



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



2019 ANNUAL SHAREHOLDERS' MEETING MINUTES

Time : 9:00 a.m., Friday, May 31th, 2019

Place : No. 328, Junfu 18th Rd., Beitun Dist., Taichung City 406, Taiwan (R.O.C.)
(Wagor International Banquet Hall)

Total outstanding GUIC shares : 356,236,962 shares

Total shares represented by shareholders present in person or by proxy : 229,543,189
shares(including votes casted electronically 62,636,267 shares).

Percentage of shares held by shareholders present in person or by proxy : 64.43%

Chairperson: Scott Ouyoung, Chairman of the Board of Directors



Observer : Directors : Scott Ouyoung 、 Hsien Ou Yang 、 Chi-Keung Chung 、 Wen-Mei Yiu

Independent Directors : Young-Sheng Hsu 、 Chin-Shan Huang 、 Yi-Chia Chiu

CPA : Tzu-Ping Huang

Recorder : Fusheng Ku



The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

I. Chairman's Address(omitted)

II. Report Items:

Report No. 1:

Management Report on the Company's Business Performance.

Explanatory Notes : Please refer to Attachment 1.

Report No. 2:

Audit Committee's Review Report on the FY 2018 audited Financial Statements.

Explanatory Notes : Please refer to Attachment 2.

Report No. 3:

FY2018 Directors' and employees' profit sharing.

Explanatory Notes :

- (1) According to Article 25-1, Section 1, of the Company's Articles of Incorporation "If the Company was profitable during the year, at least 2% of the profit shall be allocated as employee remuneration first, and no more than 2% can be allocated as remuneration for directors and supervisors. However, an amount shall be set aside in advance to compensate for cumulative losses, if any."
- (2) The Company has proposed to allocate NT\$4,504,999 as Directors' and Supervisors' FY2018 remuneration and to allocate NT\$23,973,000 as Employees' FY2018 remuneration. (The Supervisors' tenure in FY2018 is from Jan 1st to May 25th, and their remunerations are to be issued proportionally.)
- (3) The remunerations shall be distributed by cash.
- (4) The proposals have been approved by the Remuneration Committee and the Board of Directors on March 11th, 2019.

Report No. 4:

Treasury Stock Execution Status Report.

Explanatory Notes :

For the Company and Shareholders interest, the Company repurchased treasury stock from the market.

Execution status as below,

Date of the board of directors resolution	2018/10/08
Purpose of the share repurchase	For the shareholders' interest. The purchased shares will be canceled by GUIC.
Actual period for the repurchase	2018/10/11~2018/12/07
Repurchase price range	NT\$11.03 to NT\$24.47 per share
Number of shares to be repurchased	12,000,000 shares.
Number and Type of shares repurchased	common stocks 12,000,000 shares
Total monetary amount of shares repurchased	NTD\$186,188,289.
Total shares canceled	12,000,000 shares
Cumulative number of own shares held	0 shares
Ratio of cumulative number of own shares held during the repurchase period to the total number of the Company's issued shares (%)	0

Average repurchase price per share	NTD\$15.52 per share
Reason for non-completion of the share repurchase at expiry of the repurchase period	None.

The treasury stocks repurchased have been canceled upon authority's approval on March 22nd, 2019.

III. Matters for Ratification:

Matter No. 1 : (Proposed by the Board of Directors)

Recognition of FY 2018 Business Report and Financial Statement.

Explanatory Notes:

- (1) The Company's FY 2018 Business Report (please refer to Attachment 1) and Financial Statements (as for the Consolidated and Parent Company Only Financial Statements, please refer to Attachment 3) have been approved by the Board of Directors and reviewed by the Audit Committee.
- (2) Submit for approval.

Resolution:

Shares represented at the time of voting : 229,543,189votes

Voting Results *		% of the total represented share present
Votes in favor :	219,720,080 votes (54,728,900 votes)	95.72%
Votes against :	251,773 votes (251,773 votes)	0.10%
Votes invalid :	0 votes (0 votes)	0%
Votes abstained :	9,571,336 votes (7,655,594 votes)	4.16%

*including votes casted electronically (numbers in brackets)

RESOLVED,that the above proposal be and hereby was approved as proposed.

