Stock Code:9934

Annual Report Website:
http://mops.twse.com.tw/mops/web/t57sb01_q5
https://tw.globeunion.com/investors/shareholders/

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

2019 Annual Report

Printed on March 31 , 2020

1. Company Spokesperson and Deputy Spokesperson

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

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

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

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

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

4. CPA for most recent financial report

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

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

6. Company Website: https://tw.globeunion.com/

Table of Contents

I. Letter to Shareholders

Dear shareholders,

Globe Union industrial Corp., under my father Scott Ouyong leadership, has been a pioneer Taiwanese company with globalized management, especially in the traditional industry like sanitaryware manufacturing. I joined the Company's board in February 2019 and took on the position as Chairman in Aug at same year, the external global business was impacted from the US China trade war to the ongoing CoVID 19 pandemic, I believe these creates challenges that no company has ever experienced, and this is where I got to experience firsthand of Globe Union's strength and adaptability and its foundation and skills acquired in the past 40 years come very handy when the external environment gets this volatile

While it has been a challenge year for Globe Union, the company suffers from negative impacts from US China trade war and global economy slow down, in 2019, our revenue declined 4.8 % to NT$ 17.02 billion, operating income is at NT$ 336 million, net income margin is 1.9% .

Items impacting our bottom line included volatile currency exchange rates stock provisions to accommodate our changing brand/product mix strategies in the US and UK respectively - and the ramp-up costs for a newly acquired manufacturing facility. Additionally, significant fluctuations in generally declining commodity prices (Zinc, Copper, etc.) reduced revenues and challenged profits with the timing of these swings.

On the bright side, the Globe Union team in Europe outpaced their peers in the market, seeing revenue growing at 10.2% with operating profit rising 24% compare to last year. This was a result of investments in new product and packaging programs that have proven to be leading the trends in the European DIY market.

In the UK, our PJH team has recovered remarkably from the fire that destroyed a critical warehouse late in 2018 and has received accolades from our customers for continued excellence in service. In 2019 PJH's business continued to grow beyond market norms, finishing the year with revenue up 7% to NT$ 5.5 billion and recording positive earnings for the full year.

On August 2nd, 2019 in our continued efforts to consolidate our business and allow our management team to focus on our core competencies, Globe Union announced the sale of a 86% stake in our Taiwan based Home Boutique business for NT 430 million. The transaction will be finalized with the full divesture expected to be completed by Sept 2020.

As announced last year, our team has also been diligent in their efforts to review our manufacturing footprint in China, and to seek additional capacity to produce both faucets and sanitaryware outside of China in order to balance our production base around the world. The first step on this path was our asset acquisition of Sanitaryware producer in Saltillo Mexico; a purchase which we closed on in late 2019. This modern facility along with our plant in, Shandong, China effectively doubles our in-house production capabilities in sanitaryware, and also moves us much closer to our core markets in North America.

We are working today to finalize a similar solution for faucets which will complement our existing faucet manufacturing capacity. These two steps will make Globe Union one of the most proficient manufacturers of both faucets ***and*** sanitaryware in the world.

These important steps within our core manufacturing competencies now gives us the focus and the strength to take the next move toward the full consolidation of our remaining business units. Specifically, we have combined of our Sales and Marketing organizations in North American and have consolidated our Operational and Product Development/Product Management teams, globally. As one team we are beginning to leverage our unique prime positions in faucets ***and*** sanitaryware, concurrently with both our Private Label customers and within our own Gerber Branded business.

The future growth of Globe Union lies with our own brand – Gerber. Brand building is a long process, we plan strategically to achieve the goal, transferring Gerber's good reputation among the trade to homeowners, expecting the first 5 years to be the stage of strengthening the foundation as a brand manufacturer. Our Gerber product strategy is to Lead with Vitreous China, Differentiate with Faucets. We no longer see vitreous china and faucets as two separate product offerings, but rather as one solution under the Gerber brand.

It is my father's true belief of the company : "One Family, One Vision"; this is now a direction and strategy that we are directing our business to the next level - Global operation and manufacturing , products consolidation in sales and marketing. We will focus on penetrating the core market with our Brand business, and expand with our flexibility with our capacity in private label/OEM business.

Now, we are bidding moving forward, the changes are before us, "It's a Time to Grow". Supported by the strength of our dedicated people, we are building a new organization to serve the changing global market in a way to make this vision a reality.

I thank all of our Stakeholders for your support of our initiatives.

Chairman: Hsien Ou Yang Regards

i. 2019 Operating Performance

(i) Operating performance:

Financial information of consolidated statements:

Unit: NT$ thousand

Item / Year	Financial information for the most recent year	
	2019	2018
Operating income	17,023,426	17,879,120
Operating margin	4,797,880	4,894,358
Operating profits	391,056	626,115
Non-operating income and expenses	92,475	177,277
Net profit before tax	483,531	803,392
Net profit of continuing operations for this period	336,055	618,916
Net income attributable to owners of the parent	335,173	618,220
Basic earnings per share (NTD) (after tax)	0.94	1.69

(ii) Budget implementation in 2019: The Company did not publish 2019 financial forecasts.

(iii) Financial structure and profitability analysis:

Financial information of consolidated statements:

Unit: NT$ thousand

Item		2019
Financial receipts and expenditures	Operating income	17,023,426
	Operating margin	4,797,880
	Net income attributable to owners of the parent	335,173
Profitability	Return on assets (%)	3.14
	Return on equity (%)	5.82
	Net profit margin (%)	1.97
	Earnings per share (NTD)	0.94

Analysis of financial receipts and expenditures: Our operating income decreased this year. Operating margin decreased by NT$96,478 thousand and operating expenses increased by NT$138,581 thousand resulting in a decrease of NT$283,047 thousand in net income attributable to owners of the parent compared to 2018.

Analysis of profitability: Profitability declined this year. Return on assets, return on equity, net profit margin, and earnings per share have all decreased compared to last year.

ii. 2020 Business Plan

(i) Business direction

1. Continue to uphold the core value of "Stay honest and integrity , take the initiative, and always think about the customer."
2. Our vision is to fully focus on achieving excellence in all of our endeavors, to always fulfill our commitment to customers, and to become a partner that customers worldwide can easily work with.
3. Stay devoted to lean manufacturing management, a groomed organizational flowchart, and respond to changes in the market to deploy product lines and channels and timely keep track of business opportunities from customers around the world.
4. Uphold the Globe Union spirit of "Caring for customers, employees, and society," and "Quality first, innovative development, and honest work."

(ii) Operating targets

1. Agile utilization of brands/private labeling to promote sales growth - The distinction between brands and private labels begins to blur in view of market and major customers. By integrating the North American brand and private labeling sales teams into one sales force, the Company can monitor and formulate overall marketing strategies. Likewise, the Company plans to bring the Gerber brand to strategic retail customers, with the upturn effect of simultaneously supplying vitreous China and faucet products to adding value for customers, thereby increasing revenue.
2. The completed establishment of the Mexican subsidiary and vitreous Chinavitreous china factory through asset acquisition in 2019 will make the vitreous Chinavitreous china product supply chain more complete. This year, the focus will be on improving yield. Technical support by Milim's team will help the Mexican factory produce Gerber quality products as planned, thereby improving the yield of other OEM customers.
3. Through the management team's active and good response and post-disaster treatment, PJH's fire accident in 2018 has greatly increased customers' trust toward PJH. The Company will negotiate a longer-term guarantee service contract with customers accordingly. Moreover, after reexamining the benefits brought by existing product lines, the Company has decided to drop the low revenue, high cost cabinet product line in 2020 and focus on developing bathroom product channels to maximize benefits.

(iii) Production and sales strategy

1. Rationalize product lines and customer needs, and provide customers with greater value through vitreous China and faucet product lines through agile utilization of brand power and OEM/private labeling.
2. Integrate product development, from marketing, product positioning, and design, to development and production, into one team, and coordinate and sort out the global product line, while continuously optimizing product structure compatibility and improving product development quality and supply chain efficiency.
3. Actively deploy global manufacturing bases and supply chains. Reintegrate and unify management of front-end and back-end operations and quality control systems by the Chief Operating Officer to ensure

consistency in global manufacturing practices. Simultaneously, strengthen demand planning management. Optimize capacity through forecasting market demand, planning production, and allocating capacity. Manage inventory to optimize cash flow. Continue to introduce semi or fully automated and systematic equipment to increase efficiency and improve production costs.

(iv) Future development strategy

From the second half of 2019, the Company has re-established the growth vision of "One Family, One Dream" to ensure profitability and sustainability.

1. Improving brand value will be the main focus of the Group's development. Globe Union's unique positioning (brands and private labeling) and outstanding manufacturing capabilities for hardware and vitreous china will clearly differentiate the Company from competitors and strengthen operations to increase shareholder returns.
2. PJH in the UK strives to improve storage efficiency by enhancing the overall profit from sales of bathroom products. Moreover, the logistics warehouse will be further integrated with the site of the back-end operation unit to improve operational and communication efficiency.

(v) Impact from external environment, regulatory environment, and overall business environment

Because environmental protection regulations are continuously updated, Globe Union actively pays attention to and keeps track of various market regulations and environmental protection requirements. Believing in sustainable development, the Company continues to invest in clean equipment that addresses issues such as energy conservation, water pollution, and waste treatment (electroplating equipment) in terms of manufacturing. In terms of vitreous china, residual heat from kilns, vertical storage, and automated glaze spraying (to reduce dust) are used to reduce energy consumption, assist in saving the ecosystem, and improve the work space for employees. Furthermore, the Company is proactively researching and developing alternative materials and exploring energy-saving products to answer to the rising awareness among consumers about health and environmental protection.

In addition, Globe Union Group has actively introduced automation and labor-saving, lean management in recent years to reduce the rising production costs in China. In 2019, due to the US-China trade war and other external political factors affecting the market environment, the North American OEM and private labeling business revenue declined significantly. To strengthen the growth of the Gerber brand, the Company actively deployed the global supply chain and completed the asset acquisition of the Mexican vitreous china factory in 2019 to increase production capacity; and continued to develop the production capacity of vitreous china factories in other countries.

For hardware, in addition to actively looking for overseas production plants, the Company will also continue to promote the utilization of a shared module platform for alternative materials and product structure design to innovate for stable profit.

II. Company profile

(I) Date of Incorporation：October 29, 1979

(II) Company History:

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

1985：Began specializing in the trading of bathroom hardware.

1993：Created the private brand Gobo

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

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

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

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

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

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

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

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

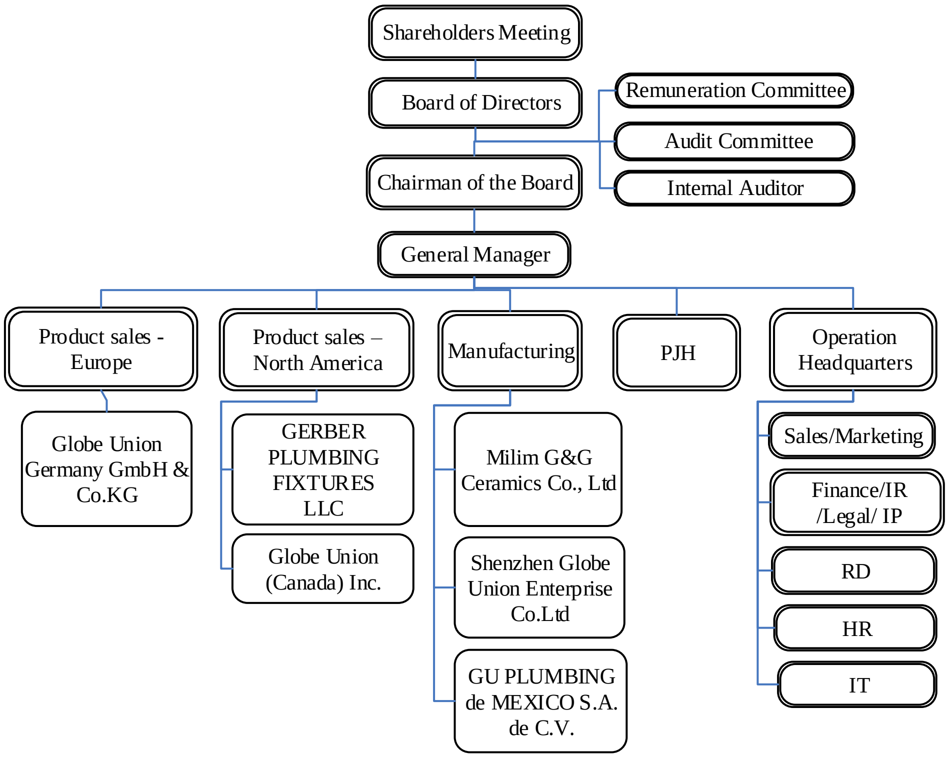
2006：Acquired "Home Boutique International Co., Ltd." The company specializes in wholesale/retail high-end kitchen appliances and bathroom accessories.
Acquired "Anderson R.O. Technology Co., Ltd.". The company specializes in the manufacture and sale of water purifiers.

