relying solely on one market. In terms of environmental protection and energy conservation, the company's efforts to improve energy efficiency through integrated development of materials, production processes, and design have won us market recognition, which will spread across the globe to all other markets.

Unfavorable factors：

(A) Exchange rate risk: Group revenues come mainly from Europe and the Americas. Purchasing and production are located in China. The Group's foreign exchange is therefore affected by fluctuations in the Euro, USD and RMB.

Response strategies: On the financial side, suitable derivative financial instruments will be used for foreign currency hedging; on the marketing side, we will negotiate with our customers to share exchange rate risks.

(B) Environmental laws and regulations: The global market and Western countries in particular are becoming increasingly stringent with regard to environmental protection. This in turn poses greater challenges for further research in materials and processes.

Response strategies: By constantly developing novel materials and even non-metallic processes, it helps avoid possible metal pollution and meet environmental protection regulatory requirements in each country.

(C) Market channel development: he Group's main customers are in Europe and America. The growth of the physical channel market has been relatively slow.

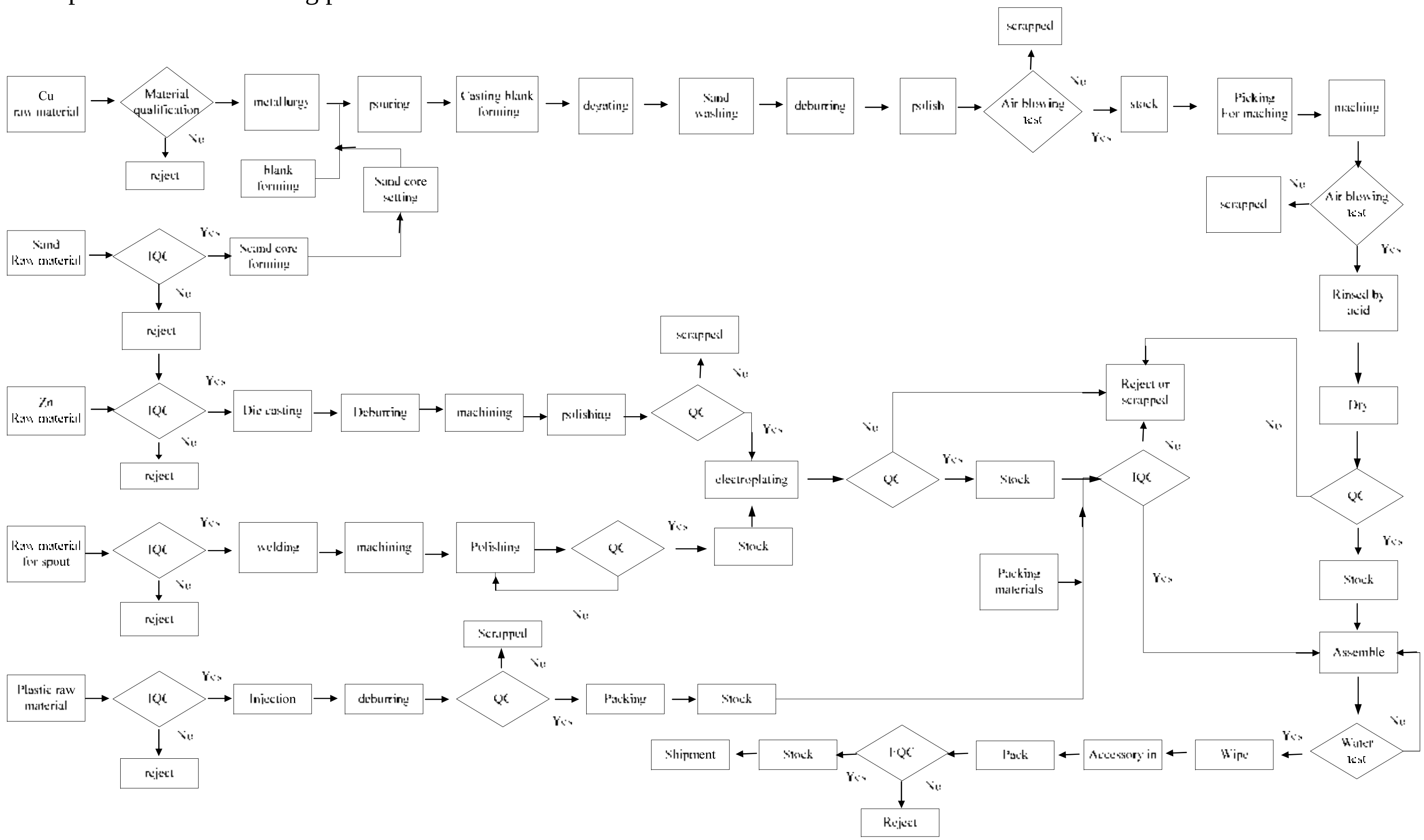
Response strategies: In physical channels, retail sales and wholesales are equally emphasized in North America for purpose of expansion. Meanwhile, efforts are made to strengthen relations with clients who are brand owners. With their brand power and operation sites plus our production and design capabilities, it helps explore different layers of the distribution market. We are also continuing to study Internet sales systems in order to expand our reach to consumers and provide consumers with production information even more quickly.

(2) Major product manufacturing processes:

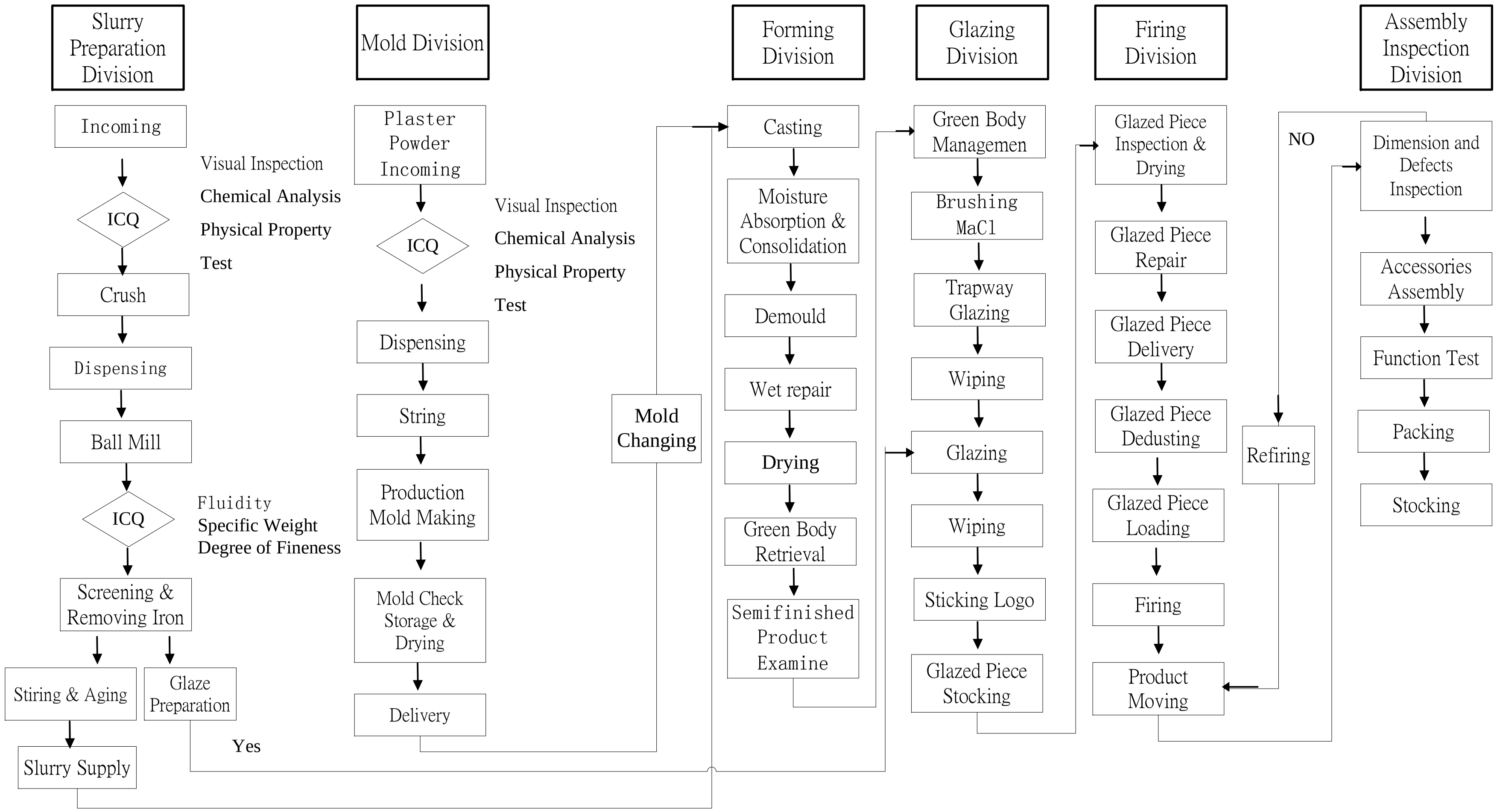
(A). Major applications of core products: Suitable for bathroom, kitchen and garden use.

(B). Production process:

Faucet product manufacturing process:



Ceramic basin and toilet manufacturing process:



(3) State of supply of main raw materials: A sound relationship with our suppliers ensure that our sources are stable.

(4) Names of customers who accounted for more than 10% of the sales in any of the last two years, and sales as a percentage of total sales, with explanations of the increase/decrease of such sales：

Information on main suppliers within the last two years：We buy many products from many types of suppliers. For this reason, no supplier accounted for more than 10% of the annual purchases.

Information on key purchasing customers during the past 2 years： Unit: NT$ thousand

Year / Item	2017				2018			
	Name	Amount	Proportion of total net sales value for the entire year(%)	Relationship with issuer	Name	Amount	Proportion of total net sales value for the entire year (%)	Relationship with issuer
1.	Customer A	2,429,184	13.56	N/A	Customer A	2,379,839	13.31	N/A
	Other	15,480,940	86.44		Other	15,499,281	86.69	
	Net sales	17,910,124	100.00		Net sales	17,879,120	100.00	

Note: The sales numbers to Customer A in 2018 were mainly influenced by market demand, which impacted order amounts.

(5) Sales numbers for the last two years： Unit: NT$ thousand

Year / Main Product	2017	2018	Notes
	Sales value	Sales value	
Faucets and showers	8,116,289	7,827,837	
Ceramics	5,779,743	6,006,557	
Kitchen products	351,683	287,385	Note 1
Other	3,662,409	3,757,341	Note 2
Total	17,910,124	17,879,120	

Our Company has a large product portfolio and each product uses a different unit of measurement so anticipates sales are not listed here.

Note 1: Kitchen products include packaged kitchen systems and kitchen equipment parts. Note 2: Other covers operating income from kitchen and bathroom accessories, shower cubicles, cabinets and distribution services.

(III) Number of employees, mean number of years in service, mean age, and distribution of education in the most recent two years and up to the date of annual report publication：

Consolidated financial statements：

Year		2017	2018	From this year to February 28, 2019
Employee count	Direct employees	3,235	3,273	3,118
	Indirect employees	2,407	2,358	2,354
	Total	5,642	5,631	5,472
Average age		36.8	37.5	38.2
Average years of service		7.8	8.0	8.5
Academic qualification (%)	Ph.D	0.1	0.0	0.0
	MA	1.6	1.6	1.6
	University/College	15.9	15.7	16.1
	High school	23.1	13.3	13.6
	Below high school	59.3	69.4	68.7

(IV) Environmental protection expenditure information：

Losses due to environmental pollution, total fines during the most recent, total amount of penalties up to the annual report publication date as well as future response strategies and potential expenses：None.

(V) Employer-employee relations：

Talent is the key to maintaining core competitiveness. Globe Union views employees as partners in sustainable growth based on the philosophy that "corporate growth is driven by constant innovation and developing the value of talent." We provide complete career development, an excellent workplace environment, and competitive pay. We also encourage teamwork and mutual learning to achieve better performance. This atmosphere shows that we take talent development very seriously, show care for organization members, and hope to help employees develop their individual and professional potential through constant learning and growth.

1. List the company's employee welfare measures, continued education, training, retirement regulations and their actual implementation, along with employer-employee agreements, and measures for protecting employee rights:

(1) Employee benefits measures

Remuneration:

Includes monthly salaries, year-end bonuses, and employee bonuses distributed in accordance with the Articles of Association when the Company makes a profit.

We use the annual "HR Evaluation Committee" to conduct objective assessments and provide employees with fair opportunities for promotion.

Health and safety related benefits:

Employees are provided with best care and protection. Various matters concerning them are taken care of according to the Labor Standards Act, National Health Insurance Act, and Labor Insurance Act. In addition, group accident insurance is planned for employees in order to increase overall protection for employees. Employee health management, periodical health examinations, employee cafeteria, breastfeeding rooms, and providing a safe and comfortable working environment.

Education and entertainment related benefits:

We provide scholarships for employees and their children, group travel subsidies, Dragon Boat and Mid-Autumn Festival bonuses, annual company banquet, performance bonuses, birthday bonus, childbirth, marriage, bereavement and holiday bonuses, fitness equipment and facilities, and encourage employees to establish clubs, including: Badminton club, yoga club, basketball club, bicycle club, and dance club; a fixed amount of subsidies is provided to each club on an annual basis.

Related labor management measures are in compliance with applicable laws and regulations of the government, such as the Labor Standards Act, the Act of Gender Equality in Employment, the Occupational Safety and Health Act, and the Labor Insurance Act. We value employees' right to express their opinions, and therefore established an Employee Welfare Committee at our head office, unions in Shenzhen Chengshi and Shandong Milim. We sign labor contracts when employees are hired to protect their rights.

(2) Employee development and training

An abundance of high quality human resources is considered the foundation of corporate sustainability. We truly believe that "corporate growth is driven by constant innovation and developing the value of talent." Driven by this core business philosophy, we allocate a budget to provide employees with complete education and training every year, not only to improve their abilities and literacy, but also to bring out their potential and enhance our competitiveness.

During 2018, a total of NT$15,359 thousand was spent on education and training, including 383 internal and external training sessions throughout the year that added up to 45,551 hours; a headcount of 32,278 people received the training. Primarily: Leadership and management, culture and values, labor safety training, internal audit, quality management, technology R&D, accounting management, information management, and new employee orientation.