Matter No. 2 : (Proposed by the Board of Directors)

Recognition of FY 2018 Profit Distribution.

Explanatory Notes:

- (1) The distributable profit of FY 2018 shall be NTD 542,742,373. In consideration of the development of the Company, the distributed amount is NTD 461,808,051 for shareholders dividend. The Company shall distribute cash dividends to common shareholders in the amount of NTD 461,808,051 with NTD 1,300 for each of 1,000 shares. The distribution record date will be decided by Chairman of the Board of Directors upon approval by the Annual Shareholders' Meeting. The fractional shares from cash dividend distribution shall transfer to employee welfare committee. (Please refer to attachment 4)

(2) If the shareholders' dividend ratio in this cash dividend distribution is affected as a result of changes to Company's issued and outstanding shares, it is proposed that Chairman of the Board of Directors be fully authorized to handle such matter.

(3) Submit for approval.

Resolution:

Shares represented at the time of voting : 229,543,189votes

Voting Results *		% of the total represented share present
Votes in favor :	221,380,215 votes (56,389,035 votes)	96.44%
Votes against :	302,063 votes (302,063 votes)	0.13%
Votes invalid :	0 votes (0 votes)	0%
Votes abstained :	7,860,911 votes (5,945,169 votes)	3.42%

*including votes casted electronically (numbers in brackets)

RESOLVED,that the above proposal be and hereby was approved as proposed.

IV. Matters for Discussion:

Matter No. 1 : (Proposed by the Board of Directors)

Amendment to certain articles of “Procedure for the Acquisition and Disposal Assets”

Explanatory Notes:

- (1) In pursuance of the order by the FSC (November 26th, 2018, GinKunZenFa No. 1070341072).
- (2) Comparisons for Amendments to "Procedure for the Acquisition and Disposal Assets ". (Please refer to Attachment 5)
- (3) Submit for approval.

Resolution:

Shares represented at the time of voting : 229,543,189votes

Voting Results *		% of the total represented share present
Votes in favor :	221,346,410 votes (56,355,230 votes)	96.42%
Votes against :	331,868votes (331,868 votes)	0.14%
Votes invalid :	0 votes (0 votes)	0%
Votes abstained :	7,864,911 votes (5,949,169 votes)	3.42%

*including votes casted electronically (numbers in brackets)

RESOLVED,that the above proposal be and hereby was approved as proposed.

Matter No. 2 : (Proposed by the Board of Directors)

Amendment to certain articles of “Regulations Governing Loaning of Funds and Making of Endorsements”

Explanatory Notes:

- (1) In pursuance of the order by the FSC (March 7th, 2019, GinKunZenShen No. 1080304826).
- (2) Comparisons for Amendments to " Regulations Governing Loaning of Funds and Making of Endorsements". (Please refer to Attachment 6).
- (3) Submit for approval.

Resolution:

Shares represented at the time of voting : 229,543,189votes

Voting Results *		% of the total represented share present
Votes in favor :	217,602,074 votes (52,610,894votes)	94.79%
Votes against :	4,070,779 votes (4,070,779 votes)	1.77%
Votes invalid :	0 votes (0 votes)	0%
Votes abstained :	7,870,336votes (5,954,594votes)	3.42%

*including votes casted electronically (numbers in brackets)

RESOLVED,that the above proposal be and hereby was approved as proposed.

Matter No. 3 : (Proposed by the Board of Directors)

Amendment to certain articles of “Regulations Governing Making of Guarantees”

Explanatory Notes:

- (1) In pursuance of the order by the FSC (March 7th, 2019, GinKunZenShen No. 1080304826).
- (2) Comparisons for Amendments to " Regulations Governing Making of Guarantees". (Please refer to Attachment 7)
- (3)Submit for approval.

Resolution:

Shares represented at the time of voting : 229,543,189votes

Voting Results *		% of the total represented share present
Votes in favor :	217,601,975 votes (52,610,795 votes)	94.79%
Votes against :	4,070,878 votes (4,070,878 votes)	1.77%
Votes invalid :	0 votes (0 votes)	0%
Votes abstained :	7,870,336 votes (5,954,594 votes)	3.42%

*including votes casted electronically (numbers in brackets)

RESOLVED,that the above proposal be and hereby was approved as proposed.