2007：Established "Qingdao Globe Union Technology Industrial Corp." The company specializes in the production of faucets, showers and hardware fittings.
Established "Qingdao Lin Hon Precision Industrial Corp." The company specializes in the production of faucets, showers and hardware fittings.
The Company acquired PJH Group Holding Company Ltd. in the UK, which specializes in kitchen and bathroom product channel management.
2009：US subsidiary Gerber wins Best Water-Saving Toilet, Bathroom Solutions Innovation Awards, and the National Awards for Successful Corporate Restructuring and Recovery. The subsidiary Danze receives the Innovation Award in the Faucet Products category.
"Shen Zhen Globe Union Industrial Corp." receives "High-Tech Enterprise Certification."
2012：New high-value kitchen and bathroom product R&D center established at corporate headquarters.
2013：The Group undertook a major asset swap and restructuring. After the restructuring, the Group now owns 100% of Shenzhen Globe Union Enterprise Co., Ltd., Qingdao Globe Union Technology Industrial Corp., Qingdao Lin Hon Precision Industrial Corp., and Qingdao Chenglin Imp. & Exp. Trading Co., Ltd.
2015：The fifth ceramics kiln line and the fourth high-pressure separation and casting line of Milim G&G Ceramics Co., Ltd. were completed, and production officially began.
2016：Andrew Yates took the post of President of the Group and completed the handover process as professional manager.
Qingdao Lin Hon Precision Industrial Corp. was sold.
The brand Gobo for China market wassold.
2018：Qingdao Globe Union Technology Industrial Corp was sold.
We restructured our Group into four strategic business units, North American Brands, Global Private Brands, PJH and Home Boutique.
2019：Hsien Ou Yang took the post of Chairman of the Group.
Todd Alex Talbot took the post of President of the Group.
Signed a contract to sell the share holding of HBI Co., Ltd.
Invest and establishment of GU PLUMBING de MEXICO S.A. de C.V.

III.Corporate Governance Report

i. Organization chart:

(i) Organization structure:



(ii) Business and functions of main departments:

Department	Function
Product sales - Europe	Handles the marketing, sales, and operation of Globe Union's self-owned brands and global OEM brands in Europe.
Product sales - North America	Handles the marketing, sales, and operation of Globe Union's self-owned brands and global OEM brands in North America.
Manufacturing	Handles the manufacturing and production of the Group's faucet hardware and vitreous china products, and management of global quality and supply chain.
PJH	PJH's main area of business is logistics and after-sales services for kitchen and bathroom products.
Operation Headquarters	Formulates group-level business strategies and sales/marketing decisions; manages finances and intellectual property; develops core technologies; and handles product design, human resources, and information technologies.

ii. Information on directors, supervisors, president, vice presidents, assistant vice presidents, and managers of each department and branch:

(i) Directors and Supervisors:

Profile of directors and supervisors (i)

March 31, 2020 Unit: Shares

Number of common shares outstanding: May 25, 2018 - 367,575,962 shares ; Current: 356,848,962 shares

Title	Nationality or place of registration	Name	Gender	Date elected/appointed	Term (Year)	Date of first election	Shares held when elected		No. of shares currently held		Current shares held by spouse and underage children		Shares held in the name of others		Education/Work experience	Other concurrent positions within the Company or elsewhere	Spouse or relatives of second degree or closer acting as directors, supervisors, or other department heads			Notes
							No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Title	Name	Relationship	
Chairman	Republic of China	Ming-Ling Co., Ltd.	-	2018.05.25	3 years	2006.06.15	23,366,692	6.36%	23,366,692	6.55%	0	0%	0	0%	N/A	N/A	N/A	N/A	N/A	N/A
	Republic of China	Representative: Hsien Ou Yang	M	2019.08.13	2019.8.13 ~2021.05.24	2019.02.20	0	0%	19,999,772	5.60%	0	0%	0	0%	M.S. in Marketing, Northwestern University, USA Founder and CEO of Venture-G Inc.	Director of GU PLUMBING de MEXICO S.A. de C.V.	Director	Scott Ouyoung	Father/child	N/A

Title	Nationality or place of registration	Name	Gender	Date elected/appointed	Term (Year)	Date of first election	Shares held when elected		No. of shares currently held		Current shares held by spouse and underage children		Shares held in the name of others		Education/Work experience	Other concurrent positions within the Company or elsewhere	Spouse or relatives of second degree or closer acting as directors, supervisors, or other department heads			Notes
							No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Title	Name	Relationship	
Director	Republic of China	Ming-Ling Co., Ltd.	-	2018.05.25	3 years	2006.06.15	23,366,692	6.36%	23,366,692	6.55%	0	0%	0	0%	N/A	N/A	N/A	N/A	N/A	N/A
	Republic of China	Representative: Scott Ouyoung	M	2018.05.25	3 years	2006.06.15	0	0%	20,000,000	5.60%	21,637,899	6.06%	0	0%	Pacific Western University EMBA Tamsui Oxford University College Sales Manager at Chongfeng Enterprise Co., Ltd.	Note 1	Chairman	Hsien Ou Yang	Father/child	N/A
Director	Republic of China	Ming-Ling Co., Ltd.	-	2018.05.25	3 years	2006.06.15	23,366,692	6.36%	23,366,692	6.55%	0	0%	0	0%	N/A	N/A	N/A	N/A	N/A	N/A
	Republic of China	Representative: Wen-Mei Yiu	F	2018.06.01	2018.6.1 ~2021.05.24	2018.06.01	0	0%	0	0%	0	0%	0	0%	Note A	N/A	N/A	N/A	N/A	N/A
Director	Republic of China	Ming-Ling Co., Ltd.	-	2018.05.25	3 years	2006.06.15	23,366,692	6.36%	23,366,692	6.55%	0	0%	0	0%	N/A	N/A	N/A	N/A	N/A	N/A

Title	Nationality or place of registration	Name	Gender	Date elected/appointed	Term (Year)	Date of first election	Shares held when elected		No. of shares currently held		Current shares held by spouse and underage children		Shares held in the name of others		Education/Work experience	Other concurrent positions within the Company or elsewhere	Spouse or relatives of second degree or closer acting as directors, supervisors, or other department heads			Notes
							No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Title	Name	Relationship	
	United Kingdom	Representative: Andrew Yates	M	2019.10.21	2019.10.21 ~2021.05.24	2019.10.21	0	0%	0	0%	0	0%	0	0%	President of Globe Union Industrial Corp. CEO of PJH group and head of European Division of GU group, CEO of PJH group, commercial director of PJH group	Note 2	N/A	N/A	N/A	N/A
Independent Director	Republic of China	Chin-Shan Huang	M	2018.05.25	3 years	2015.06.26	541	0%	541	0%	0	0%	0	0%	Note B	Convener of the Company's Remuneration Committee and member of the Audit Committee	N/A	N/A	N/A	N/A

Title	Nationality or place of registration	Name	Gender	Date elected/appointed	Term (Year)	Date of first election	Shares held when elected		No. of shares currently held		Current shares held by spouse and underage children		Shares held in the name of others		Education/Work experience	Other concurrent positions within the Company or elsewhere	Spouse or relatives of second degree or closer acting as directors, supervisors, or other department heads			Notes
							No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Title	Name	Relationship	
Independent Director	Republic of China	Young-Sheng Hsu	M	2018.05.25	3 years	2015.06.26	0	0%	0	0%	0	0%	0	0%	Ph.D. in Accounting, National Taiwan University Professor of Department of Accounting, National Chung Hsing University Associate Professor of Department of Accounting, National Chung Hsing University	Note 3	N/A	N/A	N/A	N/A
Independent Director	Republic of China	Yi-Chia Chiu	M	2018.05.25	3 years	2017.05.26	0	0%	0	0%	0	0%	0	0%	Note C	Note 4	N/A	N/A	N/A	N/A

Note 1: Director of subsidiaries Globe Union Industrial (B.V.I) Corp., Globe Union Cayman Corp., Globe Union Germany GmbH & Co. KG, Globe Union Verwaltungs GmbH, Arte En Bronce, S.A, DE C.V, Globe Union (Bermuda) Ltd, Globe Union Group Inc., Globe Union Canada Inc., Danze Inc., Gerber Plumbing Fixtures, LLC, Shenzhen Globe Union Enterprise Co., Ltd., and Milim G&G Ceramics Co., Ltd.

Note 2: Director of subsidiaries Globe Union Cayman Corp., Globe Union Germany GmbH & Co. KG, Globe Union Verwaltungs GmbH, PJH (HK) Limited, and PJH Business Consultancy (Shanghai) Company Limited.

Note 3: Convener of the Company's Audit Committee and member of the Remuneration Committee. Independent director, Audit Committee member, and Remuneration Committee member of UHT Unitech Co., Ltd.; Institutional Director Representative of Ideal Bike Corporation.

Note 4: Member of the Company's Audit Committee and Remuneration Committee. Independent director, Audit Committee member, and Remuneration Committee member of Wowprime Group Co., Ltd.; Independent director, Audit Committee member, and Remuneration Committee member of Dynamic Electronics Co., Ltd.

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

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

Note B: M.M., Cambridge College - Boston

Chairman and Chief Consultant, Three Win Management Consulting Corp.

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

Note C:Ph.D., Institute of Management of Technology, National Chiao Tung University

Vice Dean, College of Commerce, National Chengchi University

Professor, Graduate Institute of Technology, Innovation and Intellectual Property Management, National Chengchi University

Dean of EMBA Program, College of Commerce, National Chengchi University

Major shareholders of institutional shareholders:

March 31, 2020

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

Profile of directors and supervisors (ii)

Qualifications / Name	Has at least 5 years of work experience and meets one of the following professional qualifications			Compliance of independence (Note)												Number of other Taiwanese public companies concurrently served as an independent director
	A lecturer or higher position in a Department of Commerce, Law, Finance, Accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	11	12	
Hsien Ou Yang			✓	✓					✓	✓	✓	✓		✓		0
Scott Ouyoung			✓	✓					✓	✓	✓	✓		✓		0
Andrew Yates			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Wen-Mei Yiu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Chin-Shan Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Young-Sheng Hsu	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Yi-Chia Chiu	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

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

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

(2) Not a director or supervisor of the company or any of its affiliates (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another

subsidiary of the same parent company appointed pursuant to the Act or local regulations).

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, underage children, or held by the person under others' names, in an aggregate amount of 1% of the total number of issued shares of the company or ranks as one of its top ten shareholders.

(4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship or closer to anyone listed in (2) or (3).

(5) Not a director, supervisor, or employee of an institutional shareholder who holds directly 5% or more of the company's shares, is one of the top five shareholders, or is a representative appointed as director or supervisor of the company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Act or local regulations).

(6) Not a director, supervisor, or employee of another company that has the same directors as the company or is controlled by the same person that has more than half of the voting power in the company (except where the person is concurrently an independent director of the company or its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Act or local regulations).

(7) Not a director, supervisor, or employee of another company or institution that has the same chairperson, president, or person with the equivalent rank as the company, or a spouse in one of these roles (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Act or local regulations).

(8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution that has a financial or business relationship with the company (except where that specific company or institution holds 20% or more but no more than 50% of the company's issued shares and is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Act or local regulations).

(9) Not a professional who provides audit or received no more than NT$500,000 in cumulative compensation in the last two years for commercial, legal, financial, or accounting services to the company or its affiliates, nor an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or organization that provides such services to the company or its affiliates; or the spouse of any of the above. However, exception applies to members of a remuneration committee, a take-over bid review committee, or a special committee for merger and acquisition exercising their authority pursuant to provisions of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.

(10) Does not have a marital relationship with or is not a relative within the second degree of kinship to any other director of the company.

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

(12) Not elected as a government, legal person or its institutional representative as described in Article 27 of the Company Act.

Policy on diversification of board members, and implementation:

The *Corporate Governance Best Practice Principles* stipulate that:

Chapter 3 Reinforce Functions of the Board of Directors

Section 1 Structure of the Board of Directors

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

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

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

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

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

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

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

I. Ability to make sound business judgments. II. Ability to perform accounting and financial analysis. III. Ability to manage a business.

IV. Ability to handle crisis management. V. Industrial knowledge. VI. An international market perspective. VII. Leadership.