Continuing education for managers：

Name	Title	Course Name	Organizer	Date of Training	Hours
Kuo-Chi Yen	Chief Operations Officer	Required course on management ability	Internal Company Training	2018/6/20-6/21	14
Tsung-Min Chen	Vice President	GU2.0 WORKSHOP	Internal Company Training	2018/11/13	7
Shu-Chi Lee	Vice President	Required course on management ability	Internal Company Training	2018/6/20-6/21	14
Shu-Chi Lee	Vice President	GU2.0 WORKSHOP	Internal Company Training	2018/11/13	7
Lei-Hui Lee	Assistant Vice President	Required course on management ability	Internal Company Training	2018/6/20-6/21	14
Bhor-Chaou Chang	Assistant Vice President	Required course on management ability	Internal Company Training	2018/6/20-6/21	14
Bhor-Chaou Chang	Assistant Vice President	GU2.0 WORKSHOP	Internal Company Training	2018/11/13	7
Jung-Chao Lin	Assistant Vice President	GU2.0 WORKSHOP	Internal Company Training	2018/11/13	7
Min-ling Wang	Head of Accounting	2018 Seminar on U.S. Tax Reforms	Ernst & Young	2018/1/17	3
Min-ling Wang	Head of Accounting	Seminar on the "Applicability of China's Tax Agreements to Taiwanese Companies and the Latest Laws and Practices of Cross-Border Restructuring"	Ernst & Young	2018/5/15	3
Min-ling Wang	Head of Accounting	Professional Development Course for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	Accounting Research and Development Foundation	2018/6/21-6/22	12
Min-ling Wang	Head of Accounting	Internal Audit and Internal Control Practices Under IFRS 15 Revenue from	Accounting Research and Development Foundation	2018/7/17	6

Name	Title	Course Name	Organizer	Date of Training	Hours
		Contracts with Customers			
Min-ling Wang	Head of Accounting	Seminar on Amendments to the Company Act	Ernst & Young	2018/7/30	3
Min-ling Wang	Head of Accounting	Required course on management ability	Internal Company Training	2018/9/4-9/5	14
Min-ling Wang	Head of Accounting	Seminar on "Facing Changes in Tax Trends and New TP Challenges"	PwC Taiwan	2018/11/29	3

(3) Pension Scheme

The retirement plans of our Company and its subsidiaries in Taiwan are applicable to all formally hired employees. In compliance with the Labor Pension Act, our Company defines its appropriation plan and follows the plan by setting aside 6% from each employee's salary on a monthly basis to the personal pension account with the Labor Insurance Bureau. All pension funds are under the management of the Labor Pension Fund Supervision Committee and saved in the dedicated pension account in the name of the Labor Pension Fund Supervision Committee. They are completely separated from the Company and local subsidiaries. When colleagues retire under the old pension scheme, the appropriate pension is paid by the Company in accordance with the pension rates set out under Article 55 of the Labor Standards Act; there were 2 cases in 2018.

Methods for seamless transition into the new retirement system of the Labor Standards Act: The value of pension to be paid upon retirement is calculated with the base number of years in service and the mean monthly salary approved at the time of retirement. For the first fifteen (or less) years of service, 2 points are given for every year of service. For additional years of service 1 point is given for each year. The maximum number of points is 45. Contributions equal to 2% of the total salary to the pension fund every month are deposited under the name of the Labor Pension Fund Supervision Committee in a dedicated account with the Bank of Taiwan. Before the end of each year, our Company and local subsidiaries calculate the balance of the aforementioned labor pension fund. If the balance is insufficient to pay the estimated pensions of employees eligible for retirement in the following year, a lump-sum payment is made before the end of March of the following year to make up for the difference.

The pension plans and the allocation of funds to related pension managers for the Group's subsidiaries in other countries are to be based on local regulatory requirements. For subsidiaries in China, a set proportion of each employee's total salary is set aside for pension insurance and paid to the relevant government agency in accordance with local laws. These are then deposited into individual pension accounts.

(4) Measures for protecting employee rights

Our Company's employee management policy complies with the Labor Standards Act and the relevant labor regulations. Internal management regulations are updated to reflect regulatory changes as necessary to ensure that employee rights are protected.

Establishment of mechanisms for regular employee communication to ensure that employees understand the Company's operating principles: Besides the email box available for employees to provide feedback (gu.careyou@globeunion.com), our Company uses electronic notices, monthly "Birthday Party" events, regular employer-employee meetings required by law as well as briefings on current activities for the year and planning for the following year to keep employee up to date on company affairs.

2. Losses incurred as a result of employer-employee disputes in the most recent year and as of the date the Annual Report was printed and estimated values that might occur now and in the future and their countermeasures: None.

(VI) Important contracts:

Nature of Contract	Contracting parties	Commencement date/expiration date	Content	Restrictive terms
Syndicated loan contract	Eleven syndicated lending banks including CTBC Bank, O-Bank, E.Sun Bank, and Taipei Fubon Bank (lead arranger)	2018.07.25 -2023.07.25	Syndicated loan	For the period of the loan, annual and Q2 consolidated financial statements that have been audited by CPAs should be used as the basis for calculations and for maintaining specific financial ratios
Land Lease Contract	Taichung Branch of Export Processing Zone Administration, MOEA	2013.10.01 -2023.09.30	Land lease	May only be used for the specified business purpose

VI. Financial Information

(I) Condensed profit and loss statements, statements of income, names of accountants, and audit opinions for the last five years

1. Condensed profit and loss statement

Consolidated Financial Statements (Based on the International Financial Reporting Standards)

Unit: NT$ thousand

Item \ Year		2014	2015	2016	2017	2018
Current assets		11,772,970	11,226,041	10,035,597	10,249,528	9,975,744
Property, plant and equipment		1,968,198	2,043,136	1,677,650	1,574,872	1,541,094
Intangible assets (including business reputation)		2,041,170	1,949,219	883,260	853,373	823,222
Other assets		909,082	777,490	755,838	603,503	473,121
Total assets		16,691,420	15,995,886	13,352,345	13,281,276	12,813,181
Current liabilities	Pre-distribution	6,976,688	6,149,226	5,805,197	5,761,721	5,225,531
	After distribution	6,799,536	5,724,061	5,255,423	5,299,913	Not distributed
Non-current liabilities		2,811,703	2,534,993	1,893,916	1,420,317	1,612,835
Total liabilities	Pre-distribution	9,788,391	8,684,219	7,699,113	7,182,038	6,838,366
	After distribution	9,611,239	8,259,054	7,149,339	6,720,230	Not distributed
Equity attributable to owners of parent		6,802,855	7,209,085	5,571,297	6,023,651	5,897,630
Share capital		3,543,042	3,543,042	3,553,042	3,675,889	3,682,235
Additional paid-in capital (APIC)		916,938	920,265	940,467	1,026,759	1,032,019
Retaining earnings	Pre-distribution	2,111,138	2,407,658	1,408,570	1,791,536	1,895,790
	After distribution	1,933,986	1,982,493	858,796	1,329,728	Not distributed
Other rights		231,737	338,120	(285,914)	(470,533)	(526,207)
Treasury stock		–	–	(44,868)	-	(186,207)
Non-controlling interests		100,174	102,582	81,935	75,587	77,185
Value of rights	Pre-distribution	6,903,029	7,311,667	5,653,232	6,099,238	5,974,815
	After distribution	6,725,877	6,886,502	5,103,458	5,637,430	Not distributed

The above consolidated financial information has been audited and certified by the CPAs.

Condensed profit and loss statement

Individual Statements (Based on the International Financial Reporting Standards)

Unit: NT$ thousand

Item \ Year		2014	2015	2016	2017	2018
Current assets		1,975,046	2,236,238	1,672,665	2,069,151	2,242,070
Property, plant and equipment		97,359	95,512	95,679	86,414	84,413
Intangible assets		77,931	82,611	63,828	46,038	31,244
Other assets		9,781,238	10,150,927	8,518,175	8,783,406	9,176,106
Total assets		11,931,574	12,565,288	10,350,347	10,985,009	11,533,833
Current liabilities	Pre-distribution	2,759,954	3,129,197	3,237,078	3,813,723	4,270,660
	After distribution	2,582,802	2,704,032	2,687,304	3,351,915	Not distributed
Non-current liabilities		2,368,765	2,227,006	1,541,972	1,147,635	1,365,543
Total liabilities	Pre-distribution	5,128,719	5,356,203	4,779,050	4,961,358	5,636,203
	After distribution	4,951,567	4,931,038	4,229,276	4,499,550	Not distributed
Equity attributable to owners of parent		6,802,855	7,209,085	5,571,297	6,023,651	5,897,630
Share capital		3,543,042	3,543,042	3,553,042	3,675,889	3,682,235
Additional paid-in capital (APIC)		916,938	920,265	940,467	1,026,759	1,032,019
Retaining earnings	Pre-distribution	2,111,138	2,407,658	1,408,570	1,791,536	1,895,790
	After distribution	1,933,986	1,982,493	858,796	1,329,728	Not distributed
Other rights		231,737	338,120	(285,914)	(470,533)	(526,207)
Treasury stock		–	–	(44,868)	–	(186,207)
Value of rights	Pre-distribution	6,802,855	7,209,085	5,571,297	6,023,651	5,897,630
	After distribution	6,625,703	6,783,920	5,021,523	5,561,843	Not distributed

The above financial information has been audited and certified by the CPAs.

2. Condensed comprehensive income statement

Consolidated Financial Statements (Based on the International Financial Reporting Standards)

Unit: NT$ thousand

Item \ Year	2014	2015	2016	2017	2018
Operating income	19,987,526	19,945,545	19,304,125	17,910,124	17,879,120
Operating margin	5,296,485	5,513,701	5,657,522	5,076,134	4,894,358
Operating profit or loss	395,900	542,259	581,938	977,347	626,115
Non-operating income and expenses	(93,300)	204,996	(860,537)	10,210	177,277
Net profit before tax	302,600	747,255	(278,599)	987,557	803,392
Net profit (loss) of continuing operations	157,137	506,788	(482,557)	706,729	618,916
Losses from discontinued units	–	–	–	–	–
Net profit (loss) of the term	157,137	506,788	(482,557)	706,729	618,916
Other comprehensive income (OCI) for this period (Net income after tax)	176,277	75,675	(722,656)	(142,657)	(23,631)
Total comprehensive income for the period	333,414	582,463	(1,205,213)	564,072	595,285
Profit attributable to owners of the parent company	154,471	502,913	(463,027)	698,342	618,220
Net income belongs to non-controlling interests	2,666	3,875	(19,530)	8,387	696
Total comprehensive incomeattributable to owners of the parent company	330,490	580,055	(1,185,124)	555,399	593,687
Total comprehensive incomeattributable to non-controlling interests	2,924	2,408	(20,089)	8,673	1,598
Earnings per share (NT$)	0.44	1.42	(1.31)	1.98	1.69

The above consolidated financial information has been audited and certified by the CPAs.

Condensed comprehensive income statement

Individual Statements (Based on the International Financial Reporting Standards)

Unit: NT$ thousand

Item \ Year	2014	2015	2016	2017	2018
Operating income	6,689,643	6,760,005	6,926,595	6,817,057	9,330,271
Operating margin	545,685	621,737	1,098,495	1,006,675	918,411
Operating profit or loss	97,037	180,394	449,170	478,459	93,152
Non-operating income and expenses	223,157	369,861	(818,814)	281,399	595,394
Net profit before tax	320,194	550,255	(369,644)	759,858	688,546
Net profit of continuing operations	154,471	502,913	(463,027)	698,342	618,220
Losses from discontinued units	–	–	–	–	–
Net profit (loss) of the term	154,471	502,913	(463,027)	698,342	618,220
Other comprehensive income (OCI) for this period (Net income after tax)	176,019	77,142	(722,097)	(142,943)	(24,533)
Total comprehensive income for the period	330,490	580,055	(1,185,124)	555,399	593,687
Profit attributable to owners of the parent company	154,471	502,913	(463,027)	698,342	618,220
Net income belongs to non-controlling interests	–	–	–	–	–
Total comprehensive income for the period that belongs to the owner of the parent company	330,490	580,055	(1,185,124)	555,399	593,687
Total comprehensive income attributable to non-controlling interests	–	–	–	–	–
Earnings per share (NT$)	0.44	1.42	(1.31)	1.98	1.69

The above financial information has been audited and certified by the CPAs.

3. Names of auditing CPAs of the most recent five years and their audit opinions

Year	CPAs	Audit opinions
2014	Tzu-Ping Huang, Hung-Kang Lin	Unqualified opinion
2015	Tzu-Ping Huang, Hung-Kang Lin	Unqualified opinion
2016	Tzu-Ping Huang, Hung-Kang Lin	Unqualified opinion
2017	Tzu-Ping Huang, Hung-Kang Lin	Unqualified opinion
2018	Tzu-Ping Huang, Hung-Kang Lin	Unqualified opinion

Reason for change of CPAs within the past five years:

The changes in CPA were due internal organizational adjustments at Ernst & Young.

(II) Financial analysis for the last five years

1. Consolidated Financial Analysis (Based on the International Financial Reporting Standards)

Analysis item	Year	2014	2015	2016	2017	2018
		Financial analysis for the last five years				
Financial Structure (%)	Debt asset ratio	58.64	54.29	57.66	54.08	53.37
	Ratio of long-term capital to property, plant and equipment	493.59	481.94	449.86	477.47	492.35
Liquidity %	Current ratio	168.75	182.56	172.87	177.89	190.90
	Quick ratio	104.17	114.49	116.28	122.56	124.70
	Interest protection multiple	4.84	8.96	(2.77)	20.71	17.56
Operating ability	Receivables turnover (times)	5.60	5.47	5.84	6.01	6.31
	Average collection days	65.23	66.72	62.50	60.73	57.84
	Inventory turnover (times)	3.57	3.42	3.77	4.13	4.06
	Payables turnover (times)	5.41	5.37	5.46	5.41	5.68
	Average days of sales	102.34	106.72	96.81	88.37	89.90
	Property, plant and equipment Turnover (times)	10.13	9.95	10.38	11.01	11.48
	Total asset turnover (times)	1.20	1.22	1.32	1.34	1.37
Profitability	Return on assets (%)	1.41	3.69	(2.93)	5.63	5.04
	ROE (%)	2.32	7.13	(7.44)	12.03	10.25
	Net income before tax to paid-in capital ratio (%)	8.54	21.09	(7.84)	26.87	21.82
	Net profit margin (%)	0.77	2.52	(2.40)	3.90	3.46
	Earnings per share (NT$)	0.44	1.42	(1.31)	1.98	1.69
Cash flows	Cash flow ratio (%)	(5.28)	5.10	30.03	13.18	17.07
	Cash flow adequacy ratio (%)	20.38	3.65	69.92	92.62	84.33
	Cash re-investment ratio (%)	(4.59)	1.32	14.58	4.49	3.79
Leverage	Operating leverage	2.03	1.74	1.77	1.30	1.45
	Financial leverage	1.31	1.27	1.12	1.06	1.08

Please explain reasons for changes in financial ratios in the last two years.