Matter No. 4 : (Proposed by the Board of Directors)

Releasing Directors from Non-competition Restrictions.

Explanatory Notes:

(1) In pursuance of the Company Act, Article 209, “A director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.”

(2) Propose to release such Director from Non-competition Restrictions

Name	Company Name	Notes
Scott Ouyoung	1. Home Boutique International Co., Ltd. 2. Yi Ser Co, Ltd. 3. HB Co., Ltd., Hsinchu	Director

(3)Submit for approval.

Resolution:

Shares represented at the time of voting : 229,543,189votes

Voting Results *		% of the total represented share present
Votes in favor :	217,542,174 votes (52,550,994 votes)	94.77%
Votes against :	4,082,131 votes (4,082,131votes)	1.77%
Votes invalid :	0 votes (0 votes)	0%
Votes abstained :	7,918,884votes (6,003,142votes)	3.44%

*including votes casted electronically (numbers in brackets)

RESOLVED,that the above proposal be and hereby was approved as proposed.

V. Other Matters and Motion : None.

VI. Adjournment : May 31, 2019 at 09:47 a.m.

Attachment 1

Globe Union Industrial Corp. Management Report

It was a challenging year making in which we made an operating income of NT\$626.1 million, which disappointingly was a fall of (35.9%) compared with the previous year. With the assistance of non-operating income, our net after tax was NT\$618.9 million(12.4%) behind 2017. Net Sales revenues were flat at NT\$17.88 billion, however due to some unforeseen disruption costs and increased investment into our brands overheads increased by 4.13%. Whilst trading did not meet with our expectations I am pleased to say that once again working capital was well managed control and we finished the year with a healthy balance sheet.

It was a challenging first half, particularly coming from foreign exchange within our Private Label and OEM business. From Q3 2017 the USD had weakened against the RMB dollar down to its lowest point in March at 6.2336. As a company we were too slow to react and negotiate price increases with key customers, which resulted in a fall in gross margins throughout the first half of the year. We rectified the problem we negotiated pricing mechanisms with our key customers to ensure that in future we can react with greater speed and resilience. As a result, the overall gross margins for our Private Label and OEM fell and full year sales ended at NT\$5.8 billion , as we also exited some low margin customers.

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

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

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

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

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

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

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

To this end and for our future success we are in the process of reviewing our manufacturing footprint in China. Whilst we have no intention of leaving, we are proactively exploring other areas of the world for both our Sanitaryware and Faucet products to provide greater balance and to maintain our competitiveness in a global market.

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

On behalf of the Management Board thank you for your support.

Chairman:
Scott Ouyoung

Manager:
Andrew Yates

Accounting upervisor:
Min-Ling Wang

Attachment 2

Globe Union Industrial Corp.

Audit Committee Audit Report

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

Globe Union Industrial Corp.

Chairperson of the Audit Committee: Young-Sheng Hsu

March 29, 2019

REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

To Globe Union Industrial Corp.

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Goodwill assessment

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

Inventory valuation

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

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

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

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

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

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

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

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

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

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

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

Notes	Capital			Retained Earnings			Other components of equity		Treasury stock	Total	Non-controlling interests	Total equity
	Common Stock	Certificates of Bond-to-Stock Conversion	Advance Receipts for Common Stock	Additional Paid-in Capital	Legal Reserve	Special reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unearned employee salary			
6(20)	\$3,553,042	\$ -	\$ -	\$940,467	\$698,685	\$ -	\$709,885	\$ (273,081)	\$ (12,833)	\$5,571,297	\$81,935	\$5,653,232
						285,914	(285,914)			(350,769)		(350,769)
				5,748						5,748		5,748
							698,342			698,342	8,387	706,729
							46,342	(189,285)		(142,943)	286	(142,657)
							744,684	(189,285)	-	555,399	8,673	564,072
				69,632						200,829		200,829
	\$131,197	131,197								-		-
	(35,350)	(131,197)		(8,895)			(10,949)			(10,326)		(10,326)
				(73)						55,194		-
				19,880					4,666	(73)	(15,021)	(73)
	19,671		7,329							51,546		51,546
6(20)	\$3,668,560	\$ -	\$7,329	\$1,026,759	\$698,685	\$285,914	\$806,937	\$ (462,366)	\$ (8,167)	\$6,023,651	\$75,587	\$6,099,238
6(20)	\$3,668,560	\$ -	\$7,329	\$1,026,759	\$698,685	\$285,914	\$806,937	\$ (462,366)	\$ (8,167)	\$6,023,651	\$75,587	\$6,099,238
					69,834	184,619	(69,834)			-		-
							(184,619)			-		-
							(549,774)			(549,774)		(549,774)
				192						192		192
							618,220			618,220	696	618,916
							35,808	(60,341)		(24,533)	902	(23,631)
							654,028	(60,341)	-	593,687	1,598	595,285
										(186,207)		(186,207)
Note 1			10,606							10,606		10,606
Note 2	13,040		(17,300)	4,260						-		-
				808					4,667	5,475		5,475
6(20)	\$3,681,600	\$ -	\$635	\$1,032,019	\$768,519	\$470,533	\$656,738	\$ (522,707)	\$ (3,500)	\$5,897,630	\$77,185	\$5,974,815

