GLOBE UNION INDUSTRIAL CORP.

PARENT COMPANY ONLY FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED
31 DECEMBER 2018 AND 2017

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

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REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

To Globe Union Industrial Corp.

Opinion

We have audited the accompanying 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.

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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.

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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)

		As at	
Liabilities and Equity	Notes	31 Dec 2018	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)

		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	Unearned employee salary	Exchange Differences on Translation of Foreign Operations	Treasury stock	Total
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		At amortized cost (including cash and cash equivalents, notes receivables, trade receivables, financial assets measured at amortized cost and other receivables)	1,710,527
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		
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.

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 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.

<u>Financial liabilities at amortized cost</u>

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.

<u>Current income tax</u>

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

		As at 31 December	
	Interest Rates (%)	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. <u>Foreign currency risk</u>

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.

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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.

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(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.

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(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.

GLOBE UNION INDUSTRIAL CORP.

Notes to Parent Company Only Financial Statements (Continued)

(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		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 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.

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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:

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)	
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	$-

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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.

STATEMENTS OF MAJOR ACCOUNTING ITEMS
For the Year Ended 31 December 2018

GLOBE UNION INDUSTRIAL CORP.

1. Statement of Cash and Cash Equivalents

31 December 2018

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

Item		Description	Amount	Note
Cash on hand			$330	
Cash in banks				
Demand deposits			12,039	
Checking accounts			5	
Foreign currency deposits			465,862	
	RMB	26,615,657.52		
	USD	11,231,330.09		
	HKD	128,746.04		
	CAD	32,368.17		
	GBP	11,826.99		
	EUR	8,475.36		
	AUD	1,336.61		
Subtotal			477,906	
Total			$478,236	

GLOBE UNION INDUSTRIAL CORP.

2. Statement of Accounts Receivable, Net

31 December 2018

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

Client Name	Description	Amount		Note
		Subtotal	Total	
Related Parties				
Globe Union Canada Inc.		$78,546		
Gerber Plumbing Fixtures LLC		51,446		
Subtotal			$129,992	
Non-related Parties				
Client A		214,356		
Client B		211,898		
Client C		162,480		
Client D		110,121		
Client E		96,086		
Client F		91,925		
Client G		77,243		
Client H		67,490		
Others (Note)		327,394	1,358,993	
Less: Allowance for sales returns and discounts			(136,036)	
Subtotal			1,222,957	
Total			$1,352,949	

(Note) The amount of individual client included in others does not exceed 5% of the account balance of accounts receivable- non related parties.

GLOBE UNION INDUSTRIAL CORP.

3. Statement of Inventories

31 December 2018

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

Item	Cost			Net Realizable Value		Note
	Normal inventory	Obsolete inventory	Total	Normal inventory	Obsolete inventory	
Merchandise	$292,018	$-	$292,018	$351,701	$-	Please refer to Note 4(10) for more details on net realizable value.
Total	$292,018	$-	292,018	351,701	$-	
Less: Allowance for inventory valuation			-			
Net			$292,018			

GLOBE UNION INDUSTRIAL CORP.

4. Statement of Changes in Investments Accounted for Using Equity Method

31 December 2018

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

Name of Company	Balance as at 1 January 2018		Additions		Decrease		Share of profit or loss of associates and joint ventures	Unrealized Profit	Exchange differences on translation of foreign operations	Remeasurements of defined benefit plans	Share of changes in net assets of associates and joint ventures accounted for using the equity method	Balance as at 31 December2018			Market Value or Net Assets Value		Method of valuation	Guarantee	Note
	Shares	Amount	Shares	Amount	Shares	Amount						Shares	%	Amount of Money	Unit Price	Total Amount			
Globe Union Industrial (B.V.I.) Corp.	44,427,680	$3,940,610	-	$-	-	$(44,980)	$297,693	$-	$(64,590)	$-	$(11,753)	44,427,680	100%	$4,116,980		$4,148,967	Equity Method	None	
Globe Union (Bermuda) Ltd.	93,449,027	3,364,830	-	-	-		112,487	(38,144)	32,231	1,414	11,946	93,449,027	100%	3,484,764		3,739,052	Equity Method	None	
Globe Union Cayman Corp.	97,113,389	890,442	-	-	-		111,196	-	(29,597)	13,586	-	97,113,389	100%	985,627		976,969	Equity Method	None	
Home Boutique International Co., Ltd.	62,150,000	538,228	-	-	-		4,393	-	1,615	4,079	-	62,150,000	86.319%	548,315		486,995	Equity Method	None	
Total		$8,734,110		$-		$(44,980)	$525,769	$(38,144)	$(60,341)	$19,709	$193			$9,135,686		$9,351,983			

GLOBE UNION INDUSTRIAL CORP.