(Analysis is not needed when increase/decrease is less than 20%)

Explanation for change of over 20% between 2018 and 2017:

1．Decrease in cash flow ratio:
Mainly due to a NT$536,190 thousand decrease in current liabilities from the previous year. This was due to the decrease of NT$408,254 thousand in short-term loans this year and long-term loans that will mature within one year or one operating cycle. Mainly due to a NT$132,528 thousand decrease in net cash flow from operating activities this year compared with last year. This was due to the decrease of NT$143,536 thousand in income tax paid this year.

The formulas are as follow:

1.Financial Structure

(1)Debt asset ratio = total liabilities / total assets.

(2)Ratio of long-term capital to property, plant and equipment = (Value of rights + Non-current liabilities)/net amount of property, plant and equipment.

2.Liquidity

(1)Current ratio = current assets / current liabilities.

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

(3)Interest protection multiple = net income before income tax and interest expense / current interest expense.

3.Operating ability

(1)Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.

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

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

(4)Payable (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold / average payables (including accounts payable arising from operation notes payable) balances.

(5)Average days of sales = 365 / inventory turnover.

(6)Property, plant and equipment turnover ratio = net sales / average net for property, plant, and equipment.

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

4.Profitability

(1)Return on assets = [profit and loss after tax + interest expense × (1 - tax rate)] / total average assets.

(2)Return on equity＝ profit and loss after tax / net average shareholders' equity.

(3)Net profit margin = profit and loss after tax / net sales.

(4)Earnings per share = (Income belonging to parent company - stock dividend of preferred stocks) / weighted average of issued shares.

5.Cash flows

(1)Cash flow ratio = new cash flows from operating activities / current liabilities.

(2)Net cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.

(3)Cash re-investment ratio = (Net cash flow of operating activities - cash dividend) / (gross amount of property, plant and equipment + long-term investment + other non-current assets + operating capital).

6.Leverage:

(1)Operating leverage = (net operating income - current operating cost and expense) / operating profit.

(2)Financial leverage = operating profit / (operating profit - interest expense).

2. Individual Financial Analysis (Based on the International Financial Reporting Standards)

Analysis item \ Year		2014	2015	2016	2017	2018
		Financial analysis for the last five years				
Financial Structure (%)	Debt asset ratio	42.98	42.63	46.17	45.16	48.87
	Ratio of long-term capital to property, plant and equipment	9,420.41	9,879.48	7,434.51	8,298.75	8,604.33
Liquidity %	Current ratio	71.56	71.46	51.67	54.26	52.50
	Quick ratio	64.15	64.78	46.28	45.47	44.22
	Interest protection multiple	8.60	11.59	(79.25)	23.29	22.57
Operating ability	Receivables turnover (times)	5.69	4.37	5.07	5.68	7.19
	Average collection days	64.15	83.52	71.99	64.26	50.76
	Inventory turnover (times)	34.39	34.46	36.36	27.10	29.03
	Payables turnover (times)	6.89	4.10	3.93	3.66	3.76
	Average days of sales	10.61	10.59	10.04	13.47	12.57
	Turnover (times) of property, plant and equipment	67.77	70.10	72.46	74.87	109.24
	Total asset turnover (times)	0.59	0.55	0.60	0.64	0.83
Profitability	Return on assets (%)	1.76	4.48	(3.72)	6.82	5.72
	ROE (%)	2.32	7.18	(7.25)	12.05	10.37
	Net income before tax to paid-in capital ratio (%)	9.04	15.53	(10.40)	20.71	18.70
	Net profit margin (%)	2.31	7.44	(6.68)	10.24	6.63
	Earnings per share (NT$)	0.44	1.42	(1.31)	1.98	1.69
Cash flows	Cash flow ratio (%)	10.51	16.29	25.79	18.28	16.21
	Cash flow adequacy ratio (%)	32.67	78.67	120.88	195.14	171.80
	Cash re-investment ratio (%)	(40.21)	(52.73)	(31.60)	(23.15)	(7.97)
Leverage	Operating leverage	2.61	0.89	1.17	0.96	1.74
	Financial leverage	2.37	1.44	1.11	1.08	1.52

Please explain reasons for changes in financial ratios in the last two years. (Analysis is not needed when increase/decrease is less than 20%)

Explanation for change of over 20% between 2018 and 2017:

1. Increase in receivables turnover (times) and decrease in average collection days:
   Mainly due to a NT$2,513,214 thousand increase in net sales this year.
2. Increase in Property, Plant and Equipment Turnover (Times), Increase in Total Asset Turnover (Times), and Decrease in Net Profit Margin:
   Mainly due to a NT$2,513,214 thousand increase in net sales this year.
3. Increase in cash re-investment ratio:
   Mainly due to a NT$284,018 thousand decrease in operating capital.
4. Increase in financial leverage and increase in operating leverage:
   Mainly due to a NT$385,307 thousand decrease in operating profits.

(III) Audit Committee Audit Report

Globe Union Industrial Corp.

Audit Committee Audit Report

The Board of Directors has prepared and submitted the 2018 business report, financial statements, and earnings distribution proposal. Ernst & Young audited the financial statements and submitted an audit report. The Audit Committee has reviewed the business report, financial statements, and the earnings distribution proposal and did not find any instances of noncompliance. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, it is hereby submitted for your review and perusal.

Globe Union Industrial Corp.

Convener of the Audit Committee:Young-Sheng Hsu

March 29, 2019

(IV) Financial reports of the most recent year: Please refer to pages 149 to 278.

(V) The most recent CPA-certified individual financial report: Please refer to pages 279 to 386.

(VI) If the company and its affiliated companies experienced instances of financial difficulties in the most recent year and up to the publication date of this annual report, state their impact on the financial position of the Company: None.

VII. Review of Financial Conditions, Operating Results, and Risk Management

(I) Financial position

Comparative analysis of financial position (Consolidated financial statements)

Unit: NT$ thousand

Item \ Year	2018	2017	Difference	
			Amount	%
Current assets	9,975,744	10,249,528	(273,784)	(2.67)
Property, plant and equipment	1,541,094	1,574,872	(33,778)	(2.14)
Intangible assets (including business reputation)	823,222	853,373	(30,151)	(3.53)
Other assets	473,121	603,503	(130,382)	(21.60)
Total assets	12,813,181	13,281,276	(468,095)	(3.52)
Current liabilities	5,225,531	5,761,721	(536,190)	(9.31)
Non-current liabilities	1,612,835	1,420,317	192,518	13.55
Total liabilities	6,838,366	7,182,038	(343,672)	(4.79)
Equity attributable to owners of parent	5,897,630	6,023,651	(126,021)	(2.09)
Share capital	3,682,235	3,675,889	6,346	0.17
Additional paid-in capital (APIC)	1,032,019	1,026,759	5,260	0.51
Retaining earnings	1,895,790	1,791,536	104,254	5.82
Other rights	(526,207)	(470,533)	(55,674)	11.83
Treasury stock	(186,207)	-	(186,207)	0.00
Non-controlling interests	77,185	75,587	1,598	2.11
Value of rights	5,974,815	6,099,238	(124,423)	(2.04)

1. Explanation for changes of over 20%:
   Decrease in other assets compared with 2017: Mainly due a NT$60,947 thousand decrease in long-term pre-paid rent.

2. Impacts of changes in the financial standing over the past two years and countermeasures: No significant impact on financial position.

(II) Financial performance

Comparative analysis of financial performance (consolidated financial statements)

Unit: NT$ thousand

Year / Item	2018	2017	Difference	
			Amount	%
Operating income	17,879,120	17,910,124	(31,004)	(0.17)
Operating margin	4,894,358	5,076,134	(181,776)	(3.58)
Operating profit or loss	626,115	977,347	(351,232)	(35.94)
Non-operating income and expenses	177,277	10,210	167,067	1,636.31
Net profit before tax	803,392	987,557	(184,165)	(18.65)
Net profit of continuing operations	618,916	706,729	(87,813)	(12.43)
Losses from discontinued units	—	—	—	—
Net profit (loss) of the term	618,916	706,729	(87,813)	(12.43)
Other comprehensive income (OCI) for this period (Net income after tax)	(23,631)	(142,657)	119,026	(83.44)
Total comprehensive income for the period	595,285	564,072	31,213	5.53
Net profits attributable to owners of the parent company	618,220	698,342	(80,122)	(11.47)
Net profits attributable to Non-controlling interests	696	8,387	(7,691)	(91.70)
Total comprehensive income attributableto owners of the parent company	593,687	555,399	38,288	6.89
Total comprehensive income attributableto non-controlling interests	1,598	8,673	(7,075)	(81.58)
Earnings per share (NT$)	1.69	1.98	(0.29)	(14.65)

1.Explanation for changes of over 20%:

(1)Decrease in operating profit or loss compared with 2017:

Mainly due to an increase of NT$181,776 thousand in operating margin and NT$169,456 thousand in operating expenses.

(2)Increase in non-operating income and expenses over 2017:

Mainly due to an increase of NT$207,508 thousand in net exchange gains.

(3)Increase in other comprehensive income (net income after tax) over 2017:

Mainly caused by an NT$129,442 thousand increase compared to the financial report conversion differences of overseas operating sites in 2017.

(4)Decrease in net income attributable to non-controlling interests compared to 2017:

Mainly due to the decrease in profits of subsidiaries.

(5)Decrease in comprehensive income attributable to non-controlling interest compared to 2017:

Mainly due to the decrease in profits of subsidiaries.

2. Sales forecast for the coming year and basis:

Our Company's sales forecasts are based on the industry environment as well as supply and demand. Our production capacity and business development are also taken into account. Our Company has a large product portfolio and each product uses a different unit of measurement so anticipates sales are not listed here. The anticipated distribution of product sales is: Faucets&spray aerator products 44%, ceramics 33%, kitchen products 2%, other 21%.

(III) Cash flows:

1. Analysis on the cash flow changes during the current year (Consolidated financial statements)

Unit: NT$ thousand

Cash balance at beginning of year	Annual net cash flow from operating activities	Annual net cash flow from investment activities	Annual net cash flow from fund-raising activities	Effects of changes in exchange rates	Cash balance at end of period
3,088,625	892,143	65,692	(884,728)	(59,940)	3,101,792

Annual cash flow analysis

1.Net cash inflow from operating activities of NT$892,143 thousand:

Primarily:

Main cash inflow subtotal of NT$1,602,729 thousand:

Net profit before tax this year were NT$803,392 thousand and income charges (credits) not affecting cash flow NT$214,147 thousand. Accounts receivable increased NT$397,521 thousand.

Cash outflow sub-total of NT$710,586 thousand:

Inventory increased by NT$257,449 thousand, and other payable items decreased by NT$204,936 thousand, which was caused by the NT$91,968 thousand business income tax payment and NT$48,507 thousand interest payment.

2.Net cash inflow from investment activities of NT$65,692 thousand:

Primarily:

1.Cash outflow of NT$389,831 thousand for acquiring property, plants, and equipment.

2.Cash inflow of NT$463,667 thousand from decrease in financial assets measured at amortized cost.

3.Net cash outflow for fund-raising activities of NT$884,728 thousand:

Mainly due to: Increase of NT$998,000 thousand in short-term loans (NT$998,000 thousand for Globe Union), repaid NT$1,076,333 thousand in short-term loans (Globe Union repaid NT$851,000 thousand and PJH repaid NT$225,333 thousand), increase of NT$1,000,000 thousand (NT$1,000,000 thousand for Globe Union) in long-term loans (including loans that will mature within one year), repaid NT$1,081,020 thousand in long-term loans (including loans that will mature within one year) (Globe Union repaid NT$1,075,770 thousand and Home Boutique repaid NT$5,250 thousand), Globe Union distributed NT$549,774 thousand in cash dividends and treasury stock increased NT$186,207 thousand.

2. Cash flow analysis for the coming year Unit: NT$ thousand

Cash balance at beginning of period (1)	Forecast net cash flow from operating activities for the entire year (2)	Forecast cash outflow for the entire year (3)	Expected cash surplus (deficit) (1)+(2)-(3)	Remedial measures for cash deficit	
				Investment plans	Financing plan
3,101,792	1,348,151	436,985	4,012,958	–	–

1.Change in cash flow analysis for the coming year:

Operational improvements are expected to generate cash flow from operating activities in 2019; expenses will be mainly capital expenses such as distribution of dividends and replacement of production equipment.

2.Expected cash deficit remedies and liquidity analysis: None.

(IV) The effects that significant capital expenditures have on financial operations in the recent year: None.

(V) Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year: None.

(VI) Risk analysis of the following items in the most recent year and up to the date of annual report publication:

1. Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures:

(1).The effect of interest rate fluctuations on company earnings and losses as well as response measures:

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 effect of interest rate fluctuations on company earnings and losses:

NT$ thousand; %

Item	2018
Net interest income (expense) A	22,887
Operating income B	17,879,120
Operating profit C	626,115
A/B	0.13%
A/C	3.66%

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 year ended December 31, 2018 to decrease by NT$2,767 thousand.

Future response measures: Currently, interest rate levels in various countries are at a relatively low point, which will reduce the Company's overall costs when it borrows from banks. We will continue to monitor interest rate trends in the future in order to formulate the Company's investment and financing strategy.

(2).The effect of exchange rate fluctuations on company earnings and losses as well as response measures:

Exchange rate risk is mainly linked to operating activities (when the currency used for income or expenses is different from the Group's functional currency) and net investments of overseas operating entities.

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.

The effect of exchange rate fluctuations on company earnings and losses:

NT$ thousand; %

Item	2018
Currency exchange gains and losses A	89,566
Operating income B	17,879,120
Operating profit C	626,115
A/B	0.50%
A/C	14.31%

Analysis of sensitivity to exchange risk risks is focused mainly on the main foreign currency items at the end of the reporting period and how the appreciation/depreciation of related foreign currencies affect the Group's profit and loss. Our Group's exchange risk is mainly affected by fluctuations in the exchange rates of USD and RMB.

When NTD appreciates by 1% against USD, its influence on the company's equity or profit (loss) is as follows (NT$ thousand):

	Equity increase (decrease)	Loss (profit)
2018	$-	$10,208

When NTD appreciates by 1% in against RMB, its influence on the company's equity or profit (loss) is as follows:

	Equity increase (decrease)	Loss (profit)
2018	$-	$(4,473)

When NTD value depreciates in relation to the aforementioned currencies, if other variable factors remain unchanged, it will have an equivalent or negative impact on the amount of the aforementioned currencies in 2018 and 2017.

Future response measures: Our Group's main source of exchange risk comes from conversion between NT$ and USD, and between NT$ and RMB. The account receivables and account payables in foreign currencies have a natural hedging effect. We routinely conduct forward foreign exchange sales and purchases for next exposure on the difference between receivables and payables in order to reduce the exchange risks.