VIII. Decision-making ability.

Name of director	Gender	Concurrently an employee of the Company	Age			Independent director office term		Core diversity parameters				
			41 to 50	51 to 60	61 to 70	Below 3 years	3 to 6 years	Operational management	Leadership and decision making	Industrial knowledge	Finance and accounting	Law
Hsien Ou Yang (Note)	M	No	✓					✓	✓	✓		
Scott Ouyoung	M	No			✓			✓	✓	✓	✓	
Andrew Yates (Note)	M	No		✓				✓	✓	✓		
Wen-Mei Yiu (Note)	F	No		✓				✓	✓			
Chin-Shan Huang	M	No			✓		✓	✓	✓	✓		
Young-Sheng Hsu	M	No		✓			✓				✓	✓
Yi-Chia Chiu	M	No	✓			✓		✓	✓			

(ii) President, Vice Presidents, Assistant Vice Presidents, and Managers of Departments and Branches:

As of March 31, 2020 Unit: Shares

A total of 356,848,962 common shares are in circulation

Title (Note 1)	Nationality	Name	Gender	Date elected/appointed	Shareholding		Shares held by spouse and underage children		Shares held in the name of others		Education/Work experience (Note 2)	Concurrent job position in other companies	Manager who is a spouse or a relative within second degree			Notes
					No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Title	Name	Relationship	
President	USA	Todd Alex Talbot	M	2019.08.13	0	0%	0	0%	0	0%	President of FluidMaster Inc., Partner of Mega Western Sales, CEO of OldCastle Glass Division of CRH, President of BrassCraft and Alsons Division of Masco Group. University of Nevada, BS of Business management	Director of GU PLUMBING de MEXICO S.A. de C.V.	N/A	N/A	N/A	N/A
Vice President	Republic of China	Tsung-Min Chen	M	2015.10.16	0	0%	0	0%	0	0%	MA in Finance, National Sun Yat-sen University; Department of Business Administration, Tunghai University Director of Investment Analysis, Investment Department, Cathay Life Insurance	Director of subsidiaries Globe Union Industrial (BVI) Corp., Globe Union Cayman Corp., Globe Union Germany GmbH & Co. KG, Globe Union Verwaltungs GmbH, Globe Union (Bermuda) Ltd., and Gerber Plumbing Fixtures LLC, Globe Union (UK) Limited. Supervisor of subsidiaries Shenzhen Globe Union Enterprise Co., Ltd. and Milim G&G Ceramics Co., Ltd.	N/A	N/A	N/A	N/A

Title (Note 1)	Nationality	Name	Gender	Date elected/appointed	Shareholding		Shares held by spouse and underage children		Shares held in the name of others		Education/Work experience (Note 2)	Concurrent job position in other companies	Manager who is a spouse or a relative within second degree			Notes
					No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Title	Name	Relationship	
Vice President	USA	MICHAEL DAVID BOND	M	2019.09.18	0	0%	0	0%	0	0%	Chief Operation Officer of FluidMaster Inc., VP of North American Operation, GSI Group Inc., VP of Operation of Akebono Corporation, General Manager, Cambridge Industries University of North Carolina(MBA)	N/A	N/A	N/A	N/A	N/A
Vice President	Republic of China	Shu-Chi Lee	F	2017.01.01	0	0%	0	0%	0	0%	MA in Finance, Graduate School of Business Administration, University of Texas; Graduate Institute of Psychiatry, National Chengchi University Consultant, Agape Consulting Firm; Head of Department of Human Resources, Home Credit; HR Consultant, Resources Global Professionals; Director of Human Resources (Asia Pacific), Huntsman Corporation	N/A	N/A	N/A	N/A	N/A
Assistant Vice President	Republic of China	Lei-Hui Lee	F	2016.09.14	0	0%	0	0%	0	0%	Master of International Business, University of Strathclyde Department of International Trade, Feng Chia University	Director of Globe Union (UK) Limited	N/A	N/A	N/A	N/A

Title (Note 1)	Nationality	Name	Gender	Date elected/appointed	Shareholding		Shares held by spouse and underage children		Shares held in the name of others		Education/Work experience (Note 2)	Concurrent job position in other companies	Manager who is a spouse or a relative within second degree			Notes
					No. of shares	Shareholding ratio	No. of shares	Shareholding ratio	No. of shares	Shareholding ratio			Title	Name	Relationship	
Assistant Vice President	Republic of China	Jung-Chao Lin	M	2018.01.01	100,575	0.03%	107	0%	0	0%	Chief of Taiwan Kose Co., Ltd Department of Nutrition, Chung Shan Medical University	Director of Shenzhen Globe Union Enterprise Co., Ltd.	N/A	N/A	N/A	N/A
Assistant Vice President	Republic of China	Bhor-Chaou Chang	M	2018.01.01	51,600	0.01%	0	0%	0	0%	Virginia Commonwealth Master of Commerce	N/A	N/A	N/A	N/A	N/A
Assistant Vice President	Republic of China	Ming-Sheng Wei	M	2018.11.01	22,150	0%	0	0%	0	0%	On-the-job Master's Program in E-Commerce, Feng Chia University	N/A	N/A	N/A	N/A	N/A
Assistant Vice President	Republic of China	Sheng-Shyong Hwang	M	2019.11.11	0	0%	0	0%	0	0%	Ph.D. In Mechanical and Aerospace Engineering, Case Western Reserve Univ. Primax Electronics Ltd./CEO Assistant Flextronics International Taiwan/Site GM Foxconn eMS Inc./RD VP	N/A	N/A	N/A	N/A	N/A
Assistant Vice President	Republic of China	Jun-Hong Li	M	2019.10.25	0	0%	0	0%	0	0%	Manager, Design Department, Tsann Kuen Enterprise Co., Ltd. M.A. in Industrial Design, Tunghai University	N/A	N/A	N/A	N/A	N/A

iii. Remunerations to directors, supervisors, president, and vice presidents in the most recent year:

(1) Remuneration to directors (including independent directors), December 31, 2019 Unit: NT$ thousand

Title	Name	Director's remuneration								Ratio of total compensation (A+B+C+D) to net profit after tax(%) (Note 6)		Remuneration for part-time employees								Ratio of total compensation (A+B+C+D+E+F+G) to net profit after tax (%) (Note 6)		Remuneration from reinvestments other than subsidiaries or the parent company
		Remuneration (A) (Note 1)		Severance pay and pension (B)		Director's remuneration (C) (Note 2)		Business expenses (D) (Note 3)				Salary, bonuses, and allowances (E) (Note 4)		Severance pay and pension (F)		Employee remuneration (G) (Note 5)						
		The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company		All companies in the financial report (Note 7)		The Company	All companies in the financial report (Note 7)	
																Cash value	Share value	Cash value	Share value			
Director	Representative of Ming-Ling Co., Ltd.:																					
Director	Hsien Ou Yang	1,417	1,417	0	0	395	395	240	240	0.61	0.61	0	0	0	0	0	0	0	0	0.61	0.61	0
Director	Scott Ouyoung	500	500	0	0	501	501	270	420	0.38	0.42	0	0	0	0	0	0	0	0	0.38	0.42	0
Director	Su-Hsiang Ou Young Chang	0	0	0	0	53	53	0	0	0.02	0.02	153	153	3	3	7	0	7	0	0.06	0.06	0
Director	Andrew Yates	0	0	0	0	53	53	0	0	0.02	0.02	0	3,880	0	0	0	0	0	0	0.02	1.17	0
Director	Wen-Mei Yiu	500	500	0	0	316	316	240	240	0.32	0.32	0	0	0	0	0	0	0	0	0.32	0.32	0
Director	Chi-Keung Chung	416	416	0	0	264	264	210	210	0.27	0.27	0	0	0	0	0	0	0	0	0.27	0.27	0
Independent Director	Chin-Shan Huang	800	800	0	0	316	316	300	300	0.42	0.42	0	0	0	0	0	0	0	0	0.42	0.42	0

Title	Name	Director's remuneration								Ratio of total compensation (A+B+C+D) to net profit after tax(%) (Note 6)		Remuneration for part-time employees								Ratio of total compensation (A+B+C+D+E+F+G) to net profit after tax (%) (Note 6)		Remuneration from reinvestments other than subsidiaries or the parent company
		Remuneration (A) (Note 1)		Severance pay and pension (B)		Director's remuneration (C) (Note 2)		Business expenses (D) (Note 3)				Salary, bonuses, and allowances (E) (Note 4)		Severance pay and pension (F)		Employee remuneration (G) (Note 5)						
																The Company		All companies in the financial report (Note 7)				
		The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	The Company	All companies in the financial report (Note 7)	Cash value	Share value	Cash value	Share value	The Company	All companies in the financial report (Note 7)	
	Young-Sheng Hsu	750	750	0	0	316	316	270	270	0.40	0.40	0	0	0	0	0	0	0	0	0.40	0.40	0
	Yi-Chia Chiu	750	750	0	0	316	316	150	150	0.36	0.36	0	0	0	0	0	0	0	0	0.36	0.36	0

Note: An institutional director changed its representative from Miss Su-Hsiang Ou Young Chang to Mr. Hsien Ou Yang on February 20, 2019. Mr. Hsien Ou Yang took the post of Chairman while Mr. Scott Ouyoung resigned as the Chairman on August 13, 2019. An institutional director changed its representative from Mr. Chi-Keung Chung to Mr. Andrew Yates on October 21, 2019.

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

Note 2: Proposed distribution of directors' remuneration approved by the Board of Directors on March 5, 2020.

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

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

Note 5: Proposed distribution of employees' remuneration (proposed figure) approved by the Board of Directors on March 5, 2020.
Note 6: Net profit after tax refers to the net profit after tax from the most recent standalone financial report.
Note 7: The total pay to the directors from all companies in the consolidated statements (including the Company).
Note 8: Severance pay and pension contributions are governed by the *Labor Pension Act* and *Labor Standards Act*.

(3) Remunerations to President and Vice Presidents December 31, 2019 Unit: NT$ thousand

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses, special allowances, etc. (C)		Amount of employee remuneration (D)				Ratio of total compensation (A+B+C+D) to net profit after tax (%)		Remuneration from reinvestments other than subsidiaries or the parent company
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash value	Share value	Cash value	Share value			
President	Andrew Yates (Note)	19,512	37,563	84	84	2,213	7,219	1,285	0	1,285	0	6.89	13.77	0
President	Todd Alex Talbot (Note)													
Vice President	MICHAEL DAVID BOND (Note)													
Vice President	Tsung-Min Chen													
Vice President	Shu-Chi Lee													

Note: The amount of employees' remuneration was the proposed distribution of employees' remuneration (proposed figure) approved by the Board of Directors on March 5, 2020.

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

Severance pay and pension contributions are governed by the *Labor Pension Act* and *Labor Standards Act*.

Andrew Yates resigned as President and Todd Alex Talbot became President on August 13, 2019. Michael David Bond became Vice President on September 18, 2019.

President and Vice Presidents' Remuneration Scale

Remuneration scale applicable to each President and Vice President of the Company	Name of President and Vice Presidents	
	The Company	All companies included in the consolidated statementsE
NT$1,000,000 (inclusive) to NT$2,000,000 (exclusive)	MICHAEL DAVID BOND	
NT$2,000,000 (inclusive) to NT$3,500,000 (exclusive)	-	-
NT$3,500,000 (inclusive) to NT$5,000,000 (exclusive)	Shu-Chi Lee	Shu-Chi Lee、MICHAEL DAVID BOND
NT$5,000,000 (inclusive) to NT$10,000,000 (exclusive)	Tsung-Min Chen	Tsung-Min Chen
NT$10,000,000 (inclusive) to NT$15,000,000 (exclusive)	Todd Alex Talbot	Todd Alex Talbot
NT$15,000,000 (inclusive) to NT$30,000,000 (exclusive)		Andrew Yates
Total	4	5

(4) Comparison and analysis of remuneration to directors, supervisors, President and Vice Presidents as a percentage of net profit after tax from standalone or individual financial reports within the last two years, and description of the policy, standards, and packages of remuneration; the procedure for making such decisions; and relation to business performance and future risks.

Unit: NT$ thousand

Standalone	2019			2018		
Title	Total remuneration	Net profit after tax	Total remuneration as a percentage of net income after tax%	Total remuneration	Net profit after tax	Total remuneration as a percentage of net income after tax%
Director	9,506	335,174	2.84	10,357	618,220	1.68
Supervisor	0		0	624		0.10
President and Vice Presidents	23,094		6.89	102,822		16.63

Consolidated financial statements	2019			2018		
Title	Total remuneration	Net profit after tax	Total remuneration as a percentage of net income after tax%	Total remuneration	Net profit after tax	Total remuneration as a percentage of net income after tax%
Director	13,536	335,174	4.04	10,514	618,220	1.70
Supervisor	0		0	624		0.10
President and Vice Presidents	46,151		13.77	130,463		21.10

The directors and supervisors of the Company carry out their duties in accordance with Article 23 of the Company's Articles of Association: Regardless of whether the Company made a profit or suffered a loss, directors of the Company shall receive their monthly remuneration and travel allowances accordingly. If the Company made a profit during the year and the earnings per share are in excess of NT$1, no more than 2% can be allocated as the directors' remuneration in accordance with the Articles of Association. The amount appropriated is decided by the Remuneration Committee based on the Company's Articles of Association, submitted to the Board of Directors for approval, and then reported to shareholders' meeting. (In accordance with the Company's Remuneration Rules: Remuneration to directors is NT$500,000 each year). The President and Vice Presidents carry out the Company's duties as directed by the Board of Directors, and their appointment, dismissal and remuneration are governed by Article 24 of the Articles of Association. Remuneration to the President and Vice Presidents is determined by their position, contribution to the Company, performance, and future risks. The remuneration is submitted to the Remuneration Committee for review and then submitted to the Board of Directors for resolution. The overall compensation package consists mainly of the basic salary and bonuses. According to the remuneration scale, the basic salary is determined by the market rate for the employee's position; the bonuses are determined by the department or employee target completion rates and the Company's operating performance.

Manager's name and distribution of employee bonuses

December 31, 2019 Unit: NT$ thousand

	Title	Name	Share value	Cash value (Note)	Total	Percentage of total bonuses to net profit after tax (%)
Managers	President (Note)	Todd Alex Talbot	0	2,339	2,339	0.70
	Vice President	MICHAEL DAVID BOND				
	Vice President	Tsung-Min Chen				
	Vice President	Shu-Chi Lee				
	Assistant Vice President	Lei-Hui Lee				
	Assistant Vice President	Jung-Chao Lin				
	Assistant Vice President	Bhor-Chaou Chang				
	Assistant Vice President	Ming-Sheng Wei				
	Assistant Vice President	Sheng-Shyong Hwang				
	Assistant Vice President	Jun-Hong Li				
	Head of Accounting	Min-Ling Wang				

Note: Proposed distribution of employees' remuneration (proposed figure) approved by the Board of Directors on March 5, 2020.