5. Statement of Short-term Loans

31 December 2018

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

Type	Lenders	As at 31 December 2018	Contract Period	Range of Interest Rates (%)	Line of credit	Guarantee	Note
Credit	E.SUN Commercial Bank	$300,000	2018/11/6 ~ 2019/1/29	0.90% ~ 1.01%	NTD 300 million	None	
Credit	Far Eastern International Bank	200,000	2018/12/20 ~ 2019/1/14		NTD 200 million	None	
Credit	HSBC	228,000	2018/10/2 ~ 2019/3/29		USD 8 million	None	
Credit	Bank SinoPac	200,000	2018/10/5 ~ 2019/1/4		USD 200 million	None	
Credit	Taipei Fubon Commercial Bank	70,000	2018/10/25 ~ 2019/3/26		NTD 300 million	None	
	Total	$998,000					

GLOBE UNION INDUSTRIAL CORP.

6. Statement of Accounts Payable, Net

31 December 2018

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

Item	Description	Amount	Note
Supplier A		$36,126	
Supplier B		32,736	
Supplier C		27,971	
Supplier D		16,941	
Supplier E		16,939	
Supplier F		13,912	
Others (Note)		25,134	
Total		$169,759	

(Note) The amount of individual supplier included in others does not exceed 5% of the account balance of accounts payable, net.

GLOBE UNION INDUSTRIAL CORP.

7. Statement of Accounts Payable- Related Parties

31 December 2018

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

Item	Description	Amount	Note
Shenzhen Globe Union Enterprise Co., Ltd.		$2,234,544	
Milim G&G Ceramics Co., Ltd.		152,512	
Total		$2,387,056	

GLOBE UNION INDUSTRIAL CORP.

8. Statement of Accrued Income Tax

31 December 2018

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

Item	Description	Amount	Note
Beginning balance		$33,246	
Add: provision for income tax		44,073	
Less: income tax paid		(35,449)	
Ending balance		$41,870	

GLOBE UNION INDUSTRIAL CORP.

9. Statement of Other Payables

31 December 2018

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

Item	Description	Amount		Note
		Subtotal	Total	
Other payables - related parties				
Globe Union Industrial (BVI) Corp.		$249,984		
Globe Union (Bermuda) Ltd.		46,080		
Globe Union Services, Inc.		6,828		
Globe Union (Canada) Inc.		4,498		
Shenzhen Globe Union Enterprise Co., Ltd.		3,294		
Danze Inc		2,978		
Milim G&G Ceramics Co., Ltd.		1,029		
Gerber Plumbing Fixtures Corp		384		
PJH Group LTD.		57	$315,132	
Others			3,341	
Total			$318,473	

GLOBE UNION INDUSTRIAL CORP.

10. Statement of Net Sales

31 December 2018

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

Item	Quantity	Amount	Note
Goods purchased	24,067,820 PCS	$9,330,271	

GLOBE UNION INDUSTRIAL CORP.

11. Statement of Cost of Sales

31 December 2018

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

Item	Amount	Note
(1) Cost of sales		
Beginning balance of inventory	$287,428	
Add: goods purchased	8,223,478	
Freight	194,987	
Less: transferred to sample expenses	(2,015)	
Ending balance of inventory	(292,018)	
Cost of sales of goods purchased	8,411,860	
(2) Adjustments	-	
(3) Write-down of excess and obsolete inventory	-	
Total cost of sales	$8,411,860	

GLOBE UNION INDUSTRIAL CORP.

12. Statement of Operating Expenses

31 December 2018

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

Item	Selling expenses	General and Administrative Expense	Research and development expenses	Total	Note
Payroll and related expense	$68,620	$138,255	$26,623	$233,498	
Travel expenses	10,325	8,430	3,180	21,935	
Amortization	9,041	2,975	4,972	16,988	
Professional service fees	112,906	61,648	4,553	179,107	
Management fees	186,596	-	-	186,596	
Others (Note)	80,723	56,256	12,012	148,991	
Total	$468,211	$267,564	$51,340	$787,115	

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