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

Note 1 : The Company issued employee share option in 2015. During the year of 2018, employees converted their options into 205,000 shares at NTS13.7 per share, and 614,000 shares at NTS12.7 per share, respectively. Total consideration received was \$10,606 thousand.
Note 2 : As at 31 December 2018, 3,271,000 shares have completed the registration process while 50,000 shares have not and were booked as collection in advance in the amount of \$635.

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

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

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

(Continued)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended 31 December 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

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

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

REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

To Globe Union Industrial Corp.

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

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

Inventory valuation

The net inventory of the Company (including inventories of the investees accounted for under the equity method) amounted to \$3,322,556 thousand, accounting for 29% of the total assets. Due to the uncertainty arising out of product diversification, the allowance for inventory valuation loss and slowing-moving or obsolete inventory required significant management judgement; calculation of inventory cost, including direct labor, direct raw material and allocation of manufacturing cost was complex whose allocation basis had material impact on the financial statements; we therefore considered this key audit matter. The audit procedures included, but are not limited to: understanding and testing the design and operating effectiveness of internal control over inventory cost and allowance for inventory; performing inventory price testing to verify the allocation of cost, direct labor, and overhead is reasonable; assessing the appropriateness of the policy of provision for excess and obsolete inventory by testing the accuracy of inventory ageing and analyzing movement of the ageing, analyzing the difference between the policy of the current year and the prior year, and analyzing the difference between the historical provisions and the actual write-off amount; verifying that inventories were valued at the lower of cost or net realizable value by comparing the book value of inventories at the balance sheet date with recent sales price on selected samples; verifying the existence and completeness of inventories by tracing items on the final inventory listing to the physical inventory compilation; attending inventory counts to understand the status of the inventories and evaluate the appropriateness of the excess and obsolescence provision. We also assessed the adequacy of the disclosures related to inventories in Notes 5 and 6.

Responsibilities of Management and Those Charged with Governance for the parent company only Financial Statements

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Notice to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

GLOBE UNION INDUSTRIAL CORP.
PARENT COMPANY ONLY BALANCE SHEETS
31 December 2018 and 31 December 2017
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As at	
		31 Dec 2018	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		<u>2,242,070</u>	<u>2,069,151</u>
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		<u>9,291,763</u>	<u>8,915,858</u>
Total assets		<u><u>\$11,533,833</u></u>	<u><u>\$10,985,009</u></u>

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

GLOBE UNION INDUSTRIAL CORP.
PARENT COMPANY ONLY BALANCE SHEETS
31 December 2018 and 31 December 2017
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As at	
		31 Dec 2018	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		<u>4,270,660</u>	<u>3,813,723</u>
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		<u>1,365,543</u>	<u>1,147,635</u>
Total liabilities		<u>5,636,203</u>	<u>4,961,358</u>
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		<u>3,682,235</u>	<u>3,675,889</u>
Additional paid-in capital		<u>1,032,019</u>	<u>1,026,759</u>
Retained earnings			
Legal reserve		768,519	698,685
Special reserve		470,533	285,914
Retained earnings		656,738	806,937
Total retained earnings		<u>1,895,790</u>	<u>1,791,536</u>
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		<u>(526,207)</u>	<u>(470,533)</u>
Treasury stock		<u>(186,207)</u>	-
Total equity		<u>5,897,630</u>	<u>6,023,651</u>
Total liabilities and equity		<u>\$11,533,833</u>	<u>\$10,985,009</u>