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

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

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

(1) President and equal position.
(2) Vice President and equal position.
(3) Assistant Vice President and equal position.
(4) Head of the Financial Department.
(5) Head of the Accounting Department.
(6) Other persons with the authority to manage the Company's affairs and sign agreements on behalf of the Company.

iv. Corporate Governance Practices:

(i) Operation of the Board of Directors:

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

The Board of Directors met 10 times (A) during 2019 and as of the date of this annual report.

Board attendance was as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) [B/A]	Notes
Chairman	Hsien Ou Yang (Representative, Ming-Ling Co., Ltd.)	9	1	90	Appointed on February 20, 2019 (should attend 10 meetings)
Director	Scott Ouyoung (Representative, Ming-Ling Co., Ltd.)	10	0	100	Reelected on May 25, 2018
Director	Su-Hsiang Ou Young Chang (Representative, Ming-Ling Co., Ltd.)	0	0	0	Reelected on May 25, 2018 Director dismissed on February 20, 2019 (should attend 0 meetings)
Director	Andrew Yates (Representative, Ming-Ling Co., Ltd.)	4	0	100	Appointed on October 21, 2019 (should attend 4 meetings)
Director	Chi-Keung Chung (Representative, Ming-Ling Co., Ltd.)	6	0	100	Reelected on May 25, 2018 Appointed on October 21, 2019 (should attend 6 meetings)
Director	Wen-Mei Yiu (Representative, Ming-Ling Co., Ltd.)	9	1	90	Appointed on June 1, 2018 (should attend 10 meetings)
Independent Director	Chin-Shan Huang	10	0	100	Reelected on May 25, 2018
Independent Director	Young-Sheng Hsu	10	0	100	Reelected on May 25, 2018
Independent Director	Yi-Chia Chiu	6	4	60	Reelected on May 25, 2018

Other disclosures:

i. Board resolutions stipulated in the Article 14-3 of the Securities and Exchange Act or other resolutions with dissenting or qualified opinions given by independent directors that are recorded or stated in writing should state dates of the board meetings, term, resolution content, opinions of all independent directors, and the Company's response: Please refer to IV. Corporate Governance Practices (XI) Important Resolutions of the Board of Directors in the Most Recent Year (pages 80-85).

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

iii. TWSE/TPEx listed companies shall disclose the cycle and period, scope, method, and content of self (or peer) evaluation and fill in the implementation status of the evaluation of the board of directors in the attached table (please see the following description for details).

iv. Programs this year and in the most recent year for strengthening the functionality of the Board (for example, setting up an auditing committee, improving transparency, etc.) and assessment of execution:

1. The Rules of Procedures for Board of Directors Meetings are stated in the Company's Articles of Association in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies. Amendments were subsequently approved by the board on November 11, 2014 to strengthen board effectiveness.
2. The Remuneration Committee was established on December 21, 2011 to strengthen the Company’s corporate governance by formulating and regularly reviewing the remuneration for directors, supervisors, and managers.
3. After the reelection of the Company’s directors on May 25, 2018, the Audit Committee was established in accordance with the regulations.
4. Assessment of execution: To improve the transparency of the Company, after each meeting of the board, the key resolutions are immediately posted to the Market Observation Post System website and periodically announced on the Company website to protect shareholders' interests.

Implementation Status of the Evaluation of Board of Directors

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Implemented once a year	Evaluate the performance of the board of directors from January 1, 2019 to December 31, 2019	Including performance evaluation of the board of directors, individual board members, and functional committees	Including self-evaluation of the board and its members	Evaluation of six major items: Level of participation in the Company's operations, improving the quality of board decision-making, board composition and structure, appointment of directors and their continuing studies, and internal controls.

There are six major assessment items, and a total of 23 items

The assessment results of each item are presented in five levels, as described below:

1: Very poor (strongly disagree) ; 2: Poor (disagree) ; 3: Average (normal);

4: Good (agree) ; 5: Excellent (strongly agree).

The maximum score of the 23 items is 115, which is converted into 100 points.

Evaluation results: The total self-evaluation score of the board of directors in 2019 was 105.23, which is converted into a score of 91.5 points and was reported to the board of directors on March 5, 2020.

(ii) Operation of the Audit Committee:

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

The Audit Committee met 10 times (A) during 2019 and as of the date of printing of the annual report. The attendance was as follows:

Title	Name	Actual Attendance (B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Notes
Independent Director	Young-Sheng Hsu	10	0	100	Convener
Independent Director	Chin-Shan Huang	10	0	100	
Independent Director	Yi-Chia Chiu	6	4	60	

Other disclosures:

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

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

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

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

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

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

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

Please visit the Company's website for communication among independent directors, supervisors, chief auditors, CPAs, and the head of accounting: https://tw.globeunion.com/investors/corporate-governance/

Resolutions of the Audit Committee

Audit Committee	Board of directors	Details of the proposal and subsequent developments	Results of Audit Committee resolutions	The Company's response to Audit Committee opinions
1st-term 6th meeting 2019.03.11	17th-term 7th meeting 2019.03.11	1. The Company's 2018 business report and financial report. 2. Partial revision to the Company's *Procedure for the Acquisition and Disposal of Assets*. 3. Base date for capital increase through issuance of new shares by exercising the conversion of employee warrants. 4. Reduction of treasury stock. 5. Lifting of the non-compete clause for directors. 6. The Company's engagement in trading of derivatives. 7. The Company's application for bank loans.	All members attending the meeting approved.	None.
1st-term 7th meeting 2019.03.29	17th term 8th meeting 2019.03.29	1. Earnings distribution. 2. 2018 Statement of Internal Control. 3. Partial revision to the Company's *Regulations Governing Loaning of Funds and Making of Endorsements* and *Endorsement Assurance Guidelines*. 4. The Company's engagement in trading of derivatives.	All members attending the meeting approved.	None.
1st-term 8th meeting 2019.05.03	17th-term 9th meeting 2019.05.03	1. Consolidated financial statements for Q1 2019. 2. Capital increase through issuance of new shares by exercising the conversion of employee warrants. 3. The Company's engagement in trading of derivatives. 4. The Company's application for bank loans.	All members attending the meeting approved.	None.

Audit Committee	Board of directors	Details of the proposal and subsequent developments	Results of Audit Committee resolutions	The Company's response to Audit Committee opinions
1st-term 9th meeting 2019.08.02	17th-term 10th meeting 2019.08.02	1. Consolidated financial statements for the Q2 2019. 2. Cooperate with the securities authority to strengthen the independence of auditing CPAs by implementing the self-rotation mechanism of CPAs and changing the auditing CPAs. 3. Routine evaluation of CPAs' independence. 4. Authorization of the Chairman or his designated person to negotiate with potential partners regarding the subsidiary HBI Co., Ltd. on its domestic or overseas strategic collaboration, disposal or M&A plans for future matters such as operational development, business needs, operational synergy, employees, and shareholders' equity, and permission for signing related MOU or LOI. 5. Capital increase through issuance of new shares by exercising the conversion of employee warrants. 6. The Company's engagement in trading of derivatives. 7. The Company's application for bank loans.	All members attending the meeting approved.	None.
1st-term 10th meeting 2019.08.28	17th-term 11th meeting 2019.08.28	1. Plan overseas investment for the Company. 2. The Company's engagement in trading of derivatives.	All members attending the meeting approved.	None.
1st-term 11th meeting 2019.09.16	17th-term 12th meeting 2019.09.16	The Company's engagement in trading of derivatives.	All members attending the meeting approved.	None.

Audit Committee	Board of directors	Details of the proposal and subsequent developments	Results of Audit Committee resolutions	The Company's response to Audit Committee opinions
1st-term 12th meeting 2019.11.08	17th-term 13th meeting 2019.11.08	1. Approval of the consolidated financial statements of the Company for Q3 2019. 2. Approval of capital increase through issuance of new shares by exercising the conversion of employee warrants. 3. Approval of the proposal to retire new employee restricted stock and capital reduction. 4. Approval of the proposal to lift the non-compete clause for directors and managers. 5. Approval for the recognition of the Company's engagement in trading of derivatives. 6. Approval of the proposal to apply for a loan with the bank.	All members attending the meeting approved.	None.
1st-term 13th meeting 2019.12.13	17th-term 14th meeting 2019.12.13	1. The Company's 2020 group business strategy plan and budget. 2. The 2020 annual audit plan. 3. The Company's engagement in trading of derivatives. 4.The Company's application for bank loans.	All members attending the meeting approved.	None.
1st-term 14th meeting 2020.03.05	17th-term 15th meeting 2020.03.05	1. The Company's 2019 business report and financial report. 2. The issuance of 2020 employee stock warrants 3. Proposal of capitalization of earnings by invested subsidiary Milim G&G Ceramics Co., Ltd. 4. Capital increase through issuance of new shares by exercising the conversion of employee warrants.	All members attending the meeting approved.	None.

Audit Committee	Board of directors	Details of the proposal and subsequent developments	Results of Audit Committee resolutions	The Company's response to Audit Committee opinions
		5. The Company's engagement in trading of derivatives.		
1st-term 15th meeting 2020.03.25	17th-term 16th meeting 2020.03.25	1. Earnings distribution. 2. Distribution of cash dividends from capital surplus. 3. 2019 Statement of Internal Control. 4. The Company's issuance of new restricted employee shares. 5. The Company's engagement in trading of derivatives. 6. The Company's application for bank loans.	All members attending the meeting approved.	None.

Communication among independent directors, supervisors, chief auditors, CPAs, and the head of accounting

Date	Meeting	Main points of communication	Recommendations and results
2019.03.11	Audit Committee Board of directors	Audit of the 2018 financial statements Explanation from the CPAs i. Matters of communication with the corporate governance department and management (i) CPA independence (ii) Contents of the Customer Statement (iii) Scope of group audit (iv) Key audit matters (v) Audit opinions of the CPAs in 2018 ii. Ernst & Young - Data Analysis iii. Update of securities regulations iv. Overseas Holding Company – Effects of Economic Substance Law 2018 consolidated financial statements and standalone financial report	No objection No objection No objection No objection No objection No objection No objection No objection No objection No objection
2019.03.29	Audit Committee Board of directors	Internal Audit Report for Q1 2019 Audit plan achievement rate and deficiencies and abnormalities in audit items	No objection
2019.05.03	Audit Committee Board of directors	Consolidated Financial Statements for Q1 2019	No objection

Date	Meeting	Main points of communication	Recommendations and results
2019.08.02	Audit Committee Board of directors	Consolidated financial statements for Q2 2019 Internal Audit Report for Q2 2019 Audit plan achievement rate and deficiencies and abnormalities in audit items	No objection
2019.08.28	Audit Committee Board of directors	Overseas investments by the Company	No objection
2019.09.16	Audit Committee Board of directors	None (no matters of communication at this meeting)	N/A
2019.11.08	Audit Committee Board of directors	Consolidated financial statements for Q3 2019 Internal Audit Report for Q3 2019 Audit plan achievement rate and deficiencies and abnormalities in audit items	No objection
2019.12.13	Audit Committee Board of directors	Internal Audit Report for Q4 2019 Audit plan achievement rate and deficiencies and abnormalities in audit items Discussion and approval of the 2020 annual audit plan	No objection No objection
2020.03.05	Audit Committee Board of directors	Audit of the 2019 financial statements Explanation from the CPAs i. Matters of communication with the corporate governance department and management (i) CPA independence (ii) Contents of the Customer Statement (iii) Scope of group audit (iv) Post-audit consolidated financial position (v) Key audit matters (vi) Audit opinions of the CPAs in 2019 ii. Update of securities regulations iii. Tax law updates	No objection No objection No objection No objection No objection No objection No objection No objection
2020.03.25	Audit Committee Board of directors	Internal Audit Report for Q1 2020 Audit plan achievement rate and deficiencies and abnormalities in audit items	No objection

Supervisor participation in board affairs: Not applicable; the Company has an established Audit Committee.

(iii) Corporate governance implementation and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reason for such deviations:

Evaluation item	Operating status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
i. Has the company defined and disclosed its corporate governance best practice principles in accordance with the *Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies*?	✓		The Company has formulated a Corporate Governance Code of Practice for promoting the operation of corporate governance. Disclosure is also carried out on the Market Observation Post System and the corporate website.	No significant difference.
ii. Shareholding structure & shareholders' equity				
(i) Has the company defined internal operating procedures for dealing with shareholder proposals, doubts, disputes, and litigation as well as implemented those procedures?	✓		(i) To protect the interest of shareholders, the Company has appointed a spokesperson and deputy spokesperson to handle shareholder proposals or disputes.	(i) No significant difference.
(ii) Does the company have a list of major shareholders that have actual control over the company and a list of ultimate owners of those major shareholders?	✓		(ii) The Company discloses the list of major shareholders and the list of ultimate owners of major shareholders in accordance with applicable regulations, and legitimately reports any changes in information.	(ii) No significant difference.
(iii) Has the company established and implemented risk management and firewall systems within its conglomerate structure?	✓		(iii) The Company has established and implemented the relevant controls in its internal control system.	(iii) No significant difference.
(iv) Does the company have internal regulations	✓		(iv) The Company has established the *Insider*	(iv) No significant

Evaluation item	Operating status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
in place to prevent its internal staff from trading securities based on information yet to be public on the market?			*Trading Prevention Rules* prohibiting internal personnel and employees against using information not yet disclosed to the market for profit.	difference.
iii. Composition and responsibilities of the board of directors (i) Has the board of directors devised and implemented a plan for a more diverse composition of the board? (ii) In addition to establishing a Remuneration Committee and an Audit Committee, which are required by law, is the company willing to voluntarily establish other types of functional committees? (iii) Has the company established guidelines and methods for evaluating the performance of the board of directors, conducted performance evaluation annually, reported the results to the board,	✓ ✓	 ✓	(i) The *Corporate Governance Code of Practice* specifies that the members of the Company's board of directors shall be selected with an emphasis on diversity of backgrounds, general knowledge, skills, and the competencies required to perform incumbent duties. (ii) The Company has established a Remuneration Committee and an Audit Committee in accordance with the law, but currently does not have any other functional committees. (iii) The board of directors passed the *Board of Directors Self-Evaluation or Peer Evaluation Regulations* on March 29, 2019, conducted the 2019 self-evaluation, and reported the results to the board on March 5, 2020. In the future,	(i) No significant difference. (ii) No significant difference. (iii) No significant difference.