(3).Response measures for inflation:

Copper and zinc, two of the raw materials required during our Company's production process, are not only affected by global production demand; their prices are also influenced by speculative hot money. Our Company looks at both commodity prices and overall economic developments to determine the need for avoidance. We also examine product combinations to minimize interference with production from fluctuations in material prices.

2. Policies, main causes of gain or loss and future response measures with respect to high-risk, high-leveraged investments, lending or endorsement guarantees, and derivatives transactions:

   To manage financial risk, the Company does not engage in high-risk, high-leverage investments or lending to others.

   To control transaction risks, the Company has defined international management regulations and operating procedures aimed at ensuring sound finances and operations in accordance with the relevant government laws and regulations. The management regulations "Procedure for the Acquisition and Disposal of Assets", "Operating Procedures of Fund Lending", and the "Endorsement Assurance Guidelines."

   All Company transactions in derivative financial products are for hedging purposes rather than for trading or speculative purposes. Exposure to major risks are therefore limited.

3. Future R&D Programs and Expected R&D Investment:

   1. Retraction optimization of Kitchen pulldown faucet.
   2. Magnetic docking system for kitchen pulldown sprayer retraction.
   3. Next generation water saving PB valve development.
   4. Easy installation, fast mount nut.
   5. Generation III, faucet top mount installation.
   6. Mechanical touch on / off switch for Kitchen faucte.
   7. Hi cleaning performance kitchen faucet sprayer development.
   8. Next generation smaller cartridge and lower body development.
   9. Toilet high pressure casting tooling development.
   10. Advanced coating technology development for anticorrosio.
   11. Surface treatment technology for new material.
   12. Hi-density polymer material development.
   13. New material design and application for faucet.

   The abovementioned projects require a budget of NT$6,700 thousand.

4. Major changes in government policies and laws at home and broad, the impact on Company finance and business, and response measures:

   The Company asks professional legal and accounting units to provide assessments, advice as well as response measures to ensure compliance and reduce the impact on Company finances. Important government policies as well as legal changes at home and abroad in recent years have had no major impact on Company operations.

5. Impact of recent technological and market changes on the Company's finance and business, and response measures: None.
6. Impact of corporate image change on risk management and response measures: Our Company's enjoys a good corporate image and there have been no reports that detract for our corporate image.
7. The expected benefits and possible risks of mergers and acquisitions as well as the responding measures: N/A.
8. Expected benefits and possible risks of factory expansions as well as the response measures: N/A.
9. Risks associated with over-concentration in purchase or sale and response measures: This event did not occur at the Company.
10. Impact of mass transfer of equity by or change of directors, supervisors, or shareholders holding more than 10% interest on the Company, associated risks and response measures: N/A.
11. The effects that change in management has on the Company as well as risk and responding measures: N/A.
12. Litigation or non-litigation events:

    Involving the Company or the Company's directors, supervisors, president, de facto company representative, majority shareholders holding more than 10% of the Company's shares, or subsidiary: N/A.

13. Other significant risks and response measures:

    Risk of cyberattacks:

    We did not find any major cyberattacks or operations being affected by damaged systems from 2018 to the date of annual report publication. There was no material negative impact on our business and operations, and we were not involved in any legal cases or investigated for related incidents.

    Denial of Service (DoS) attacks can be launched externally or through an infected system in the intranet, and sabotage the Company's operations or damage the Company's business reputation. Therefore, in the event of a severe cyberattack, our systems may lose important data or production lines may be temporarily shut down because issues caused by the attack have not be resolved.

    Cyberattacks may also be attempts to steal the Company's trade secrets or other intellectual property and confidential information, such as: Exclusive information of customers or other stakeholders and personal information of employees. Hackers may attempt to infect the Company's network system externally or internally through a computer virus, malware, or ransomware, and interfere with the Company's operations or use control over computer systems to extort the Company or access classified information. These attacks may cause the Company to sustain damages from needing to compensate customers due to delay or suspension of purchase orders, or may incur massive expenses for remedial and improvement measures. This may also cause the Company to be involved in legal cases or be investigated for leaking information of customers or third parties that the Company is obligated to keep confidential, and will cause the Company to bear great liability.

We ensure the security, completeness, and effectiveness of data through backups and annual reviews of network security regulations and protocols, such as setting up a firewall, regular disaster drills, and reviewing the recovery plan, as well as timely upgrades of information security. We are using integrated information security equipment of credible third parties, and continue to subscribe to their security updates for overall information security.

Furthermore, due to business and operational requirements, we need to share highly sensitive information with third parties, so that they can provide services to the Company or affiliated enterprises. Even though we require third party service providers to comply with confidentiality and/or network security regulations in the service contract, but it does not guarantee that every third party service provider will comply with or strictly abide by these obligations. The intranet system and/or external cloud network (such as servers) maintained by the above service providers and/or their contractors are also at risk of cyberattacks.

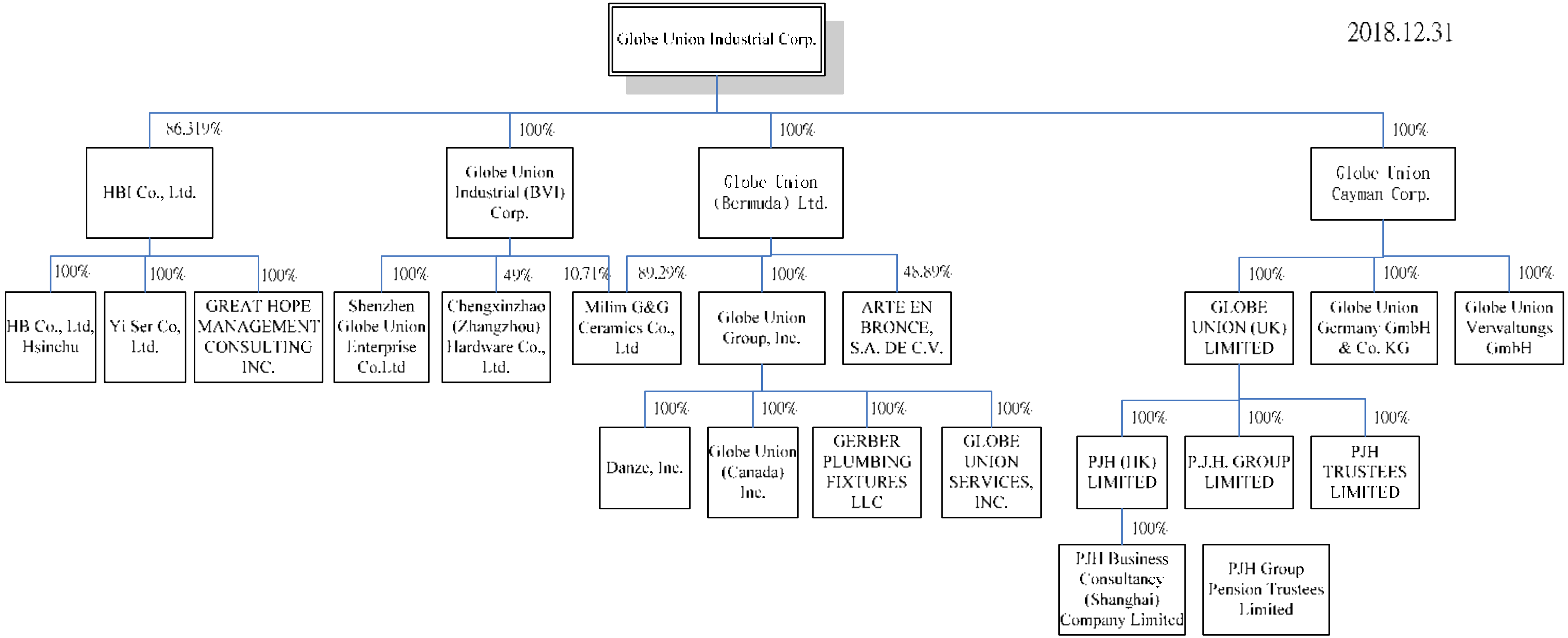
If the Company or service providers cannot immediately resolve the difficult technical issues caused by cyberattacks, or ensure the reliability and availability of the Company's data (and data that belongs to the Company's customers or other third parties), or maintain control over computer systems of the Company or other service providers, it may severely damage our commitment to customers and other stakeholders. It may also have a severely negative effect on our business results, financial position, future prospects, and reputation.

In summary, we have established a complete network and computer security system to control or maintain important corporate functions, such as sales, development, production, and accounting, which reasonably lowers risk. However, network security is a volatile field and it cannot guarantee that the Company will not be affected by new risks and attacks. It also does not ensure that our computer systems can entirely avoid cyberattacks from a paralyzed third party system.

(VII) Other important matters: None.

VIII. Special Disclosures

(I). Information on affiliates and subsidiaries: 1. Corporate affiliation chart (Contribution %)



2. Affiliate profiles

December 31, 2018

Company name	Date of establishment	Address	Paid-in capital	Main business/products
Globe Union Industrial (BVI) Corp.	1996.07.26	P.O. BOX 3340,Road Town, Tortola, British Virgin Islands	NTD 1,434,538,392	Holding company
Shenzhen Globe Union Enterprise Co., Ltd.	2001.03.13	Fushan Industrial District, Qiaotou Community of Fuyong Subdistrict, Bao'an District, Shenzhen City, People's Republic of China	RMB 380,459,896.03	Manufacture and sale of bathroom fittings
Chengxinzhao (Zhangzhou) Hardware Co., Ltd.	2006.04.11	Cihu Industrial Park, Zhangpu County, Fujian Province, People's Republic of China	RMB 40,340,025.73	Manufacture and sale of bathroom fittings
Globe Union Cayman Corp.	2004.09.02	Scotia Center, 4th Floor , P.O.Box 2804, Geroge Town, Grand Cayman, Cayman Islands	NTD 3,182,132,179	Holding company
Globe Union Germany GmbH & Co.KG (Previously Lenz Badkultur GmbH & Co. KG)	2004.12.01	Dreherstr. 11, 59425 Unna, Germany	Euro 17,000,000	Sale of bathroom products
Globe Union Verwaltungs GmbH (Previously Globe Union Germany GmbH)	2004.10.08	Dreherstr. 11, 59425 Unna, Germany	Euro 1,755,000	Holding company
Milim G&G Ceramics Co., Ltd.	1992.10.05	Jinshangwa Town, Fangzi District, Weifang City, Shandong Province, People's Republic of China	RMB 223,813,280	Manufacture and sale of bathroom ceramics
Globe Union (Bermuda) Ltd.	2000.03.06	21 Laffan Street, Hamilton, HM 09 Bermuda	NTD 3,098,446,597	Holding company
ARTE EN BRONCE, S.A. DE C.V.	1978.08.11	Alfredo Del Mazo No.15 C.Col.Parque Industrial E1 Cerrillo Lerma, Edo, De Mexico	PHP 9,000,000	Product sales and service center, customer service center
Globe Union Group, Inc.	2002.03.27	2500 Internationale Parkway, Woodridge, IL 60517-4979, USA	USD 63,734,859	Holding company
Globe Union (Canada) Inc.	1999.06.08	9260 Cote de Liesse, QC, H8T1A1, Canada	CAD 7,298,630	Sales and Marketing Support Services
DANZE, INC.	2000.05.15	2500 Internationale Parkway, Woodridge, IL 60517-4979, USA	USD 33,035,522.60	Overseas sales center

Company name	Date of establishment	Address	Paid-in capital	Main business/products
GERBER PLUMBING FIXTURES LLC	2003.02.14	2500 Internationale Parkway, Woodridge, IL 60517-4979, USA	US$ 42,236,382	Assembly and sale of bathroom products
GLOBE UNION SERVICES, INC.	2005.04.29	2500 Internationale Parkway, Woodridge, IL 60517-4979, USA	US$ 1,000,000	Marketing support service
Home Boutique International Co., Ltd.	2002.12.24	1F, No. 260, Dunhua North Road, Songshan District, Taipei City	NTD 720,000,000	Installation, distribution, purchase and sale of kitchen and bathroom equipment
Yi Ser Co, Ltd.	2005.08.16	4F-3, No. 109, Sec. 6, Minquan E. Rd., Neihu Dist., Taipei City, Taiwan	NTD 15,000,000	Installation, distribution, purchase and sale of kitchen and bathroom equipment
GREAT HOPE MANAGEMENT CONSULTING INC.	2004.08.26	Offshore Chambers, P.O. Box217, Apia, Samoa.	NTD 405,177,675	Holding company
HB Co., Ltd., Hsinchu	2010.12.14	No. 532, Xianzheng 2nd Rd., Zhubei City, Hsinchu County, Taiwan	NTD 25,000,000	Installation, distribution, purchase and sale of kitchen and bathroom equipment
GLOBE UNION (UK) LIMITED	2007.02.02	Alder House Slackey Brow Kearsley Bolton Lancashire BL4 8SL	GBP 39,529,845	Holding company
P.J.H. GROUP LIMITED	1972.05.26	Alder House Kearsley Bolton BL4 8 SL	GBP 7,500,000	Sale of kitchen and bathroom products
PJH TRUSTEES LIMITED	1994.06.09	Alder House, Slackey Brow, Kearsley, Bolton, UK, BL4 8 SL	GBP 2	Trust company
PJH (HK) LIMITED	2005.07.21	FLAT/RM 05-6 17/F 248 QUEEN'S ROAD EAST WANCHAI HK	HKD 10	Holding company
PJH Business Consultancy (Shanghai) Company Limited	2006.01.05	Building A, 4F, No. 979, Wuding Rd. Shanghai City	RMB 519,514.05	Consulting company

3. Controlling and subordinate companies with identical shareholders: N/A

4. Overall businesses covered by affiliates: The business activities of our Company and affiliates include: The manufacturing industry, the trading industry and investment companies.