(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)

	Notes	For the Years Ended 31 December	
		2018	2017
Net sales	4,6(17),7	\$9,330,271	\$6,817,057
Cost of sales	6(4)(19),7	(8,411,860)	(5,810,382)
Gross profit		918,411	1,006,675
Unrealized intercompany profit		(38,144)	-
Realized intercompany profit		-	54,809
Gross profit		880,267	1,061,484
Operating expenses			
Selling and marketing	6(19),7	(468,211)	(312,130)
General and administrative	6(19),7	(267,564)	(216,146)
Research and development	6(19)	(51,340)	(54,749)
Total operating expenses		(787,115)	(583,025)
Operating income		93,152	478,459
Non-operating income and expenses	6(20)		
Other revenue		18,974	15,359
Other gains and losses		82,567	(43,052)
Financial costs		(31,916)	(35,634)
Share of profit of subsidiaries, associates and joint ventures	6(5)	525,769	344,726
Subtotal		595,394	281,399
Income from continuing operations before income tax		688,546	759,858
Income tax expense	6(22)	(70,326)	(61,516)
Income from continuing operations, net of Tax		618,220	698,342
Other comprehensive income (loss)	6(21)		
Items that may not to be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		19,248	47,102
Share of other comprehensive income/(loss) accounted for using the equity method-remeasurements of defined benefit plans		19,079	-
Income tax related to items that may not to be reclassified subsequently to profit or loss		(2,519)	(760)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(60,341)	(189,285)
Total other comprehensive income (loss), net of tax		(24,533)	(142,943)
Total comprehensive income (loss)		\$593,687	\$555,399
Earnings per share (NTD)	6(23)		
Earnings per share-basic		\$1.69	\$1.98
Earnings per share-diluted		\$1.68	\$1.91

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

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

	Notes	Capital			Retained Earnings			Other components of equity			Treasury stock	Total
		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		
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					5,748							5,748
Share of changes in net assets of associates and joint ventures accounted for using the equity method												
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					69,632							200,829
Conversion of Certificates of Bond-to-Stock		\$131,197	131,197	(131,197)							(10,326)	-
Acquisition of treasury stock		(35,350)			(8,895)			(10,949)			55,194	(10,326)
Retirement of treasury stock					(73)							-
Collection of second convertible corporate bonds					19,880							(73)
Share-based payment transactions		19,671		7,329					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)				-
Special reserve						69,834	184,619	(184,619)				-
Cash dividends								(549,774)				(549,774)
Other changes in additional paid-in capital:					192							192
Share of changes in net assets of associates and joint ventures accounted for using the equity method												
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				4,667			-
Share-based payment transactions-Share-based payment expense					808							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 NTS13.7 per share, and 614,000 shares at NTS12.7 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)

	For the Years Ended 31 December	
Notes	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)

		For the Years Ended 31 December	
	Notes	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		<u>\$478,236</u>	<u>\$454,555</u>

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

Globe Union Industrial Corp.

FY 2018 Profit Distribution Table

Unit: NTD	
Items	Total
Beginning retained earnings	2,710,024
Treasury stock canceled	
Add : Other Comprehensive Income - Remeasurements of defined benefit plans	35,808,440
Add : Net Profit After Tax of 2018	618,219,515
Subtotal :	656,737,979
Less : 10% Legal Reserve	(61,821,952)
Less : Special Reserve	(52,173,654)
Distributable net profit as of December 31 th , 2018	542,742,373
Less : Distributable Item	
Cash Dividends to Common Shareholders (NTD 1.3 per share) (Note 1)	(461,808,051)
Unappropriated Retained Earnings	80,934,322

Note1. Ordinary share 356,211,962 shares - Restricted employee stock
1,000,000 shares+ employee share options (which shares have not
completed company change registration)25,000 shares =
Distributable shares 355,236,962 shares.

Note2. The distribution of earnings in a given year shall give priority to the
distribution of earnings of 2018.