Evaluation item	Operating status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
and used the results as a reference for the remuneration, nomination, and reelection of individual directors?			the results will be used as a reference for the remuneration, nomination and reelection of individual directors.	
(iv) Does the company regularly evaluate the independence of CPAs?	✓		(iv) The Company has a voluntary rotation mechanism in place for accountants. The Board of Directors approves all changes of the CPA. Starting in 2015, the board of directors assesses the independence of the accountants every year in accordance with Article 29 of the *Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies*. Assessment of CPA independence: The investigation conducted by the Company's investor services unit confirmed that the CPA does not hold any shares in the Company, and the CPA does not concurrently hold any position in the Company either. In addition, declarations on the CPA's role, responsibilities, and independence issued by the CPA were reviewed. It was determined that, except for costs associated with certification and related	(iv) No significant difference.

Evaluation item	Operating status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			taxation, the CPA did not have any other financial interests or business interactions with the Company, and both the CPA and members of the audit team were not currently holding nor held the position of director, manager, or one of significant influence on the audit work within the last two years, and they are not relatives of staff handling the aforementioned affairs. The independence of the Company's CPA was therefore confirmed, and was approved by the Audit Committee and board of directors on August 2, 2019.	
iv. For TWSE/TPEx-listed companies, are there suitable persons in an appropriate number and designated supervisors for corporate governance to take charge of related matters (including but not limited to providing directors and supervisors with materials required for them to carry out their tasks, helping directors and supervisors comply with the law, taking care of board of directors'	✓		The Board of Directors' secretary is responsible for corporate governance-related affairs, and strengthening board functions on this basis. The secretary's main responsibilities include providing data needed by the Remuneration Committee, directors (including independent directors), and supervisors to perform their duties; assisting them with regulatory compliance; handling meetings of the Remuneration Committee, Audit Committee, board	No significant difference.

Evaluation item	Operating status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
meetings and shareholders' meetings as required by law, and preparing minutes of board of directors' meetings and shareholders' meetings)?			of directors, and shareholders' meetings as required by law; and preparing and planning the CSR report. 2019 business implementation status: 1. Notified directors (including independent directors) and committee members of the agendas of Remuneration Committee, Audit Committee, and board meetings seven days in advance. Convened meetings, and provided information for meetings and reminders for recusal for conflicts of interest. Completed meeting minutes within twenty days after the meetings were concluded. 2. Assisted the Remuneration Committee, Audit Committee, board of directors, and shareholders' meeting proceedings and resolutions with regulatory compliance: (1) Verified whether Remuneration Committee, Audit Committee, board of directors, and shareholders' meetings comply with the law and corporate governance principles. (2) Assisted and reminded directors (including independent directors) of laws and regulations	

Evaluation item	Operating status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			they need to comply with when performing their duties or when the board of directors is formally adopting a resolution. (3) Is responsible for the announcement of major resolutions adopted by the board of directors and ensures the regulatory compliance and correctness of its contents to protect the rights and interests of investors. 3. Assists in providing data required by directors (including independent directors) to perform their duties and schedules continuing education courses each year. 4. Independent directors individually meet with internal auditors or CPAs to understand the Company's financial and business needs, and receive assistance in arranging related meetings. 5. Registers the date of the shareholders' meetings in advance in accordance with the law, prepares meeting notices and meeting minutes within the specified period, and prepares shareholders' meeting handbooks and annual reports within the	

Evaluation item	Operating status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			corporate governance evaluation period. 6. Change of registration: Completed applications for change of registration within the statutory period for revisions to the Articles of Association, reelection of directors, or changes in paid-in capital; handled matters required by Taiwan Stock Exchange Corporation and the branch of the National Taxation Bureau of the Central Area, Ministry of Finance with jurisdiction over the Company. 7. Planned and compiled the CSR report. 8. Completed the 2018 self-evaluation of the Corporate Governance Evaluation. 9. Reported the Company's 2018 Corporate Governance Evaluation results to the board of directors.	
v. Does the company establish a communication channel and build a designated section on its website for stakeholders (including without limitation shareholders, employees, customers, suppliers, etc.), and properly respond to	✓		The Company has set up a dedicated stakeholder section with mailboxes of the spokesperson, deputy spokesperson and representatives on key CSR issues, in hopes of achieving effective and smooth communication and protecting the reasonable and	No significant difference.

Evaluation item	Operating status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
corporate social responsibility issues that stakeholders are concerned about?			legal rights of both parties.	
vi. Has the company designated a professional shareholder service agency to deal with matters of the shareholders' meeting?	✓		The Company has appointed the transfer agency department of Sinopac Securities to handle matters relating to the shareholders' meeting and investor affairs.	No significant difference.
vii. Information disclosure (i) Has the company established a corporate website to disclose information regarding the company's financial, business, and corporate governance status? (ii) Has the company established other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, or webcasting investor conferences on the company	 ✓ ✓		 (i) The Company discloses information regarding the Company's financial position, business, and corporate governance on the corporate website. The Company files the Company's financial and business information regularly and irregularly in accordance with relevant laws and regulations. (ii) The Company appointed a spokesperson and deputy spokesperson in accordance with regulations, and has dedicated personnel to handle issues of institutional investors and other investors. Related departments are responsible for disclosing information on our Chinese and English-language website.	 (i) No significant difference. (ii) No significant difference.

Evaluation item	Operating status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
website)? (iii) Does the company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the Q1, Q2 and Q3 financial reports and operating status of each month within the prescribed deadline?		✓	(iii) The Company currently announces and declares our annual financial report within three months after the end of the fiscal year, and declares Q1, Q2 and Q3 financial reports and operating status of each month within the prescribed period.	(iii) No significant difference.
viii. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	✓		(i) Employee rights and care: The Company has always treated employees with honesty. We protect the legal rights of employees in accordance with the Labor Standards Act and have established an employee welfare committee. A range of employee benefits as well as education and training are used to build a relationship of mutual trust with employees. (ii) Investor relations: The Company has appointed a spokesperson to handle suggestions from shareholders and answer their queries in as much detail as possible, so that they better understand our operations and business situation. We handle matters before/after the	No significant difference.

Evaluation item	Operating status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			shareholders' meeting in accordance with the Company Act and related laws and regulations, fully disclose relevant information, and simultaneously announce material information in Chinese and English to fully protect shareholders' right to know, so that they can participate or make a decision on this basis. (iii) The Company maintains a positive relationship with our suppliers. (iv) We respect the rights of stakeholders. Stakeholders can communicate and make suggestions to the Company in order to protect their legal rights. (v) For continuing education of the Company's directors and supervisors, please see Supplement 1 below. (vi) Implementation of risk management policies and risk assessment standards: Please refer to pages 145 to 150 for the risk management section. (vii) The Company maintains a stable and positive	

Evaluation item	Operating status (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			relationship with customers in order to generate profits. (viii) The Company has continued to purchase liability insurance for directors from December 31, 2019 to December 31, 2020. The insured amount (US$7.5 million), coverage, and premium rate were reported to the Board of Directors on March 5, 2020. Insurance coverage is disclosed on the Market Observation Post System in accordance with regulations.	

ix. Explain improvements made according to Corporate Governance Evaluation results released in the most recent year by the Corporate Governance Center of Taiwan Stock Exchange and provide priorities to be reinforced and measures among those pending improvement.

Results of the fifth Corporate Governance Evaluation were reported in the 10th meeting of the 17th Board of Directors on August 2, 2019.

Among the un-scored items in the 5th Corporate Governance Evaluation results:

Improved items:

The Board of Directors Performance Evaluation Guidelines were approved by the Board of Directors on March 29, 2019. The Board of Directors approved two newly appointed Remuneration Committee members on May 3, 2019, completing the establishment of the Renumeration Committee with more than half independent director members. Completed real-time report of major news in English. Increased the attendance rate of all directors.

Not yet improved but prioritized items:

<table>
<tr><td rowspan="2">Evaluation item</td><td colspan="3">Operating status (Note 1)</td><td rowspan="2">Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons</td></tr>
<tr><td>Yes</td><td>No</td><td>Summary</td></tr>
<tr><td colspan="5">Directors completed the required number of hours of continuing education in accordance with the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies.</td></tr>
</table>

Supplement 1　Continuing education for the Company's directors (including independent directors) and supervisors:

Name	Title	Date	Organizer	Course Name	Hours
Hsien Ou Yang	Director's representative	2019.04.22	Accounting Research and Development Foundation	Key Points of the *Securities and Exchange Act* and Analysis of Major Violations That Internal Auditors Should Understand	6
		2019.04.23	Taiwan Corporate Governance Association	Best Practices of Board of Directors and Shareholders' Meetings of Public Companies	3
		2019.04.25	Accounting Research and Development Foundation	Analysis of Legal Liability for Enterprises Signing *Commercial Agreements*: Reviewing, Negotiating, and Handling Disputes of Licensing Agreements as Example	3
Chi-Keung Chung	Director's representative (Resigned on October 21, 2019)	2019.06.21	Taiwan Investor Relations Institute	Analysis of Revisions to the Company Act	3
		2019.06.21	Taiwan Investor Relations Institute	Discussion of Employee Bonus and Remuneration Strategy and Application of Tools	3
Wen-Mei Yiu	Director's representative	2019.09.20	Taiwan Corporate Governance Association	The Effect of the Economic Substance Act and Global Anti-Tax Evasion on Corporate Governance from the Perspective of Directors and Supervisors	3
		2019.10.25	Taiwan Corporate Governance	Corporate Management and Crisis	3

Name	Title	Date	Organizer	Course Name	Hours
			Association	Management Strategies for Public Opinion and News	
Chin-Shan Huang	Independent Director	2019.10.28	Accounting Research and Development Foundation	Independent Director/Audit Committee • Audit Laws Compliance Practices for Compliance with Audit Laws for Appointing *Independent Directors* and an *Audit Committee* as Required by the Competent Authority (Taichung Class)	6
Young-Sheng Hsu	Independent Director	2019.08.16	Securities & Futures Institute	*2019 Insider Trading Compliance Seminar for Public Listed and Unlisted Companies*	3
		2019.10.28	Accounting Research and Development Foundation	Independent Director/Audit Committee • Audit Laws Compliance Practices for Compliance with Audit Laws for Appointing *Independent Directors* and an *Audit Committee* as Required by the Competent Authority (Taichung Class)	6
Yi-Chia Chiu	Independent Director	2019.10.29	The Institute of Internal Auditors - Chinese Taiwan	Practices for Auditing Material Systems of the Manufacturing Industry	6

(iv) Composition and operating status of the Renumeration Committee:

Members of the Remuneration Committee

Identity Type	Qualifications / Name	Has at least 5 years of work experience and meets one of the following professional qualifications			Compliance of independence (Note)										Number of other public companies in which the member also serves as a member of their remuneration commitee	Notes
		A lecturer or higher position in a Department of Commerce, Law, Finance, Accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Chin-Shan Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Reelected for 4th-term
Other	Chao-Tang Yue	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	4	Reelected for 4th-term
Other	Kuan-Chun Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Reelected for 4th-term
Independent Director	Yi-Chia Chiu	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	Reappointed for 4th-term on May 3, 2019
Independent Director	Young-Sheng Hsu	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Newly appointed for 4th-term on May 3, 2019

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

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

(2) Not a director or supervisor of the company or any of its affiliates (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Act or local regulations).

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, underage children, or held by the person under others' names, in an aggregate amount of 1% of the total number of issued shares of the company or ranks as one of its top ten shareholders.

(4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship or closer to anyone listed in (2) or (3).

(5) Not a director, supervisor, or employee of an institutional shareholder who holds directly 5% or more of the

company's shares, is one of the top five shareholders, or is a representative appointed as director or supervisor of the company pursuant to Paragraph 1 or 2, Article 27 of the Company Act (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Act or local regulations).

(6) Not a director, supervisor, or employee of another company that has the same directors as the company or is controlled by the same person that has more than half of the voting power in the company (except where the person is concurrently an independent director of the company or its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Act or local regulations).

(7) Not a director, supervisor, or employee of another company or institution that has the same chairperson, president, or person with the equivalent rank as the company, or a spouse in one of these roles (except where the person is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Act or local regulations).