5. Information on the directors and supervisors of affiliated companies

December 31, 2018Unit: NT$ thousand: Shares: %

Company name	Title	Name or representative	Shareholding	
			No. of shares	Shareholding percentage (%)
Globe Union Industrial (BVI) Corp.	Director	Scott Ouyoung Tsung-Min Chen (Representative of Globe Union Industrial Corp.)	44,427,680	100.00
Shenzhen Globe Union Enterprise Co., Ltd.	Director Director Supervisor	Scott Ouyoung Jung-Chao Lin, Tsun-chu Chou Tsung-Min Chen (Representative of Globe Union Industrial (BVI) Corp.)	No issued shares	100.00
Chengxinzhao (Zhangzhou) Hardware Co., Ltd.	Director Director Director Supervisor	Song-Shan Chung Min-Chih Chung, Kuo-Chi Yen Chiu-Chih Chung, Da-Ying Zhang Chien-Chie Chung (Representative of Globe Union Industrial (BVI) Corp.)	No issued shares	49.00
Globe Union Cayman Corp.	Director	SCOTT OUYOUNG ANDREW YATES Tsung-Min Chen (Representative of Globe Union Industrial Corp.)	97,113,389	100.00
Globe Union Germany GmbH & Co.KG (Previously Lenz Badkultur GmbH & Co. KG)	Director	SCOTT OUYOUNG Tsung-Min Chen ANDREW YATES Nathalie Vandecraen (Representative of Globe Union Cayman Corp.)	17,000,000	100.00
Globe Union Verwaltungs GmbH (Previously Globe Union Germany GmbH)	Director	SCOTT OUYOUNG Tsung-Min Chen ANDREW YATES Nathalie Vandecraen (Representative of Globe Union Cayman Corp.)	1,755,000	100.00
Milim G&G Ceramics Co., Ltd.	Director Director Supervisor	Scott Ouyoung Zhen-Hui Jin, Hong-Ting Wang Kuo-Hsiang Cao, Jun-Xian Chen, Tsung-Min Chen (Representative of Globe Union (Bermuda) Ltd.) (Representative of Globe Union Industrial (BVI) Corp.)	No issued shares	89.29 10.71
Globe Union (Bermuda) Ltd.	Director	Scott Ouyoung, Tsung-Min Chen (Representative of Globe Union Industrial Corp.)	93,449,027	100.00

Company name	Title	Name or representative	Shareholding	
			No. of shares	Shareholding percentage (%)
ARTE EN BRONCE, S.A. DE C.V.	Director	RODOLFO MIJARES GARZA SCOTT OUYOUNG MICHAEL ERIC WERNER GUILLERMINA MIJARES OVIEDO PEDRO MIJARES OVIEDO (Representative of Globe Union (Bermuda) Ltd.)	4,400,000	48.89
Globe Union Group, Inc.	Director	SCOTT OUYOUNG、KEITH E YURKO (Representative of Globe Union (Bermuda) Ltd.)	100	100.00
Globe Union (Canada) Inc.	Director	SCOTT OUYOUNG Keith Yurko DANIEL MERCIER (Representative of Globe Union Group Ltd.)	5,824,000	100.00
DANZE, INC.	Director	SCOTT OUYOUNG (Representative of Globe Union Group Ltd.)	700	100.00
GERBER PLUMBING FIXTURES LLC	Director	SCOTT OUYOUNG Keith Yurko Tsung-Min Chen (Representative of Globe Union Group Ltd.)	9,335,000 ordinary shares 32,901,382 preferred stocks	100.00
GLOBE UNION SERVICES, INC.	Director	KEITH E YURKO (Representative of Globe Union Group Ltd.)	100	100.00
Home Boutique International Co., Ltd.	Director Director Supervisor	Tsung-Min Chen Scott Ouyoung, Hsia-Ling Ssu Min-ling Wang (Representative of Globe Union Industrial Corp.)	62,150,000	86.319
Yi Ser Co., Ltd.	Director Director Supervisor	Tsung-Min Chen Scott Ouyoung, Hsia-Ling Ssu Chi-Fang Kuo (Representative of Home Boutique International Co., Ltd.)	1,500,000	100.00
HB Co., Ltd., Hsinchu	Director Director Supervisor	Tsung-Min Chen Scott Ouyoung, Hsia-Ling Ssu Chi-Fang Kuo (Representative of Home Boutique International Co., Ltd.)	2,500,000	100.00
GREAT HOPE MANAGEMENT CONSULTING INC.	Director	Tsung-Min Chen (Representative of Home Boutique International Co., Ltd.)	12,528,845	100.00

Company name	Title	Name or representative	Shareholding	
			No. of shares	Shareholding percentage (%)
GLOBE UNION (UK) LIMITED	Director	SCOTT OUYOUNG、ANDREW YATES Tsung-Min Chen、Lei-Hui Lee RICHARD IAN GEORGE、JASON DAVID SHAW (Representative of Globe Union Cayman Corp.)	39,529,845	100.00
P.J.H. GROUP LIMITED	Director	SCOTT OUYOUNG、ANDREW YATES JASON DAVID SHAW、RICHARD IAN GEORGE (Representative of Globe Union (UK) Limited)	7,500,000	100.00
PJH TRUSTEES LIMITED	Director	SCOTT OUYOUNG (Representative of GLOBE UNION (UK) LIMITED)	2	100.00
PJH (HK) LIMITED	Director	ANDREW YATES、JASON DAVID SHAW (Representative of Globe Union (UK) Limited)	1	100.00
PJH Business Consultancy (Shanghai) Company Limited	Director Director Supervisor	Zhen-Hui Jin, Andrew Yates JASON DAVID SHAW、 RICHARD IAN GEORGE (Representative of PJH (HK) Limited)	1	100.00

6. Operational overview of each affiliateUnit: NT$ thousand

Company name	Capital	Total assets	Total liabilities	Net worth	Operating income	Operating profit (loss)	Profit or loss for the current period (After tax)	Earnings (loss) per share (NTD) (After tax)
Globe Union Industrial (BVI) Corp.	1,434,538	4,188,698	39,731	4,148,967	0	45,275	302,447	6.81
Shenzhen Globe Union Enterprise Co., Ltd.	1,698,373	3,917,353	1,171,562	2,745,791	5,328,637	212,924	203,853	NA(Note 1)
Chengxinzhao (Zhangzhou) Hardware Co., Ltd.	180,078	46,303	(20)	46,323	0	(2,203)	(1,087)	NA(Note 1)
Globe Union Cayman Corp.	3,182,132	1,015,849	38,880	976,969	0	(1,062)	111,196	1.15
Globe Union Germany GmbH & Co.KG (Previously Lenz Badkultur GmbH & Co. KG)	598,230	316,360	113,084	203,276	663,430	19,635	21,045	1.24
Globe Union Verwaltungs GmbH (Previously Globe Union Germany	61,758	4,948	(1)	4,949	0	(3)	44	0.03
Milim G&G Ceramics Co., Ltd.	999,102	1,764,600	575,265	1,189,335	2,163,192	42,567	40,634	NA(Note 1)
Globe Union (Bermuda) Ltd.	3,098,447	3,739,052	0	3,739,052	0	(1,131)	96,566	1.03
Globe Union Group, Inc.	1,957,935	2,514,018	0	2,514,018	0	(549)	(546)	(5,460)
obe Union (Canada) Inc.	164,803	288,166	121,825	166,341	425,046	14,334	10,939	1.88
DANZE, INC.	1,014,851	502,013	61,026	440,987	390,293	(124,341)	(92,141)	(131,630)
GERBER PLUMBING FIXTURES LLC	1,297,502	2,278,491	474,671	1,803,820	4,926,173	177,020	135,573	14.52
GLOBE UNION SERVICES, INC.	30,720	100,705	10,358	90,347	0	7,912	6,109	61,090
Home Boutique International Co., Ltd.	720,000	1,073,229	509,049	564,180	693,875	10,735	5,089	0.07
Yi Ser Co., Ltd.	15,000	28,070	6,722	21,348	642	(99)	48	0.03

Company name	Capital	Total assets	Total liabilities	Net worth	Operating income	Operating profit (loss)	Profit or loss for the current period (After tax)	Earnings (loss) per share (NTD) (After tax)
GREAT HOPE MANAGEMENT CONSULTING INC.	403,345	1,227	34	1,193	0	(2)	(1,827)	(0.15)
GLOBE UNION (UK) LIMITED	1,536,920	1,390,078	79,200	1,310,878	0	0	0	0
P.J.H. GROUP LIMITED	291,600	1,662,445	1,191,693	470,752	4,988,682	133,840	90,521	12.07
PJH TRUSTEES LIMITED	0	0	0	0	0	0	0	0
PJH (HK) LIMITED	0	0	0	0	0	0	0	0
PJH Business Consultancy (Shanghai) Company Limited	2,319	779	(3,829)	4,608	4,116	162	162	162,000
HB Co., Ltd., Hsinchu	25,000	20,084	28,343	(8,259)	9,392	(4,752)	(4,802)	(1.92)

December 31, 2018 exchange rate:

USD/NTD=1：30.72、CAD/NTD=1：22.58、HKD/NTD=1：3.925、CNY/NTD=1：4.464、GBP/NTD=1：38.88、EUR/NTD=1：35.19、MXN/NTD=1：1.56

Note 1: No issued shares.

7. Consolidated financial statement of affiliates: Please refer to the statement.

8. Affiliate report: None.

Statement

We hereby state that the subsidiaries of our Company that should be included in the 2018 consolidated financial statements of affiliates (January 1, 2018 to December 31, 2018) in accordance with the Regulations Governing the Preparation of Consolidated Financial Statements of Affiliates and Affiliation Report are identical to the companies that should be included in the consolidated financial statements of the parent company and subsidiaries in accordance with International Financial Reporting Standards No. 10, and the information that should be disclosed in the consolidated financial statements of affiliates has been disclosed in the aforesaid consolidated financial statements of the parent company and subsidiaries. Our Company is therefore not required to prepare a separate consolidated financial statements of affiliates.

Hereby declares

Globe Union Industrial Corp.

Responsible Person: Scott Ouyoung

March 11, 2019

Statement of Internal Control System for Public Companies
Indicates that the design and implementation are both effective
(This statement is applicable for all compliance sections)

Globe Union Industrial Corp.
Statement of Internal Control System

Date: March 29, 2019

The Company hereby makes the following statement about its internal control system for the year 2018 based on the assessments it performed:

I. The Company takes recognizance of the fact that the establishment, execution, and maintenance of its internal control system are the responsibilities of the Company's Board of Directors and managers; such policies have been implemented throughout the Company. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability of reports and compliance with relevant regulatory requirements in reaching compliance targets.

II. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control system to facilitate immediate rectification once procedural flaws have been identified.

III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The measures based on which to evaluate the internal control system adopted under the Governing Regulations are its five underlying elements, namely: 1. control environment, 2. risk assessment and reaction, 3. control process, 4. information and communication, and 5. supervision. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.

IV. The Company has adopted the aforementioned measures for an evaluation of the effectiveness of the design and implementation of the internal control system.

V. Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2018 (Note 2) (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability, promptness and transparency of reports and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.

VI. This statement constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. The Company shall be legally liable under Articles 20, 32, 171 and 174 of the Securities and Exchange Act with respect to any unlawful aspects such as falsehood or concealment of facts in relation to the aforesaid statement.

VII. This Statement has been passed by the Board of Directors Meeting of the Company held on March 29, 2019, where 0 of the 7 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Globe Union Industrial Corp.

Chairman: Scott Ouyoung

(II).Private placement of securities in the most recent year up to the date the Annual Report was printed: None.

(III).Holding or disposal of Company shares by subsidiaries in the most recent year and up to the date the Annual Report was printed: None.

(IV).Other necessary supplemental information: None.

(V).Corporate events with material impact on shareholders' equity or stock prices set forth in Article 36 Paragraph 3 Subparagraph 2 of the Securities and Exchange Act in the most recent year and up to the date the Annual Report was printed: None.

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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.

Building a better working world

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)

		For the Years Ended 31 December	
	Notes	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)

		For the Years Ended 31 December	
	Notes	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.

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

(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.

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

(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

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

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

Classification between liabilities or equity

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.

Equity instruments

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

<u>Group as a lessee</u>

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

Starting from 1 January 2018:

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.

Before1 January 2018:

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

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

	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

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

	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

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

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.

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

(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.

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

(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

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

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

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

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.

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

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.

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

(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.

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

(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.

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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

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

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

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

(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.

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

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

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

(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%	-

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

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)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(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%

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(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

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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 parent company only balance sheets of Globe Union Industrial Corp. (the "Company") as at 31 December 2018 and 2017, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2018 and 2017, and notes to the parent company only financial statements, including the summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at 31 December 2018 and 2017, and its parent company only 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.

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 Parent Company Only Financial Statements section of our report. We are independent of the Company 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 the parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment evaluation accounted for under equity method (Goodwill impairment test by subsidiary)

The long-term equity investment of Globe Union Industrial Corp. amounted to NT$9,135,686 thousand, accounting for 79% of the total assets. The Company conducts impairment tests on the relevant cash generating units in accordance with the International Financial Reporting Standards (IFRS). The Company was unable to reliably measure the fair value. According to the results of the impairment test, the value in use of the cash generating unit was higher than its book value, so there is no investment loss estimated in this year. As the calculation of the discounted future cash flow of each cash-generating unit to support the value of the investees required significant management judgment with respect to the assumptions for cash flow forecast, we therefore considered this a key audit matter. The auditor's audit procedures included, but are not limited to, analyzing whether component of cash-generating unit has significant changed, including analyzing its sales pattern and region; analyzing the management's method and assumptions to assess the value in use; inviting internal experts to assist in assessing the reasonableness of management’s key assumptions of the growth rate, discount rate and gross margin, including referring to a company of similar size of the cash generation unit to assess the reasonableness of the key assumptions, such as the equity cost of the components of the discount rate, the Company’s specific risk premium and market risk premium; interviewing management and analyzing the cash flow, gross margin rate and revenue growth rate of financial forecast, and the reasonableness of the overall market and economic forecasts; comparing the current financial predictions and the results that have achieved so far; analyzing the Company’s historical data and performance to assess the rationality of its cash flow forecasts. In addition, we also considered the adequacy of the impairment test results and hypothetical sensitivity disclosures stated in Notes 5 and 6 to the financial statements.

Inventory valuation

The net inventory of the Company (including inventories of the investees accounted for under the equity method) amounted to $3,322,556 thousand, accounting for 29% of the total assets. Due to the uncertainty arising out of product diversification, the allowance for inventory valuation loss and slowing-moving or obsolete inventory required significant management judgement; calculation of inventory cost, including direct labor, direct raw material and allocation of manufacturing cost was complex whose allocation basis had material impact on the financial statements; we therefore considered this key audit matter. The audit procedures included, but are 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 parent company only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the 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 the parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the parent company only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only 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.

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. 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 parent company only 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 to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only 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 parent company only 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 the parent company only 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.

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

Notice to Readers
The accompanying parent company only financial statements are intended only to present the parent company only 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.
PARENT COMPANY ONLY 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)	$478,236	$454,555
Financial assets at fair value through profit or loss, current	4, 6(2)	9,798	2,946
Accounts receivable, net	4, 6(3)	1,222,957	1,142,831
Accounts receivable, net - Related parties	4, 6(3),7	129,992	99,113
Other receivables	7	19,343	14,418
Inventories, net	4, 6(4)	292,018	287,428
Prepayment		61,673	47,455
Other current assets		28,053	20,405
Total current assets		2,242,070	2,069,151
Non-current assets			
Investments accounted for under the equity method	4, 6(5)	9,135,686	8,734,110
Property, plant and equipment	4, 6(6)	84,413	86,414
Intangible assets	4, 6(7)	31,244	46,038
Deferred tax assets	4, 6(22)	36,625	44,920
Other non-current assets	6(8)	3,795	4,376
Total non-current assets		9,291,763	8,915,858
Total assets		$11,533,833	$10,985,009

(The accompanying notes are an integral part of the parent company only financial statements)

(continued)

GLOBE UNION INDUSTRIAL CORP.
PARENT COMPANY ONLY 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(9)	$998,000	$851,000
Financial liabilities at fair value through profit or loss, current	4, 6(10)	-	179
Contract liabilities, current	6(17)	15,191	-
Accounts payable		169,759	128,218
Accounts payable - Related parties	7	2,387,056	1,786,768
Other payables	6(11),7	318,473	332,730
Accrued expenses	6(12),7	274,525	281,796
Current tax liabilities	4, 6(22)	41,870	33,246
Current portion of long-term loans	4, 6(13)	55,769	385,769
Other current liabilities	6(14)	10,017	14,017
Total current liabilities		4,270,660	3,813,723
Non-current liabilities			
Long-term loans	4, 6(13)	1,340,000	1,085,769
Deferred tax liabilities	4, 6(22)	21,888	1,410
Other non-current liabilities		128	-
Net defined benefit obligation, noncurrent	4, 6(14)	3,527	60,456
Total non-current liabilities		1,365,543	1,147,635
Total liabilities		5,636,203	4,961,358
Equity attributable to the parent company	4, 6(15)		
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)	-
Total equity		5,897,630	6,023,651
Total liabilities and equity		$11,533,833	$10,985,009

(The accompanying notes are an integral part of the parent company only financial statements)

GLOBE UNION INDUSTRIAL CORP.
PARENT COMPANY ONLY 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)

		For the Years Ended 31 December	
	Notes	2018	2017
Net sales	4,6(17),7	$9,330,271	$6,817,057
Cost of sales	6(4)(19),7	(8,411,860)	(5,810,382)
Gross profit		918,411	1,006,675
Unrealized intercompany profit		(38,144)	-
Realized intercompany profit		-	54,809
Gross profit		880,267	1,061,484
Operating expenses			
Selling and marketing	6(19),7	(468,211)	(312,130)
General and administrative	6(19),7	(267,564)	(216,146)
Research and development	6(19)	(51,340)	(54,749)
Total operating expenses		(787,115)	(583,025)
Operating income		93,152	478,459
Non-operating income and expenses	6(20)		
Other revenue		18,974	15,359
Other gains and losses		82,567	(43,052)
Financial costs		(31,916)	(35,634)
Share of profit of subsidiaries, associates and joint ventures	6(5)	525,769	344,726
Subtotal		595,394	281,399
Income from continuing operations before income tax		688,546	759,858
Income tax expense	6(22)	(70,326)	(61,516)
Income from continuing operations, net of Tax		618,220	698,342
Other comprehensive income (loss)	6(21)		
Items that may not to be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		19,248	47,102
Share of other comprehensive income/(loss) accounted for using the equity method-remeasurements of defined benefit plans		19,079	-
Income tax related to items that may not to be reclassified subsequently to profit or loss		(2,519)	(760)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(60,341)	(189,285)
Total other comprehensive income (loss), net of tax		(24,533)	(142,943)
Total comprehensive income (loss)		$593,687	$555,399
Earnings per share (NTD)	6(23)		
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 parent company only financial statements)

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

	Notes	Capital			Additional Paid-in Capital	Retained Earnings			Other components of equity		Treasury stock	Total
		Common Stock	Certificates of Bond-to-Stock Conversion	Advance Receipts for Common Stock		Legal Reserve	Special reserve	Unappropriated Earnings	Unearned employee salary	Exchange Differences on Translation of Foreign Operations		
Balance as at 1 Jan 2017	6(15)	$3,553,042	$ -	$ -	$940,467	$698,685	$ -	$709,885	$(12,833)	$(273,081)	$(44,868)	$5,571,297
Appropriations of earnings, 2016:												
Special reserve							285,914	(285,914)				-
Cash dividends								(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
Net income in 2017								698,342				698,342
Other comprehensive income, net of tax in 2017								46,342		(189,285)		(142,943)
Total comprehensive income		-	-	-	-	-	-	744,684	-	(189,285)	-	555,399
Conversion of convertible bonds			131,197		69,632							200,829
Conversion of Certificates of Bond-to-Stock		$131,197	(131,197)									-
Acquisition of treasury stock											(10,326)	(10,326)
Retirement of treasury stock		(35,350)			(8,895)			(10,949)			55,194	-
Collecion of second convertible coporate bonds					(73)							(73)
Share-based payment transactions		19,671		7,329	19,880				4,666			51,546
Balance as at 31 Dec 2017	6(15)	$3,668,560	$ -	$7,329	$1,026,759	$698,685	$285,914	$806,937	$(8,167)	$(462,366)	$ -	$6,023,651
Balance as at 1 Jan 2018	6(15)	$3,668,560	$ -	$7,329	$1,026,759	$698,685	$285,914	$806,937	$(8,167)	$(462,366)	$ -	$6,023,651
Appropriations of earnings, 2017:												
Legal reserve						69,834		(69,834)				-
Special reserve							184,619	(184,619)				-
Cash dividends								(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
Net income in 2018								618,220				618,220
Other comprehensive income, net of tax in 2018								35,808		(60,341)		(24,533)
Total comprehensive income		-	-	-	-	-	-	654,028	-	(60,341)	-	593,687
Acquisition of treasury stock											(186,207)	(186,207)
Share-based payment transactions-Exercise of employee stock option	Note 1			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
Balance as at 31 Dec 2018	6(15)	$3,681,600	$ -	$635	$1,032,019	$768,519	$470,533	$656,738	$(3,500)	$(522,707)	$(186,207)	$5,897,630

(The accompanying notes are an integral part of the parent company only 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.
PARENT COMPANY ONLY 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		$688,546	$759,858
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		14,235	14,668
Amortization		16,988	19,905
Net gain of financial assets/liabilities at fair value through profit or loss		(7,976)	(39,004)
Interest expense		31,916	35,634
Interest revenue		(10,078)	(6,256)
Share-based payment expense		5,475	12,412
Gain on disposal of financial assets measured at fair value through profit or loss		(38)	-
Share of profit of subsidiaries, associates and joint ventures		(525,769)	(344,726)
(Gain) Loss of unrealized intercompany profit		38,144	(54,809)
Changes in operating assets and liabilities:			
Financial assets held for trading		-	36,140
Financial assets at fair value through profit or loss		38,617	-
Accounts receivable		(111,005)	(83,278)
Other receivables		(4,925)	2,279
Inventories, net		(4,590)	(146,028)
Prepayments		(14,218)	(14,324)
Other current assets		(7,648)	19,900
Other assets-others		581	4,346
Financial liabilities held for trading		(37,673)	-
Accounts payable		641,829	652,296
Accrued expenses		(7,419)	17,815
Other payables		(14,257)	(9,355)
Contract liabilities, current		13,010	-
Other current liabilities		2,602	(4,652)
Defined benefit obligation		(42,101)	(41,516)
Other liabilities-others		128	(178)
Cash generated from operations		704,374	831,127
Interest received		10,078	6,256
Dividend received		44,980	-
Interest paid		(31,768)	(33,855)
Income tax paid		(35,449)	(106,439)
Net cash generated from operating activities		692,215	697,089

(The accompanying notes are an integral part of the parent company only financial statements)
(Continued)

GLOBE UNION INDUSTRIAL CORP.
PARENT COMPANY ONLY 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	-
Acquisition of property, plant and equipment		(12,234)	(5,404)
Acquisition of intangible assets		(2,194)	(2,115)
Net cash used in investing activities		(14,390)	(7,519)
Cash flows from financing activities:			
Redemption of bonds payable		-	(872)
Increase in short-term loans		998,000	298,000
Decrease in short-term loans		(851,000)	(237,000)
Exercise of employee stock option		10,606	34,278
Increase in treasury stock		(186,207)	(10,326)
Increase in long-term loans		1,000,000	-
Decrease in long-term loans		(1,075,769)	(250,769)
Cash dividends		(549,774)	(350,769)
Net cash used in financing activities		(654,144)	(517,458)
Net increase in cash and cash equivalents		23,681	172,112
Cash and cash equivalents at beginning of period	6(1)	454,555	282,443
Cash and cash equivalents at end of period		$478,236	$454,555

(The accompanying notes are an integral part of the parent company only financial statements)

GLOBE UNION INDUSTRIAL CORP.

Notes to Parent Company Only 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 Parent Company Only Financial Statements of the Company 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 Company 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 Company 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 Company elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (1 January 2018). The Company also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Company's principal activities consist of the sale of goods and rendering of services. The impacts arising from the adoption of IFRS 15 on the Company 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 Company recognized revenue when (or as) the Company satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Company's revenue recognition from sale of goods. However, for some contracts, if the Company 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. For some rendering of services contracts, part of the consideration was received from customers upon signing the contract, then the Company has the obligation to provide the services subsequently. Before 1 January 2018, the Company 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 Company as at the date of initial application was NT$2,181. In addition, compared with the requirements of IAS 18, other current liabilities decreased by NT$15,191 and the contract liabilities increased by NT$15,191 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 Company 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 Company:

A. The Company 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.

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:

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

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Fair value through profit or loss	$2,946	Fair value through profit or loss	$2,946
At amortized cost Loans and receivables (including cash and cash equivalents, notes receivables, trade receivables, debt instrument investments for which no active market exists and other receivables)	1,710,527	At amortized cost (including cash and cash equivalents, notes receivables, trade receivables, financial assets measured at amortized cost and other receivables)	1,710,527
Total	$1,713,473	Total	$1,713,473

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	$2,946	Measured at fair value through profit or loss	$2,946	$-	$-	$-
Loans and receivables (Note 1)						
Cash and cash equivalents(exclude cash on hand)	454,165	Cash and cash Equivalents (exclude cash on hand)	454,165	-	-	-
Trade receivables	1,241,944	Trade receivables	1,241,944	-	-	-
Other receivables	14,418	Financial assets measured at amortized costs	14,418	-	-	-
Subtotal	1,710,527	Subtotal	1,710,527	-	-	-
Total	$1,713,473	Total	$1,713,473	$-	$-	$-

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 Company 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 Company 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 Company elected to apply this interpretation prospectively on 1 January 2018. This change in accounting principle did not significantly impact the Company's recognition and measurement.

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

The Company 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.

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

(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 Company 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 Company.

(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 Company are summarized as follows:

A. For the definition of a lease, the Company 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 Company 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 Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company 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.

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

(a) Leases classified as operating leases

For leases that were classified as operating leases applying IAS 17, the Company 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 Company 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 Company expects the right-of-use asset will increase by NT$3,956 thousand and the lease liability will increase by NT$3,956 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 Company'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 Company'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 Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The Parent Company Only Financial Statements of the Company 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 Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

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

(3) Foreign Currency Transactions

The parent company only financial statements of the Company are presented in NT$, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at functional currency rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rates of exchange at the reporting date. Non-monetary items measured at fair value in foreign currencies 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 foreign currencies 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.

(4) Translation of foreign currency financial statements

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.

(5) Current and non-current distinction

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

(6) 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.

(7) Financial Instruments

Financial assets and financial liabilities are recognized when the Company 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 Company accounts for regular way purchase or sales of financial assets on the trade date.

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

Financial assets of the Company 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 Company 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 Company 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.

<u>Available-for-sale financial assets</u>

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 Company 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 Company 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 Company 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 Company 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 Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company 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 Company 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 Company 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 Company 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 reclassified from equity to 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 Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
iii. The Company 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

Classification between liabilities or equity

The Company 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.

Equity instruments

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 Company evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Company 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 Company 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.

(8) Derivative instrument

The Company 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.

(9) 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 Company.

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 Company 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.

(10) 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.

(11) Investments accounted for under the equity method

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments. The adjustments took into consideration how the subsidiaries should be accounted for in accordance with IFRS 10 and the different extent to each reporting entity IFRS applies. The adjustments are made by debiting or crediting "Investments accounted for under the equity method", "share of profit or loss of associates and joint ventures accounted for under equity method", and "share of other comprehensive income of associates and joint ventures accounted for using the equity method".

The Company'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 Company has significant influence.

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

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 Company's percentage of ownership interests in the associate, the Company 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 issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company 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 Company disposes the associate or joint venture.

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

The Company 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 Company 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 Company 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 Company 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.

The Company recognizes its interest in the jointly controlled entities using the equity method other than those that meet the criteria to be classified as held for sale. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity.

(12) 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 Company 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	2～5 years
Other equipment	2～6 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.

(13) Leases

Company as a lessee

Finance leases which transfer to the Company 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 Company 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.

Company as a lessor

Leases in which the Company 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.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. 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 Company's intangible assets is as follows:

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

(15) Impairment of non-financial assets

The Company 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 Company 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. 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 Company 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.

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

(16) Post-employment benefits

All regular employees of the Company is 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. Therefore fund assets are not included in the Parent Company Only Financial Statements of the Company.

For the defined contribution plan, the Company 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.

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 Company 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.

(17) Provisions

Provisions are recognized when the Company 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 Company 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.

(18) Treasury shares

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

(19) Revenue recognition

The accounting policy from 1 January 2018 is as follows:

The Company'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 Company 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 Company 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 Company 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 Company 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 Company's sale of goods is from 7 to 150 days. For most of the contracts, when the Company 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 Company 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 Company 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 Company's right to receive the payment is established.

(20) 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.

(21) 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 Company 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.

(22) Share-based payment transactions

The cost of equity-settled transactions between the Company 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 Company'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 Company 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.

(23) 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 Company 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.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's parent company only 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.

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 Non-financial Assets

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 available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs that would be directly attributable to the disposal of the asset. 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 Company 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 Company 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 Company 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.

(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 Company 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 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

Starting from 1 January 2018:

The Company 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.

Before1 January 2018:

The Company 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	$330	$390
Demand deposits	403,188	276,890
Time deposits	74,718	177,275
Total	$478,236	$454,555

(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	$9,798	
Total	$9,798	

	As at 31 December	
	2018(Note)	2017
Held for trading:		
Derivatives not designated as hedging instruments		
Forward foreign exchange contracts		$2,946
Total		$2,946

Note: The Company adopted IFRS 9 on 1 January 2018. The Company 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.