(8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution that has a financial or business relationship with the company (except where that specific company or institution holds 20% or more but no more than 50% of the company's issued shares and is concurrently an independent director of the company and its parent company, a subsidiary, or another subsidiary of the same parent company appointed pursuant to the Act or local regulations).

(9) Not a professional who provides audit or received no more than NT$500,000 in cumulative compensation in the last two years for commercial, legal, financial, or accounting services to the company or its affiliates, nor an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or organization that provides such services to the company or its affiliates; or the spouse of any of the above. However, exception applies to members of a remuneration committee, a take-over bid review committee, or a special committee for merger and acquisition exercising their authority pursuant to provisions of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.

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

Roles and Responsibilities of the Remuneration Committee

To improve corporate governance and the Company's director and manager remuneration function, perform the following duties, and submit recommendations to the board of directors for discussion:

i. Establish and conduct regular review of the policies, systems, standards, and structures for performance appraisal and remuneration of the Company's directors and managers.

ii. Regularly review and establish renumeration of directors and managers.

Operation of the Remuneration Committee

i. The current Remuneration Committee has 3 members.

ii. Term of 4th-term committee members: July 3, 2018 to May 24, 2021

The Remuneration Committee held 7 meetings (A) in 2019 and as of the printing date of this annual report. The qualifications and attendance of the committee members are as follows:

Title	Name	Actual Attendance (B)	Attendance by proxy	Attendance rate (%) (B/A)	Notes
Convener	Chin-Shan Huang	7	0	100	Continued to serve on the 4th-term committee (independent director)
Committee member	Chao-Tang Yue	7	0	100	Continued to serve on the 4th-term committee
Committee member	Kuan-Chun Wang	6	1	85.71	Continued to serve on the 4th-term committee
Committee member	Yi-Chia Chiu	4	1	80	Newly appointed on May 3, 2019 Should attend 5 meetings (independent director)
Committee member	Young-Sheng Hsu	5	0	100	Newly appointed on May 3, 2019 Should attend 5 meetings (independent director)

<table>
<tr><th>Title</th><th>Name</th><th>Actual Attendance (B)</th><th>Attendance by proxy</th><th>Attendance rate (%) (B/A)</th><th>Notes</th></tr>
<tr><td colspan="6">Other disclosures:
i. In the event that a Remuneration Committee recommendation is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, content of motion, the board's resolution, and the way the company handled the Remuneration Committee's opinions (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): N/A.
ii. If a member had dissenting or qualified opinion on record or stated in writing regarding any resolution passed by the Remuneration Committee, describe the date of committee meeting, term of the committee, content of motion, opinions of all members, and actions taken by the company in response to the opinion of members: Please see the following description for details.</td></tr>
</table>

Resolutions of the Remuneration Committee:

Meeting date	Details of the proposal and subsequent developments	Opinions of the Remuneration Committee	The Company's response to Remuneration Committee opinions
4th-term 3rd meeting 2019.03.11	1. Approved the proposed remuneration for directors and employees in 2018. 2. Acknowledged the Company's 2018 year-end bonus distribution proposal for managers. Extraordinary motions 1. Acknowledgment of salary adjustments for assistant vice presidents of the Management Office, Financial Division. 2. Committee Member Wang proposed: Review the director and managers' remuneration policy, system, standards, and structure in the next meeting in accordance with the Remuneration Committee Charter. 3. Committee Member Yu proposed: Year-end bonuses of managers should be reviewed and approved by the Remuneration Committee before being distributed.	Proposal approved as proposed by all members in attendance.	N/A
4th-term 4th meeting 2019.04.30	1. Acknowledged the Company's 2018 year-end bonus distribution proposal for managers. 2. Approved the review of policies, systems, standards, and structure for performance appraisal and remuneration of directors. 3. Approved the regular review of remuneration for directors. 4. Approved the year-end bonus of the President in 2018. 5. Approved the proposed remuneration for newly appointed vice presidents. 6. Approved the severance pay of the current President of the Company.	Proposal approved as proposed by all members in attendance.	N/A
4th-term 5th meeting 2019.08.02	1. Approved the employee bonuses proposed by managers in 2018. 2. Approved the proposed salary raises in 2019. 3. Approved the review of policies, systems, standards, and structure for performance appraisal and remuneration of managers. 4. Approved the regular review of remuneration for managers. 5. Approved the salary raises for managers. 6. Approved the Remuneration Committee's work plan for 2020.	1-2 Proposal approved as proposed by all members in attendance. 3. After amending the contents of the attachments, all the present members approved without	N/A N/A

Meeting date	Details of the proposal and subsequent developments	Opinions of the Remuneration Committee	The Company's response to Remuneration Committee opinions
		objection. 4-6 Proposal approved as proposed by all members in attendance.	N/A
4th-term 6th meeting 2019.08.28	1. Approval of partial amendment to the Company's *Remuneration Rules for Directors*. 2. Approval of formulation of *Courtesy Policy for Honorary Chairman*.	Proposal approved as proposed by all members in attendance.	N/A
4th-term 7th meeting 2019.09.16	Approved the proposed remuneration for newly appointed vice presidents.	Proposal approved as proposed by all members in attendance.	N/A
4th-term 8th meeting 2020.01.20	1. Approved the Company's 2019 year-end bonus distribution proposal for managers. 2. Approved the proposed salary raises for vice presidents	Proposal approved as proposed by all members in attendance.	N/A
4th-term 9th meeting 2020.03.05	1. Approval of FY2019 directors' and employees' profit-sharing. 2. Approved the Company's 2019 year-end bonus distribution proposal for managers with foreign nationality. 3. Approved the review of policies, systems, standards, and structure for performance appraisal and remuneration of directors, and the regular assessment of renumeration to directors. 4. Approved the review of policies, systems, standards, and structure for performance appraisal and remuneration of managers, and the regular assessment of renumeration to managers.	1-3 Proposal approved as proposed by all members in attendance. 4. All members in attendance approved to discuss a resolution in the next meeting. The Company is requested to submit supplementary explanations before making the proposal.	1-3 N/A 4. The proposal will be made after the Company supplements information.

(v) Implementation of corporate social responsibility and departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons:

Evaluation item	Operating status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary (Note 2)	
i. Does the company perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies accordingly?	✓		The Company has started implementing response strategies to manage potential risks from the general environment and changing customer requirements. For financial risks such as interest rate changes, exchange rate changes, and inflation, the Company has formulated Operating Procedures of Fund Lending, Endorsement Assurance Guidelines, and Receiving/Disbursement Operating Standards, and established a standardized process to avoid financial risks and a corresponding verification and inventory system. In response to environmental risks, environmental regulations, and management trends, the Company is continuing to make improvements on water, air, and noise pollution treatment strategies. On social risks, such as talent risks, the attractiveness of traditional manufacturing for new talents has declined; thus, emphasis is placed on improving the work environment and gradual improvement of the degree of automation to reduce labor intensity.	No significant difference.
ii. Has the Company established a dedicated department (or have another department be responsible for related efforts) for fulfilling	✓		The Company's Secretariat of the Board of Directors is the concurrent unit for promoting corporate social responsibility. It is responsible for the proposal and	No significant difference.

Evaluation item	Operating status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary (Note 2)	
corporate social responsibilities, with the board of directors authorizing high-level managers to handle such efforts, and having relevant progress be reported to the board of directors?			implementation of CSR policies, systems, related management guidelines, and action plans. It also reports regularly to the board of directors. The Company's CSR Report task force is responsible for the overall planning, communication, and integration, as well as compiling, editing, and revising data. The Secretariat of the Board of Directors is the concurrent unit for promoting the task force. The board of directors secretary serves as the convener and the chairperson's secretary is responsible for implementation and integration. Members of the task force are representatives from respective departments.	
iii. Environmental topics (i) Has the company developed an appropriate environmental management system, given its distinctive characteristics?	✓		(i) Our head office does not generate any hazardous impact on the environment. Other factories comply with air pollution restrictions of local governments. Emissions are collected through pipes and go through an exhaust and waterjet cleaning so that all emissions comply with standards. The Company switched to a natural gas boiler in coordination with the increase in heat recycling, lowering pollutant emissions to comply with regulations. Our head	(i) No significant difference.

Evaluation item	Operating status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary (Note 2)	
(ii) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	✓		office manages all domestic wastewater along with the processing zone's sewage disposal. Production plants in China comply with the wastewater emission concentration restrictions of local governments, and constantly improve wastewater treatment processes and increase recycling. All plants continue to manage and reduce waste, and all waste is disposed by qualified disposal companies in each area. (ii) The Company is actively working to increase resource utilization: We increased the recycling rate of process water, treat and recycle wastewater, use recycled water and product packaging that is 100% recyclable, installed water saving devices on faucets, digitized operations, use recycled printing paper and reduce paper consumption, sort waste, reduce and recycle waste, collect kitchen scrap, and use personal cutlery. These measures help to conserve the Earth's resources and protect environmental hygiene. Air-conditioning equipment is also only switched on when the indoor temperature is at 26°C or higher.	(ii) No significant difference.

Evaluation item	Operating status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary (Note 2)	
(iii) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	✓		(iii) In response to the increasing concern toward climate change and under the trend of stricter regulations, Globe Union continues to commit to energy conservation and carbon reduction activities. In addition to continuously promoting the responsibility and importance of energy conservation, production plants continue to optimize production models, improve production efficiency, and strictly abide by the requirements of local laws and regulations. Through equipment replacement and rigorous production environment management practices, the Company improves energy consumption efficiency and the recoverability rate to reduce the impact on the environment.	(iii) No significant difference.
(iv) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon reduction, greenhouse gas reduction, water use reduction, or waste management?	✓		(iv) The Company has disclosed the greenhouse gas emissions, water consumption, air pollution detection status, waste water discharge, and waste management in the Corporate Social Responsibility Report for each year since 2016. Clean production audits, water and electricity management measures, and wastewater treatment standards are established in each	(iv) No significant difference.

Evaluation item	Operating status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary (Note 2)	
			production plant, and all production processes strictly comply with local regulations. The Company conducts an energy-conservation assessment once a year and proposes rewards. In addition to commissioning a professional environmental protection company for handling waste water and waste, we also comply with the ISO14064-1 standard of greenhouse gas emissions. We regularly promote water conservation and recycling, and optimize processes to increase the utilization rate of reclaimed water. Energy resource management is implemented in accordance with the government's environmental requirements, and energy management is included in departmental KPI management.	
iv. Social topics (i) Has the company developed its policies and procedures in accordance with laws and the International Bill of Human Rights?	✓		(i) The Company's employee management regulations comply with labor laws. We also provide employees with labor/national health insurance, pension contributions and group insurance in accordance with the law to protect their rights.	(i) No significant difference.

Evaluation item	Operating status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary (Note 2)	
(ii) Does the company establish and implement reasonable employee benefits (including remuneration, leave, and other benefits), and ensure business performance or results are reflected adequately in employee remuneration?	✓		(ii) The Company has established reasonable salary and compensation policies. A system of rewards and penalties has been clearly defined in the work rules, ethical corporate management principles, ethical corporate management operating procedures and code of conduct, and it is being implemented accordingly. Article 25-1 of the Company's Articles of Association: If the Company was profitable during the year, at least 2% of the profit shall be allocated as employee remuneration first, and no more than 2% may be allocated as remuneration for directors and supervisors. However, an amount shall be set aside in advance to compensate for cumulative losses, if any. Employee bonuses may be paid in shares or cash. Employees at affiliated companies that satisfy certain criteria may also qualify. Welfare: Health and safety-related benefits: Employees are provided with the best care and protection. Various matters concerning insurance coverage are taken care of according to the Labor	(ii) No significant difference.

Evaluation item	Operating status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary (Note 2)	
			Standards Act and Labor Insurance Act. In addition, group accident insurance is planned for employees in order to increase overall protection. Employee health management, periodic health examinations, employee cafeteria, breastfeeding rooms, and a safe, comfortable working environment are provided. Education and entertainment-related benefits: We provide scholarships for employees and their children; group travel subsidies; Dragon Boat and Mid-Autumn Festival bonuses; annual company banquets; performance bonuses; birthday bonuses; childbirth, marriage, bereavement and holiday bonuses; and fitness equipment and facilities; and encourage employees to establish clubs, including the badminton club, yoga club, basketball club, bicycle club, and dance club. A fixed amount of subsidies is provided to each club on an annual basis. The pension system is implemented in accordance with relevant laws and regulations.	

Evaluation item	Operating status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary (Note 2)	
(iii) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	✓		(iii) The Company provides a safe and healthy working environment. We also provide employees with regular safety and health training. Please see Note 1 for more information.	(iii) No significant difference.
(iv) Has the company implemented an effective training program that helps employees develop skills over the course of their career?	✓		(iv) 1. The Company uses the annual *HR Evaluation Committee* meetings to conduct objective assessments and provide employees with fair opportunities for promotion. 2. The Company also offers employees job rotation and cross-national opportunities. Apart from prioritizing employees' personal preferences, job rotations are used to support the Company's development needs and realize the goal of talent cultivation.	(iv) No significant difference.
(v) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	✓		(v) The Company's products are mainly intended for export. The Company advertises and labels its products and services according to relevant regulations and international standards. The Company maintains excellent channels of communication with our customers. To protect the rights of consumers, we have appropriate rules in place for handling customer complaints. This ensures that	(v) No significant difference.

Evaluation item	Operating status (Note 1)			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary (Note 2)	
(vi) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.		✓	customer complaints are taken seriously and dealt with immediately. (vi) The Company has rules in place for managing supplier quality. While we do not require suppliers to provide their past records, we do pay attention to their record on environmental impact and social responsibility. We have not yet included regulatory compliance requirements for issues such as environmental protection, occupational safety and health, or labor and human rights in the contracts with suppliers. In the future, we will add these clauses in the contracts.	(vi) No significant difference. The relevant clauses will be added to contracts in the future.
v. Does the company prepare corporate social responsibility reports and other reports that disclose non-financial information by following international reporting standards or guidelines? Does the company obtain third-party assurance or guarantees for the reports above?	✓		The Company follows the Global Reporting Initiative (GRI) Standards issued by GRI: The Corporate Social Responsibility Report is authored in accordance with the Core option of the AA1000 (2009) standards. The Company commissions Ernst & Young, an independent and credible third party, to validate and authenticate the report, and issue an independent assurance report.	No significant difference.
vi. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has formulated such principles based on the *Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies*: The Company has				

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operating status (Note 1)</th><th rowspan="2">Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons</th></tr>
<tr><th><u>Yes</u></th><th><u>No</u></th><th>Summary (Note 2)</th></tr>
<tr><td colspan="5">defined the Corporate Responsibility Principles and its practical differences are described above.</td></tr>
<tr><td colspan="5">vii. Other important information to facilitate a better understanding of the company’s corporate social responsibility practices:
Society is made up of people playing different roles. The Company aims to become the most trustworthy company in the world and realize sustainable development. We therefore strive to create an exceptional working environment so that even as we win over the trust of customers, employees, suppliers, shareholders and competitors, we are also fulfilling our social responsibility. We are constantly promoting and implementing concepts of environmental protection. We support and sponsor organizations in society, including NT$148 thousand to the Straits Economic & Cultural Interchange Association and NT$123 thousand to Taichung Processing Region Friendship Association, Amazing Grace Deaf Bakery, and Eden Bakery, which are long supported by our employees in the Taiwan head office. Our chairman established the Hope Media Foundation and actively engages in charity donations and events, allocating approximately NT$16,813 thousand for charity events throughout the year: The children's theater promoted the spirit of mutual assistance and helped the government in promoting campus health education through elementary school tours and public performances; the Taiwan Volunteer Award promoted the spirit of courage, emergency relief, and social welfare projects to alleviate the difficulties of personal and family life; the Center for Media and Social Impact at National Central University project let college students learn on campus and engage in social welfare-related public welfare projects; the hometown and Hakka generation competition helped invigorate elderly care 2.0 in communities, etc. Out of respect for human rights, all our employees are treated equally regardless of gender, religion, political affiliation, and employment opportunity. We strive to create a good working environment free from all forms of discrimination and harassment. All safety and health aspects are monitored and comply with government regulations.</td></tr>
</table>

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

Item No.	Target/Goal	Project	Current situation	Implementation
1.	Zero-accident elevator	Cargo elevators are for cargo only. Overloading is strictly prohibited. They must be maintained and serviced by qualified vendors on a regular basis.	Contracts have been signed with professional vendors for the regular maintenance and service of elevators. Elevators must pass the annual inspection to remain in service.	The heads of relevant units are informed on the spot about the prohibition against passengers in the cargo elevator and overloading. Elevator safety and care rules are posted. All equipment used by the Company is rated the highest class among all enterprises in terms of safety and standardization.
2	Zero electrical hazards	Every electrical equipment should comply with Article 9 of the Regulations for Electrical Technician and Power Facility Inspection and Maintenance Management. Implementation is in compliance with national regulations for safe electricity usage. All electrical equipment comes with a residual current circuit breaker and earth-fault protection.	Contracts have been signed with qualified vendors to conduct electrical safety inspections of all factory circuits, power-off tests, and maintenance take place each year at least once, as required by regulations.	Power circuits suspected of being overloaded are immediately reviewed for improvement. All circuit boxes are labeled with the warning "Do not open if you are not a professional circuit operator" in order to prevent electric shock hazards.
3	Zero fire hazard	Fire prevention equipment is inspected and repaired within a specific time frame according to applicable requirements each	In accordance with Article 15 of the Enforcement Rules of Fire Services Act, one 4-hour firefighting, emergency notification, and	Any safety concern in fire safety equipment is to be addressed in a timely manner. If it is abnormal and is determined through inspection to have been damaged,

Item No.	Target/Goal	Project	Current situation	Implementation
		year.	evacuation training drill takes place at least once every 6 months, and the local firefighting agency is notified in advance. The fire prevention and maintenance unit services, maintains, and replaces damaged facilities on a regular basis. The Industrial Safety Group performs safety audits on a daily basis to make sure that the firefighting access, fire hydrants, and other safety equipment are normal.	it will be taken care of and replaced immediately, and it will also be numbered for management.
4	Domestic water supply switched over to pure tap water	The pipelines have been modified so that all water requirements can be met directly by tap water. Follow national policies.	The Administration Division issued a warning that the on-site water supply is groundwater that may have been contaminated by heavy metals or other toxins; drinking it directly is strictly prohibited and it should be used carefully.	The entire plant has now switched over to tap water. Drinking water now has filtration equipment installed, and the equipment is serviced periodically.
5	Electronic access control	Apply electronic access control to prevent against unauthorized access. Follow applicable access-control requirements of the Company.	New employees are consistently given limited access. Applications for special access require approval from an associate manager, division head, or higher-ranking official. External people visiting for business must obtain a pass. Visitors must follow instructions and park their	Access control records are maintained. Once an employee is no longer with the Company, access is immediately revoked.

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

Item No.	Target/Goal	Project	Current situation	Implementation
9	Zero-accident for fire-related operations	The head of the operating unit shall inform the safety control unit (the General Administration Section or Safety Section) if operations likely to generate sparks are to be performed. The operating unit shall follow the Fire Operating Guide.	The safety control unit needs to inspect and make sure that there is no safety concern and shall inform operators of details to pay attention to before fire operations begin, despite the fact that a fire operation has been applied for and approved.	All danger sources are to be removed from the fire operation area, and areas with falling sparks are monitored at all times. Fire extinguishers shall be available at the workplace and readily accessible. Based on the class shown on the fire operation certificate, safety measures at the operation site and time-effectiveness of the operating certificate are checked from time to time.
10	Contractor safety and health declaration	Contractors need to carefully read through the document before signing it and ask questions in advance if there is any area that is unclear to them. Reach an agreement regarding construction safety and health requirements, and confirm pre-construction protection and post-construction cleanup upon signing of a contract.	Contractors shall abide by requirements for safety management and provide operators with necessary protective equipment and devices during construction. The construction management department, safety management department, and 6S management department shall confirm on-site that protection requirements are fulfilled to warrant construction before it begins, inspect the process, and accept work upon completion.	The contractor may be ordered to stop work immediately in the event of a serious breach of safety and health regulations. Actions that may be taken for other non-conformities include mandated improvements by a given deadline and termination of contract.
11	Zero-accident cutting machines	Purchase of new automatic band saw	Automatic starts and stops are possible while cutting an object in order to ensure the safety of the operator.	The head of the user unit is required to restrict operation to designated personnel.

Item No.	Target/Goal	Project	Current situation	Implementation
12	Labor safety protection	Embark on a series of safety knowledge trainings, set up a safety supervision scheme, and improve safety at the workshop. Establish a 3-tier safety education system and a supervisor safety and production accountability system.	All employees are to complete physical checkups for occupational diseases and health. A complete database of all employees' health records is thereby established. All 3-tier safety training files are archived. Standards for carriage of labor supplies are specified. Occupational safety and health examinations take place on a yearly basis.	Apart from training on safety awareness, workplace safety and comfort is ensured through the workshop layout, improved ventilation, and better natural/artificial lighting. Positions of employees are adjusted according to their physical condition.
13	Pollution control (water, air, noise)	Perform pollution control according to the requirements and standards of the environmental protection department. Invest in waste water treatment systems, applicable clean energy, equipment for desulfurization and dust removal for waste gas prior to emission, and sound-proof equipment.	The Company is continuing to make improvements on water, air and noise pollution.	Emission indicators are monitored online and linked to the network of the environmental protection department. Environmental factors are inspected on a yearly basis to ensure constant improvements. Wastewater is recycled and reused.
14	Recycling and reuse	Improve the product yield, reduce waste generation, and strengthen 6S competitions and recycling of waste for reuse to concretize resource waste	The product yield is discussed on a monthly basis. Recycling and reutilization of waste is managed. Utilization of residual heat is continued. Reclaimed water is used	The Company adheres strictly to environmental regulations during waste treatment for harm elimination, volume reduction and recycling. This effectively prevents any impact on the surrounding

Item No.	Target/Goal	Project	Current situation	Implementation
		reduction, recycling, and reutilization.	for resource saving, and the outstanding 6S units are recognized.	environment.
15	Energy conservation	To identify potential problems in energy use, we commissioned an external environmental technology company to audit our energy consumption. The Company also proposed and implemented clean production review.	A comprehensive management organization has been set up as part of our energy management system. A series of energy-saving and waste reduction schemes have been implemented and assessed.	Lighting, water, and electricity are being transformed. Kiln residual heat is recycled and re-utilized. Energy-saving electrical equipment is adopted. Reclaimed water is used again. The kilns are known for their high energy-saving performance. Energy-saving lamps and water valves are used, and buildings such as dormitories and workshops are repaired. All of these are meant to promote energy conservation and consumption reduction, reduce the concentration of pollutants discharged, and realize effective overall emissions.

(vi): Implementation of ethical corporate management and measures and departure from *Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies* and reasons

Evaluation item	Operating status (Note 1)			Departure from *Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies* and reasons
	Yes	No	Summary	
i. Establishment of ethical corporate management policy and approaches				
(i) Has the company implemented a board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the board of directors and management towards enforcement of such policy?	✓		(i) The *Ethical Corporate Management Principles* and *Ethical Corporate Management Operating Procedures and Code of Conduct* established by the Company are approved by the board. The Company has established work rules and conduct rules to ensure that all employees, the board of directors, and executives can practice proper ethics, eliminate corruption, and comply with government laws and regulations. This includes both internal management and external business activities.	(i) No significant difference.
(ii) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope	✓		(ii) The Company's Ethical Corporate Management Principles include preventative measures against business activities at higher risk of unethical	(ii) No significant difference.

Evaluation item	Operating status (Note 1)			Departure from *Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies* and reasons
	Yes	No	Summary	
of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the *Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies*?			behavior, such as bribery, illegal political donations, the offering or receiving of illegal benefits, violation of business secrets, and more.	
(iii) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	✓		(iii) The Company has formulated the Ethical Corporate Management Principles in accordance with the relevant laws to establish a corporate culture of ethical management, and ensure our sound development. The Ethical Corporate Management Principles were last revised on November 8, 2019.	(iii) No significant difference.
ii. Implementation of ethical corporate management (i) Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	✓		(i) According to Article 9 of the Code of Conduct, prior to any commercial transactions, the Company shall take into consideration the legality of its agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall	(i) No significant difference.

Evaluation item	Operating status (Note 1)			Departure from *Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies* and reasons
	Yes	No	Summary	
			avoid any transactions with persons so involved. When entering into contracts, the Company shall include in such contracts terms compliance with the ethical corporate management policy. In the event that the trading counterparties are involved in unethical conduct, the Company may suspend or terminate the contract at any time.	
(ii) Does the company have a dedicated unit responsible for business integrity under the board of directors which reports the ethical management policy and programs against unethical conduct regularly (at least once a year) to the board of directors while overseeing such operations?		✓	(ii) The Company's President coordinates with human resources, finance, legal affairs, and other relevant departments to handle related operations.	(ii) We will comply with the relevant regulations.
(iii) Has the company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications?	✓		(iii) Any (potential) conflicts of interest should be reported and explained to the direct supervisor and action taken as directed by the superior to avoid such conflicts; if the superior allows the same person to remain in charge, the superior may be asked to give the order in writing.	(iii) No significant difference.

Evaluation item	Operating status (Note 1)			Departure from *Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies* and reasons
	Yes	No	Summary	
(iv) Does the company have effective accounting and internal control systems in place to implement business integrity? Does the internal audit unit follow the results of unethical conduct risk assessments and devise relevant audit plans to audit the systems accordingly and prevent unethical conduct, or hire outside accountants to perform the audits?	✓		(iv) The Company has established effective accounting and internal control systems. Internal auditors regularly audit compliance with the above systems and report the results to the board.	(iv) No significant difference.
(v) Does the company organize internal and external education and training periodically to help enforce honest operations?	✓		(v) The Company organizes internal training on ethical corporate management every year. Directors are asked to adequately attend relevant external seminars and courses. In March 2019, 4 educational trainings were held for employees respectively. 150 people were trained on the Code of Conduct and insider trading with examples for a total of 212 hours. Before May 31, all employees read the *Code of Conduct* in the Company's internal employee system and filled out an online (or written) reading confirmation statement. New employees will be trained when joining the Company.	(v) No significant difference.