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

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

(3) Trade receivables and trade receivables-related parties

	As at 31 December	
	2018	2017
Trade receivables - non related parties	$1,358,993	$1,316,824
Less: allowance for sales returns and discounts	(136,036)	(173,993)
Less: allowance for doubtful debts	-	-
Subtotal	1,222,957	1,142,831
Accounts receivable - related parties	129,992	99,113
Accounts receivable, net	$1,352,949	$1,241,944

Trade receivables are generally on 7-150 day terms. The Company adopted IFRS 9 for impairment assessment on 1 January 2018. Please refer to Note 6(18) for more details on impairment of trade receivables. The Company 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 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	$-	$-	$-
Charge for the current period	-	-	-
Write-off	-	-	-
As at 31 Dec. 2017	$-	$-	$-

Aging analysis of overdue trade receivables and trade receivables-related parties is as follows:

		Past due but not impaired				
	Neither past due nor impaired	1-90 days	91-180 days	181-365 days	Upon 366 days	Total
31 Dec. 2017	$1,168,204	$73,740	$-	$-	$-	$1,241,944

Trade receivables and trade receivables-related parties were not pledged.

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

(4) Inventories

(a) Details as follows

	As at 31 December	
	2018	2017
Merchandise, net	$292,018	$287,428

(b) For the years ended 31 December 2018 and 2017, the Company recognized $8,411,860 and $5,810,382 for costs of inventories in expenses.

No inventories were pledged.

(5) Investments accounted for using the equity method

(a) The following table lists the investments accounted for using the equity method of the Company:

	As at 31 December			
	2018		2017	
Investees	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in subsidiaries:				
Globe Union Industrial (B.V.I.) Corp.	$4,116,980	100%	$3,940,610	100%
Globe Union (Bermuda) Ltd.	3,484,764	100%	3,364,830	100%
Globe Union Cayman Corp.	985,627	100%	890,442	100%
Home Boutique International Co., Ltd. (HBI Co., Ltd)	548,315	86.319%	538,228	86.319%
Total	$9,135,686		$8,734,110	

The Company's investment in its subsidiary is accounted for using the equity method.

On 31 December 2018, the company assessed and did not identify any indication that its investments accounted for using the equity method may be impaired.

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

(b) For the years ended 31 December 2018 and 2017, The Company recognized share of profit or loss of subsidiaries, associates and joint ventures, exchange differences on translation of foreign operations, remeasurements of defined benefit plans, unrealized gain (loss) on available-for-sale financial assets, and share-based payment transactions, the details as follows:

a. For the year ended 31 December 2018:

Investees	Share of profit or loss of subsidiaries ,associates and joint ventures	Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Share-based payment transactions
Investments in associates:				
Globe Union (Bermuda) Ltd.	$112,487	$32,231	$1,414	$-
Globe Union Cayman Corp.	111,196	(29,597)	13,586	-
Globe Union Industrial (B.V.I.) Corp.	297,693	(64,590)	-	-
Home Boutique International Co., Ltd.	4,393	1,615	4,079	-
Total	$525,769	$(60,341)	$19,079	$-

b. For the year ended 31 December 2017:

Investees	Share of profit or loss of subsidiaries ,associates and joint ventures	Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Share-based payment transactions
Investments in associates:				
Globe Union (Bermuda) Ltd.	$64,741	$(189,015)	$(74)	$3,169
Globe Union Cayman Corp.	38,666	18,752	41,212	1,463
Globe Union Industrial (B.V.I.) Corp.	190,600	(20,364)	-	-
Home Boutique International Co., Ltd.	50,719	1,342	1,493	224
Total	$344,726	$(189,285)	$42,631	$4,856

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

(6) Property, plant and equipment

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
Cost:						
As at 1 Jan. 2018	$133,900	$21,887	$4,650	$65,857	$17,789	$244,083
Additions	-	-	-	8,113	4,121	12,234
Disposals	(475)	(2,881)	-	(5,900)	(9,807)	(19,063)
As at 31 Dec. 2018	$133,425	$19,006	$4,650	$68,070	$12,103	$237,254
As at 1 Jan. 2017	$131,339	$21,887	$4,650	$76,808	$24,304	$258,988
Additions	2,651	-	-	2,743	100	5,494
Disposals	-	-	-	(20,309)	-	(20,309)
Transfers	-	-	-	6,615	(6,615)	-
As at 31 Dec. 2017	$133,900	$21,887	$4,650	$65,857	$17,789	$244,083
Depreciation and impairment:						
As at 1 Jan. 2018	$58,188	$20,546	$4,650	$56,555	$17,730	$157,669
Depreciation	5,617	930	-	6,345	1,343	14,235
Disposals	(475)	(2,881)	-	(5,900)	(9,807)	(19,063)
As at 31 Dec. 2018	$63,330	$18,595	$4,650	$57,000	$9,266	$152,841
As at 1 Jan. 2017	$52,760	$19,005	$4,522	$64,521	$22,501	$163,309
Depreciation	5,428	1,541	128	6,641	930	14,668
Disposals	-	-	-	(20,308)	-	(20,308)
Transfers	-	-	-	5,701	(5,701)	-
As at 31 Dec. 2017	$58,188	$20,546	$4,650	$56,555	$17,730	$157,669
Net carrying amount:						
As at 31 Dec. 2018	$70,095	$411	$-	$11,070	$2,837	$84,413
As at 31 Dec. 2017	$75,712	$1,341	$-	$9,302	$59	$86,414

(a) Property, plant and equipment were not pledged.

(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.

(7) Intangible assets

	Computer software	Trademarks	Total
Cost:			
As at 1 Jan. 2018	$72,884	$90,421	$163,305
Addition-acquired separately	2,194	-	2,194
As at 31 Dec. 2018	$75,078	$90,421	$165,499

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

	Computer software	Trademarks	Total
As at 1 Jan. 2017	$70,769	$90,421	$161,190
Addition-acquired separately	2,115	-	2,115
As at 31 Dec. 2017	$72,884	$90,421	$163,305
Amortization and impairment:			
As at 1 Jan. 2018	$62,261	$55,006	$117,267
Amortization	7,946	9,042	16,988
As at 31 Dec. 2018	$70,207	$64,048	$134,255
As at 1 Jan. 2017	$51,398	$45,964	$97,362
Amortization	10,863	9,042	19,905
As at 31 Dec. 2017	$62,261	$55,006	$117,267
Net carrying amount:			
As at 31 Dec. 2018	$4,871	$26,373	$31,244
As at 31 Dec. 2017	$10,623	$35,415	$46,038

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

	2018	2017
Operating costs	$-	$-
Operating expenses	$16,988	$19,905

(8) Other non-current assets

	As at 31 December	
	2018	2017
Deposits-out	$162	$194
Others	3,633	4,182
Total	$3,795	$4,376

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

(9) Short-term loans

	Interest Rates (%)	As at 31 December 2018	2017
Unsecured bank loans	0.90-1.01	$998,000	$851,000

The Company's unused short-term lines of credits amounted to $1,051,360 and $956,140 as at 31 December 2018 and 2017, respectively.

(10) 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	$-	$179

(11) Other payables

	As at 31 December 2018	2017
Other payables – related parties	$315,132	$329,294
Others	3,341	3,436
Total	$318,473	$332,730

(12) Accrued expenses

	As at 31 December 2018	2017
Accrued payroll and bonus	$73,756	$77,402
Accrued freight	29,254	49,843
Accrued pension	-	14,068
Others	171,515	140,483
Total	$274,525	$281,796

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

(13) 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
CTBC Bank	Credit	100,000	2018/12-2020/12 Interest is paid monthly.	None
KGI Bank	Credit	140,000	2018/10-2020/10 Interest is paid monthly.	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
Far Eastern International Bank	Credit	100,000	2018/12-2020/12 Interest is paid monthly.	None
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
Subtotal		1,395,769		
Less: current portion		(55,769)		
Total		$1,340,000		
Interest rate		1.236%-1.797%		

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

(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
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		1,471,538		
Less: current portion		(385,769)		
Total		$1,085,769		
Interest rate		1.263%-1.647%		

Long-term loans were not pledged. Please refer to Note 9(3) for further details of syndicated bank loans.

(14) Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended 31 December 2018 and 2017 were $7,331 and $6,325 respectively.

Defined benefits plan

The Company adopts 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 contributes 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 assesses 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 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 Company expects to contribute $88 to its defined benefit plan in the next year starting from 31 December 2018.

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

The average duration of the defined benefits plan obligation as at 31 December 2018 and 2017, were 14 years and 12 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	$2,781	$3,532
Interest income or expense	903	1,664
Total	$3,684	$5,196

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	$81,350	$135,765	$134,812
Plan assets at fair value	(77,735)	(70,801)	(23,860)
Defined benefit obligation	$3,615	$64,964	$110,952
Other non-current liabilities	-	(3,188)	(45,310)
Other non-current liabilities - the Company expects to contribute in the coming year	(88)	(1,320)	(1,320)
Other non-current liabilities - defined benefit obligation	$3,527	$60,456	$64,322

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

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	$134,812	$(23,860)	$110,952
Current period service costs	3,532	-	3,532
Net interest expense (income)	2,022	(358)	1,664
Subtotal	140,366	(24,218)	116,148
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	1,421	-	1,421
Actuarial gains and losses arising from changes in financial assumptions	1,728	-	1,728
Experience adjustments	(7,750)	129	(7,621)
Subtotal	(4,601)	129	(4,472)
Payments from the plan	-	-	-
Contributions by employer	-	(46,712)	(46,712)
As at 31 December 2017	$135,765	$(70,801)	$64,964
Current period service costs	2,781	-	2,781
Net interest expense (income)	1,887	(984)	903
Subtotal	140,433	(71,785)	68,648
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(1,291)	-	(1,291)
Actuarial gains and losses arising from changes in financial assumptions	(8,957)	-	(8,957)
Experience adjustments	(7,587)	(1,413)	(9,000)
Subtotal	(17,835)	(1,413)	(19,248)
Payments from the plan	(41,248)	41,248	-
Contributions by employer	-	(45,785)	(45,785)
As at 31 December 2018	$81,350	$(77,735)	$3,615

(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	1.08%	1.39%
Expected rate of salary increases	2.00%	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%	$-	$5,136	$-	$7,649
Discount rate decrease by 0.5%	6,384	-	8,373	-
Future salary increase by 0.5%	6,292	-	8,195	-
Future salary decrease by 0.5%	-	5,120	-	7,569

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.

(15) 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.

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

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.

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

(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(19) for further details on employees' compensation and remuneration to directors and supervisors.

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

(e) Unearned employee salary

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

The shareholder's meeting resolved to issue restricted stocks for employees. Please refer to Note 6 (16) for details.

(16) 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.

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.

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

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	

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

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

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 $7,746 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.

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:

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

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.

(17) Operating revenue

	For the years ended 31 December	
	2018(Note)	2017
Revenue from contracts with customers		
Sale of goods	$9,700,524	$7,219,911
Less: Sales returns, discounts and allowances	(370,253)	(402,854)
Total	$9,330,271	$6,817,057

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

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

(a) Disaggregation of revenue

	2018.1.1~2018.12.31
Timing of revenue recognition	
At a point in time	$9,330,271
Over time	-
Total	$9,330,271

(b) Contract balances

Contract liabilities - current

	Beginning balance	Ending balance	Difference
Sales of goods	$2,181	$15,191	$13,010
Total	$2,181	$15,191	$13,010

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

(18) Expected credit losses/ (gains)

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

Note: The Company adopted IFRS 9 on 1 January 2018. The Company 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.

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

The Company 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 Company's loss allowance as at 31 December 2018 is as follows:

The Company considers the grouping of trade receivables by the counterparties' credit ratings, the geographical region and industry sector and its loss allowance is measured by using a provision matrix. The 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	$1,284,538	$68,411	$-	$-	$-	$1,352,949
Loss ratio	0.00%	0.00%	0.00%	0.00%	0.00%	
Lifetime Expected credit losses	-	-	-	-	-	-
Carrying amount	$1,284,538	$68,411	$-	$-	$-	$1,352,949

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

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)	$-	$-
Transition adjustment to retained earnings	-	-
Beginning balance (in accordance with IFRS 9)	-	-
Addition/(reversal) for the current period	-	-
Write off	-	-
Exchange differences	-	-
Ending balance	$-	$-

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

(19) 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	$-	$213,061	$213,061	$-	$174,898	$174,898
Labor and health insurance	-	14,705	14,705	-	12,550	12,550
Pension	-	11,015	11,015	-	11,521	11,521
Directors' remuneration	-	9,197	9,197	-	8,379	8,379
Other employee benefits expense	-	5,095	5,095	-	3,693	3,693
Depreciation	-	14,235	14,235	-	14,668	14,668
Amortization	-	16,988	16,988	-	19,905	19,905

The number of employees of the Company for the years ended 31 December 2018 and 2017 were 184 and 186, respectively. There were 6 non-employee directors for both years.

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 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 31 December, 2017.

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.

(20) Non-operating income and expenses

(a) Other income

	For the years ended 31 December	
	2018	2017
Interest income	(Note)	$6,256
Financial assets measured at amortized cost	$10,078	(Note)
Others	8,896	9,103
Total	$18,974	$15,359

Note: The Company adopted IFRS 9 on 1 January 2018. The Company 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
Foreign exchange gains (losses), net	$106,713	$(79,178)
Gains on financial assets at fair value through profit or loss	45,470	39,183
Losses on financial liabilities at fair value through profit or loss	(37,494)	(179)
Others	(32,122)	(2,878)
Total	$82,567	$(43,052)

(c) Finance costs

	For the years ended 31 December	
	2018	2017
Interest on loans from bank	$31,916	$34,157
Interest on bonds payable	-	1,477
Total	$31,916	$35,634

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

(21) 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	$19,248	$-	$19,248	$(2,519)	$16,729
Share of other comprehensive income/loss of subsidiaries using equity method - remeasurements of defined benefit plans	19,079	-	19,079	-	19,079
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(60,341)	-	(60,341)	-	(60,341)
Total of other comprehensive income	$(22,014)	$-	$(22,014)	$(2,519)	$(24,533)

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	$47,102	$-	$47,102	$(760)	$46,342
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(189,285)	-	(189,285)	-	(189,285)
Total of other comprehensive income	$(142,183)	$-	$(142,183)	$(760)	$(142,943)

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

(22) Income tax

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	$24,072	$72,892
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	32,601	(11,376)
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	(6,347)	-
Total income tax expense	$70,326	$61,516

(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	$2,519	$760
Income tax relating to components of other comprehensive income	$2,519	$760

(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	$688,546	$759,858
Tax at the domestic rates applicable to profits in the country concerned	$137,709	$129,176
Tax effect of revenues exempt from taxation	(105,161)	(81,091)
Tax effect of expenses not deductible for tax purposes	24,125	13,431
Deferred tax effect of tax rate change or the imposition of new taxes	(6,347)	-
Adjustments in respect of current income tax of prior periods	20,000	-
Total income tax expenses recorded in profit or loss	$70,326	$61,516

(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					
Non-current liability – Defined benefit Liability	$10,380	$(7,920)	$(2,519)	$-	$(59)
Allowance for sales discounts	29,579	(2,372)	-	-	27,207
Unrealized exchange gain or loss	4,033	(14,484)	-	-	(10,451)
Revaluations of financial liabilities at fair value through profit or loss	30	(30)	-	-	-
Revaluations of financial assets at fair value through profit or loss	(512)	(1,448)	-	-	(1,960)
Deferred tax expense/ (income)		$(26,254)	$(2,519)	$-	
Net deferred tax assets/ (liabilities)	$43,510				$14,737
Reflected in balance sheet as follows:					
Deferred tax assets	$44,920				$36,625
Deferred tax liabilities	$(1,410)				$(21,888)

(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					
Non-current liability – Defined benefit Liability	$18,197	$7,057	$760	$-	$10,380
Allowance for sales discounts	20,622	(8,957)	-	-	29,579
Unrealized exchange gain or loss	(5,930)	(9,963)	-	-	4,033
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	(4)	508	-	-	(512)
Deferred tax expense/ (income)		$(11,376)	$760	$-	
Net deferred tax assets/ (liabilities)	$32,894				$43,510
Reflected in balance sheet as follows:					
Deferred tax assets	$38,828				$44,920
Deferred tax liabilities	$(5,934)				$(1,410)

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

(c) Unrecognized deferred tax assets

As at 31 December 2018 and 2017, deferred tax assets that have not been recognized amount to $353,292 and $319,948 respectively.

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

The Company did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Company's overseas subsidiaries, as the Company 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.

(e) 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
The Company	Assessed and approved up to 2014 and 2016

(23) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

7. RELATED PARTY TRANSACTIONS

The persons who have transactions with the company during the financial reporting period are as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Gerber Plumbing Fixture LLC	Indirect holding subsidiary
Danze Inc.	Indirect holding subsidiary
Globe Union (Canada) Inc.	Indirect holding subsidiary
HBI Co., Ltd.	Subsidiary
PJH Group Ltd.	Indirect holding subsidiary
Globe Union Germany GmbH & Co.KG	Indirect holding subsidiary
Globe Union Services, Inc.	Indirect holding subsidiary
Shenzhen Globe Union Enterprise Co., Ltd.	Indirect holding subsidiary
Milim G&G Ceramics Co., Ltd.	Indirect holding subsidiary
Qingdao Globe Union Technology Industrial Corp.	Indirect holding subsidiary
Chengxinzhao (Zhangzhou)	Associate

(1) Significant transactions with related parties

(a) Sales

	For the years ended 31 December	
	2018	2017
Gerber Plumbing Fixture LLC	$3,309,305	$2,889,240
Globe Union (Canada) Inc.	289,191	228,075
Danze Inc.	17,550	65,788
Total	$3,616,046	$3,183,103

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.

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

(b) Purchases

	For the years ended 31 December	
	2018	2017
Shenzhen Globe Union Enterprise Co., Ltd.	$5,010,545	$2,871,102
Milim G&G Ceramics Co., Ltd.	2,106,489	1,861,349
Total	$7,117,034	$4,732,451

A small portion of the purchase prices between related parties were not significantly different from that with the third parties. For the other purchase prices, there were no comparable goods bought from third party suppliers.

(c) Accounts receivable, net – related parties

	As at 31 December	
	2018	2017
Globe Union (Canada) Inc.	$78,546	$59,958
Gerber Plumbing Fixture LLC	51,446	36,961
Danze Inc.	-	2,194
Total	$129,992	$99,113

(d) Other receivables – related parties

	As at 31 December	
	2018	2017
Gerber Plumbing Fixtures LLC	$17,439	$5,470
Chengxinzhao (Zhangzhou)	1,692	1,692
Globe Union Canada Inc.	3	48
Qingdao Globe Union Technology Industrial corp.	-	6,705
Danze Inc.	-	100
PJH Group Ltd.	-	80
Globe Union Germany GmbH & Co.KG	-	48
Total	$19,134	$14,143

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

(e) Accounts payable, net – related parties

	As at 31 December	
	2018	2017
Shenzhen Globe Union Enterprise Co., Ltd.	$2,234,544	$1,628,310
Milim G&G Ceramics Co., Ltd.	152,512	158,458
Total	$2,387,056	$1,786,768

(f) Other payables – related parties

	As at 31 December	
	2018	2017
Globe Union Industrial (BVI) Corp.	$249,984	$256,088
Globe Union (Bermuda) Ltd.	46,080	44,670
Globe Union Services, Inc.	6,828	850
Globe Union Canada, Inc.	4,498	7,559
Shenzhen Globe Union Enterprise Co., Ltd.	3,294	13,376
Danze Inc.	2,978	6,646
Milim G&G Ceramics Co., Ltd.	1,029	-
Gerber Plumbing Fixtures LLC	384	5
PJH Group Ltd.	57	-
Globe Union Germany GmbH & Co. KG	-	100
Total	$315,132	$329,294

(g) Accrued expenses

	As at 31 December	
	2018	2017
Globe Union Services, Inc.	$13,134	$12,139
Globe Union Canada, Inc.	11,068	6,540
Danze Inc.	2,165	1,991
Gerber Plumbing Fixtures LLC	201	3,795
PJH Group Ltd.	56	457
Milim G&G Ceramics Co., Ltd.	-	4,845
Total	$26,624	$29,767

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

(h) Commission expenses

	For the years ended 31 December	
	2018	2017
Globe Union Germany GmbH & Co. KG	$-	$2,614
Total	$-	$2,614

(i) Management service expenses

	For the years ended 31 December	
	2018	2017
Globe Union Services, Inc.	$107,625	$90,533
Globe Union Canada, Inc.	78,791	22,103
Total	$186,596	$112,636

(j) Key management personnel compensation

	For the years ended 31 December	
	2018	2017
Short-term employee benefits	$38,246	$39,578
Post-Employment Benefits	2,590	3,478
Termination benefits	-	-
Total	$40,836	$43,056

8. ASSETS PLEDGED AS SECURITY

None.

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) and Note 13(2)(b) 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 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.

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

12. OTHERS

(1) Financial instruments

(a) 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)	$2,946
Mandatorily measured at Fair value through profit or loss	$9,798	(Note 1)
Financial assets measured at amortized cost (Note 3)	1,850,198	(Note 1)
Loans and receivables:		
Cash and cash equivalents (exclude cash on hand)	(Note 1)	454,165
Notes and accounts receivable	(Note 1)	1,241,944
Other receivables- time deposit (Note 4)	(Note 1)	14,418

Financial liabilities		
Financial liabilities at amortized cost:		
Short-term borrowings	$998,000	$851,000
Notes and accounts payable	2,556,815	1,914,986
Long-term loans (including current portion with maturity less than 1 year)	1,395,769	1,471,538
Financial liabilities at fair value through profit or loss:		
Held for trading	-	179

Note:

(1) The Company adopted IFRS 9 on 1 January 2018. The Company 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.

(b) Financial risk management objectives and policies

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

The Company 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 Company complies with its financial risk management policies at all times.

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

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company 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 Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period.

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

The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD and CNY.

(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	$-	$12,196
For the year ended 31 December 2017	$-	$10,888

(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	$-	$(23,518)
For the year ended 31 December 2017	$-	$(16,966)

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. 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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Company 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 $2,394 and $2,323, respectively.

(d) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company 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.

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

As at 31 December 2018 and 31 December 2017, amounts receivables from top ten customers represented 80.28% and 76.99% of the total trade receivables of the Company, 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 Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(e) Liquidity risk management

The Company'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.

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

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	$999,888	$-	$-	$-	$999,888
Notes and accounts payable	2,556,815	-	-	-	2,556,815
Long-term borrowings (including current portion with maturity less than 1 year)	78,494	675,495	713,478	-	1,467,467
Other payables	318,473	-	-	-	318,473
As at 31 Dec. 2017					
Short-term borrowings	$853,156	$-	$-	$-	$853,156
Notes and accounts payable	1,914,986	-	-	-	1,914,986
Long-term borrowings (including current portion with maturity less than 1 year)	404,898	1,093,654	-	-	1,498,552
Other payables	332,730	-	-	-	332,730

Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 Dec. 2018					
Inflows	$-	$-	$-	$-	$-
Outflows	-	-	-	-	-
Net	$-	$-	$-	$-	$-

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 Dec. 2017					
Inflows	$18,332	$-	$-	$-	$18,332
Outflows	(18,511)	-	-	-	(18,511)
Net	$(179)	$-	$-	$-	$(179)

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

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

(f) 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	$851,000	$1,471,538	$2,322,538
Cash flows	147,000	(75,769)	(71,231)
As at 31 December. 2018	$998,000	$1,395,769	$2,393,769

Reconciliation of liabilities for the year ended 31 December 2017:

Not applicable.

(g) Fair value 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 Company 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 Company'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(1)(h) for fair value measurement hierarchy for financial instruments of the Company.

(h) 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

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

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 Company 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 Company's assets and liabilities

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

As at 31 Dec. 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$-	$9,798	$-	$9,798
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	-	-	-

As at 31 Dec. 2017

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$-	$2,946	$-	$2,946
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	179	-	179

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 Company's assets and liabilities not measured at fair value but for which the fair value is disclosed:

None.

(2) Financial instruments

The Company'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 Company 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
As at 31 Dec. 2017		
Forward currency contract	Sell CAD 780	From Feb. 2018 to Mar. 2018
Forward currency contract	Sell USD 8,092	From Jan. 2018 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 Company has sufficient operating funds, the cash flow risk is insignificant.

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

(3) 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 Dec. 2018			As at 31 Dec. 2017		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary items:						
USD	$58,233	30.72	$1,788,928	$52,338	29.78	$1,558,621
CNY	26,616	4.464	118,812	48,616	4.573	222,323
CAD	3,676	22.58	83,010	2,560	23.76	60,829
Financial liabilities						
Monetary items:						
USD	$18,532	30.72	$569,299	$15,778	29.78	$469,870
CNY	553,454	4.464	2,470,617	419,624	4.573	1,918,939

(4) Capital management

The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. OTHER DISCLOSURE

The detail information of the Company about the significant transactions, investees and investments in mainland China.

(1) Information at significant transactions

(a) Financing provided to others for the year ended 31 December 2018: None.

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

(c) Securities held as at 31 December 2018 (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.

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

(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%	-
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%	-

(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as at the year ended 31 December 2018: None.

(i) Financial instruments and derivative transactions:

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

(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 (thousands)	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,Geroge Town, 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)

(b) Information on significant transactions of investees on which the Company exercises significant influence:

a. Financing provided:

No	Lender	Counter-party	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 Item	Collateral Value	Limit of financing amount for individual counter-party	Limit of total financing amount
1	Globe Union UK Ltd.	PJH Group Limited	Other receivable	Yes	$286,832 GBP6,934,554	$- GBP-	$- GBP-	-	2	$-	For operating	$-	-	$-	$322,284 GBP8,289,186 (Note 3)	$322,284 GBP8,289,186 (Note 1)
3	Globe Union Industrial (BVI) Corp.	Globe Union (UK) Ltd.	Other receivable	Yes	$82,720 GBP2,000,000	$77,760 GBP2,000,000	$77,760 GBP2,000,000	-	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 GBP1,000,000	$38,880 GBP1,000,000	$38,880 GBP1,000,000	-	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 RMB6,800,000	$- 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 RMB56,000,000	$249,984 RMB56,000,000	$249,984 RMB56,000,000	-	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.

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

b. Endorsement/Guarantee provided: None.

c. Securities held as at 31 December 2018 (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 amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the year ended 31 December 2018:

			Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		
Company Name	Counter-party	Relationship	Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	Note
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	$5,010,545 RMB 1,095,150,495	86.49%	180 days after EOAP	No general selling price to be compared with	Regular	$2,234,544 RMB 501,187,978	134.57%	
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co.KG	Associate	Sales	$269,751 RMB 58,808,994	4.64%	120 days after EOAP	No general selling price to be compared with	Regular	$60,965 RMB 13,656,953	3.67%	

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

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 (Canada) Inc.	Globe Union Industrial Corp.	Group direct parent company	Purchase		$(289,191)	(86.92%)	90 days after EOAP	No general purchase price to be compared with	Regular		$(78,546)	(118.36%)	
				CAD	(12,462,793)					CAD	(3,478,543)		
Gerber Plumbing Fixtures,LLC	Globe Union Industrial Corp.	Group direct parent company	Purchase		$(3,309,305)	(126.41%)	7 days after Invoice	No general purchase price to be compared with	Regular		$(51,446)	(16.07%)	
				USD	(109,574,257)					USD	(1,674,674)		
Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales		$2,106,489	110.07%	30 days after EOAP	No general selling price to be compared with	Regular		$152,512	135.95%	
				RMB	459,554,317					RMB	34,164,822		
Globe Union Germany GmbH & Co.KG	Shenzhen Globe Union Enterprise Co., Ltd.	Associate	Purchase		$(269,751)	(54.25%)	120 days after EOAP	No general purchase price to be compared with	Regular		$ (60,965)	(49.53%)	
				EUR	(7,575,362)					EUR	(1,742,647)		

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	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	$-

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

i. Transactions of derivative financial instruments:

Company Name	Item	Transaction	Nominal Amount	Contract Period	Fair Value
PJH Group LTD	Forward currency contract	Sell	GBP 542,923	2018/12-2019/02	$(198)
	Forward currency contract	Sell	GBP 466,425	2018/11-2019/01	292
	Forward currency contract	Sell	GBP 231,654	2018/12-2019/01	(84)
	Forward currency contract	Sell	GBP 137,577	2018/11-2019/01	(2)
	Forward currency contract	Sell	GBP 93,829	2018/12-2019/03	(46)
	Forward currency contract	Sell	GBP 77,287	2018/11-2019/01	393
	Forward currency contract	Sell	GBP 28,835	2018/12-2019/02	8
				Subtotal	$363
Home Boutique International Co., Ltd.	Forward currency contract	Buy	EUR 85,231	2019/01	$(4)
	Forward currency contract	Buy	USD 143,990	2019/02	(13)
	Forward currency contract	Buy	USD 128,864	2019/03	(11)
	Forward currency contract	Buy	USD 117,953	2019/02	(15)
	Forward currency contract	Buy	USD 35,225	2019/01	(4)
	Forward currency contract	Buy	USD 34,444	2019/01	1
	Forward currency contract	Buy	USD 29,573	2019/01	1
				Subtotal	$(45)

(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 (Note 1)	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

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

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 (Note 1)	Carrying Value as at 31 December 2018	Accumulated Inward Remittance of Earnings as at 31 December 2018
					Outflow	Inflow						
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 December 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 7 for more details on the significant transactions between the Company and investees in Mainland China in 2018.

Globe Union Industrial Corp.

Chairman: Scott Ouyoung