Evaluation item	Operating status (Note 1)			Departure from *Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies* and reasons
	Yes	No	Summary	
iii. Implementation of the Company's whistleblowing system (i) Does the company provide incentives and means for employees to report malpractices? Does the company assign dedicated personnel to investigate the reported malpractices?	✓		(i) The Company established a whistleblower channel (whistle@globeunion.com) for employees around the world. Employees may solve ethical dilemmas, seek advice, or report concerns to the department supervisor or local human resources unit or internal audit unit. Otherwise, employees may raise concerns or report violations of the code of conduct through the global employee whistleblower channel under their real name. The Group's Human Resources is responsible for the global employee whistleblower channel and cooperates with the audit unit or appoint relevant units to help with investigations based on the circumstances. The Company will issue reasonable bonuses according to the severity of the report. Internal staff who have made false reports or malicious accusations shall be disciplined, and those	(i) No significant difference.

Evaluation item	Operating status (Note 1)			Departure from *Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies* and reasons
	Yes	No	Summary	
			with great severity shall be dismissed.	
(ii) Does the company have in place standard operating procedures for investigating and processing reports, as well as follow-up actions and relevant post-investigation confidentiality measures?	✓		(ii) Each report should specify detailed information such as the person(s), incident, location, and objects, and the content will only be accepted if the whistleblower provides his/her real name and contents are specific, complete, and good-willed. According to the Company's operating regulations for the internal whistleblower system, the Group Human Resources shall let the whistleblower know whether the report is accepted or additional information is needed within two business days of receipt. The Group Human Resources shall take corresponding measures based on the review of the facts, let the whistleblower know the handling results within 7 working days, and check whether the whistleblower agrees with the results. When necessary, the Group Human Resources may take at most 60 days to conclude a case. The results of the investigation shall be subject to	(ii) No significant difference.

Evaluation item	Operating status (Note 1)			Departure from *Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies* and reasons
	Yes	No	Summary	
(iii) Has the company provided proper whistleblower protection?	✓		disciplinary action in accordance with Article 21 of the Company's Ethical Corporate Management Operating Procedures and Code of Conduct, and those with great severity shall be dismissed. (iii) The identity of the whistleblower is thoroughly protected to avoid damage to his/her personal interests; however, this does not include whistleblowing for the purpose of defamation, forgery, or harming others. The contents of the reports are strictly confidential, and the whistleblower's consent must be obtained if the investigation requires disclosure. It is forbidden for the whistleblower to lose identity or employment rights, or work under differentiated working conditions.	(iii) No significant difference.
iv. Information disclosure improvement Has the company disclosed the contents or its ethical corporate management principles as well as relevant implementation results on its website and on the Market Observation Post System?	✓		The Company has disclosed information related to ethical management on the company website and M.O.P.S.	No significant difference.

<table>
<tr><th rowspan="2">Evaluation item</th><th colspan="3">Operating status (Note 1)</th><th rowspan="2">Departure from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">v. Describe the deviations, if any, between actual practice and the ethical corporate management principles, if the company has formulated such principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies: The Company has formulated the Ethical Corporate Management Principles and its deviations in practice are described above.</td></tr>
<tr><td colspan="5">vi. Other important information to facilitate a better understanding of the Company's implementation of ethical corporate management: (such as review and amendment of ethical management rules): The Ethical Corporate Management Principles were revised on November 8, 2019.</td></tr>
</table>

Note 1: Regardless of ticking "yes" or "no" for the situation in practice, it should be described in the summary field.

(vii) If the company has established corporate governance principles and related guidelines, disclose the means of accessing this information:

Market Observation Post System: http://mops.twse.com.tw/mops/web/t100sb04_1

Can be downloaded from "Formulation of Regulations Related to Corporate Governance Rules" under the "Corporate Governance" section

or the corporate website:

https://tw.globeunion.com/investors/corporate-governance/

Visit "Corporate Governance" under "Investor Relations"

(viii) Other significant information which may improve the understanding of corporate governance and operation:

1. The Company has defined the *Regulations Governing Major Internal Information Disclosure* that explicitly define the Company's handling and disclosure mechanism for important disclosures. The regulations have been approved by the board and announced through our internal system.
2. Licenses designated by the competent authority held by personnel involved with transparency of financial information: R.O.C. CPA: 2 accountants.

(ix) Implementation of internal control system:

1. Statement on Internal Control: Please refer to p. 159.
2. Accountant engaged to review the internal control system: None.

(x) The penalties, major deficiencies, and improvement status for penalties that are imposed on the Company or internal personnel by law or imposed on internal personnel by the Company for violating the provisions of the internal control system, as well as their possible significant impact on shareholders' equity or stock prices in the past year and up to the publication date of this annual report: N/A.

(xi) Important resolutions made during shareholders' meetings and board of directors' meetings in the past year and up to the publication date of this annual report:

Major resolutions made at the shareholders' meeting and their implementation:

(Date of shareholders' meeting) May 31, 2019

1. Acknowledged the Company's 2018 business report and financial statements.
2. Acknowledged the Company's proposed distribution of 2018 earnings.

   Implementation status: The shareholders' meeting will distribute NT$1.3 per stock as cash dividend and authorize the chairman of the board to implement adjustments of the actual dividend payout ratio. The number of outstanding shares was affected by the exercise of employee stock warrants, so the cash dividend was adjusted to NT$1.29815091 per share on June 12; the ex-dividend date was July 7, 2019 and cash dividends were paid out on July 26, 2019.
3. Approved partial revision to *Procedure for the Acquisition and Disposal of Assets*.

   Implementation status: The amended regulation has been followed. Information was disclosed on the Market Observation Post System website and also announced on the Company's website.
4. Approved partial revision to *Regulations Governing Loaning of Funds and Making of Endorsements*.

   Implementation status: The amended regulation has been followed.

Information was disclosed on the Market Observation Post System website and also announced on the Company's website.

5. Approved partial revision to the Company's *Endorsement Assurance Guidelines*.
   Implementation status: The amended regulation has been followed. Information was disclosed on the Market Observation Post System website and also announced on the Company's website.
7. Approved lifting of the non-complete clause for directors.

Important board resolutions:

Important resolutions reached by the board of directors in 2019 and up to the publication of the annual report are as follows:

Board of Directors Meeting Meeting date	Details of the proposal and subsequent developments	Matters stated in Article 14-3 of the Securities and Exchange Act	Dissenting or qualified opinion of independent director(s)
17th-term 7th meeting 2019.03.11	1. Proposed remuneration for directors and employees in 2018.		
	2. The Company's 2018 business report and financial report.		
	3. Partial revision to the Company's *Procedure for the Acquisition and Disposal of Assets*.	✓	N/A
	4. Base date for capital increase through issuance of new shares by exercising the conversion of employee warrants.		
	5. Base date of reduction of treasury stock.		
	6. Lifting of the non-compete clause for directors and managers.		
	7. The time and date, location, procedure for shareholders' proposals and the agenda for 2019 shareholders' meeting.		
	8. The Company's engagement in trading of derivatives.	✓	N/A
	9. The Company's application for bank loans.		
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolutions: All directors attending the meeting approved.		
17th-term 8th meeting 2019.03.29	1. Earnings distribution.		
	2. 2018 Statement of Internal Control.	✓	N/A
	3. Partial revision to the Company's *Regulations Governing Loaning of Funds and Making of Endorsements* and *Endorsement Assurance*	✓	N/A

Board of Directors Meeting Meeting date	Details of the proposal and subsequent developments	Matters stated in Article 14-3 of the Securities and Exchange Act	Dissenting or qualified opinion of independent director(s)
	Guidelines.		
	4. Amended the agenda and location for convening of the 2019 shareholders' meeting.		
	5. Established the Company's *Standard Procedures for Handling Directors' Requests*.		
	6. Established the Company's *Board of Directors Self-Evaluation or Peer Evaluation Regulations*.		
	7. The Company's engagement in trading of derivatives.	✓	N/A
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolutions: All directors attending the meeting approved.		
17th-term 9th meeting 2019.05.03	1. Approved Consolidated Financial Statements of the Company for Q1 2019.		
	2. Approval of capital increase through issuance of new shares by exercising the conversion of employee warrants.		
	3. Approved to appoint two additional Remuneration Committee members.		
	4. Approval for the recognition of the Company's engagement in trading of derivatives.	✓	N/A
	5. Approval of the proposal to apply for a loan with the bank.		
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolutions: All directors attending the meeting approved.		
17th-term 10th meeting 2019.08.02	1. Approved Consolidated Financial Statements of the Company for Q2 2019.		
	2. Approved to change the CPAs according to the Ernst & Young's rotation mechanism.		
	3. Approved periodic evaluation of the level of independence of the CPAs.	✓	N/A
	4. Approved to authorize the chairman or his designated person to negotiate with potential counterparties regarding domestic or foreign strategic collaboration, disposal or M&A plans, and other matters of the subsidiary HBI Co., Ltd., and to sign related MOU or LOI.	✓	N/A

Board of Directors Meeting Meeting date	Details of the proposal and subsequent developments	Matters stated in Article 14-3 of the Securities and Exchange Act	Dissenting or qualified opinion of independent director(s)
	5. Approved the recognition of important personnel resignation and appointments of the Company.		
	6. Approval of capital increase through issuance of new shares by exercising the conversion of employee warrants.		
	7. Approval for the recognition of the Company's engagement in trading of derivatives.	✓	N/A
	8. Approval of the proposal to apply for a loan with the bank.		
	9. Extraordinary motion to approve to sell the Company's shareholding of the subsidiary HBI Co., Ltd.	✓	N/A
	10. Extraordinary motion to approve the election of new chairperson of board of directors.		
	11. Extraordinary motion to approve appointment of Mr. Scott Ouyoung as Honorary Chairperson of the Company.		
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolutions: All directors attending the meeting approved.		
17th-term 11th meeting 2019.08.28	1. Approval of partial amendment to the Company's *Remuneration Rules for Directors*.		
	2. Approval of formulation of *Courtesy Policy for Honorary Chairman*.		
	3. Approval of overseas investment.	✓	N/A
	4. Approval for the recognition of the Company's engagement in trading of derivatives.	✓	N/A
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolutions: All directors attending the meeting approved.		
17th-term 12th meeting 2019.09.16	1. Approval of the new important personnel of the Company (VP).		
	2. Approval for the recognition of the Company's engagement in trading of derivatives.	✓	N/A
	Opinion(s) of the independent director(s): None.		

Board of Directors Meeting Meeting date	Details of the proposal and subsequent developments	Matters stated in Article 14-3 of the Securities and Exchange Act	Dissenting or qualified opinion of independent director(s)
	Response of the Company to the independent director opinion(s): None.		
	Resolutions: All directors attending the meeting approved.		
17th-term 13th meeting 2019.11.08	1. Approval of the consolidated financial statements of the Company for Q3 2019.		
	2. Approval of capital increase through issuance of new shares by exercising the conversion of employee warrants.		
	3. Approval of the proposal to retire new employee restricted stock and capital reduction.		
	4. Approval of partial revision to the Company’s *Corporate Governance Best Practice Principles*.		
	5. Approval of partial revision to the Company’s *Ethical Corporate Management Best Practice Principles*.		
	6. Approval of the proposal to lift the non-compete clause for directors and managers.		
	7. Approval for the recognition of the Company's engagement in trading of derivatives.	✓	N/A
	8. Approval of the proposal to apply for a loan with the bank.		
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolutions: All directors attending the meeting approved.		
17th-term 14thmeeting 2019.12.13	1. Approval of the Y2020 corporate budget and business strategy plan.		
	2. Approval of the Y2020 audit plan.		
	3. Approval for the recognition of the Company's engagement in trading of derivatives.	✓	N/A
	4. Approval of the proposal to apply for a loan with the bank.		
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolutions: All directors attending the meeting approved.		
17th-term 15th meeting	1. Approval of FY2019 directors' and employees' profit-sharing.		
	2. Approved the Company's 2019 business		

Board of Directors Meeting Meeting date	Details of the proposal and subsequent developments		Matters stated in Article 14-3 of the Securities and Exchange Act	Dissenting or qualified opinion of independent director(s)
2020.03.05		report and financial report.		
	3.	Approval of issuance of Y2020 employee stock option plan	✓	N/A
	4.	Approval of re-invest profit as capital injection to subsidiary Milim G&G Ceramics Co., Ltd.	✓	N/A
	5.	Approval of the amendment to the Company's *Articles of Incorporation*.		
	6.	Approval of the amendment to the Company's *Rules of Procedure for Shareholders' Meetings*.		
	7.	Approval of the amendment to the Company's *Rules of Procedure for Board of Directors Meetings*.		
	8.	Approval of the time, date, location, procedure for shareholders' proposals, and the agenda for the 2020 shareholders' meeting.		
	9.	Approval of capital increase through issuance of new shares by exercising the conversion of employee warrants.		
	10.	Approval for the recognition of the Company's engagement in trading of derivatives.	✓	N/A
	Opinion(s) of the independent director(s): None.			
	Response of the Company to the independent director opinion(s): None.			
	Resolutions: All directors attending the meeting approved.			
17th-term 16th meeting 2020.03.25	1.	Approval of the dividend distribution proposal.		
	2.	Approval of the proposal for the distribution of cash dividends from capital surplus.		
	3.	Approval of the 2019 Statement of Internal Control.	✓	N/A
	4.	Approved proposal to issue new restricted employee stock options by the Company.	✓	N/A
	5.	Approval of the time, date, location, procedure for shareholders' proposals, and the agenda (additional items) for the 2020 shareholders' meeting.		
	6.	Approval for the recognition of the Company's engagement in trading of derivatives.	✓	N/A

Board of Directors Meeting Meeting date	Details of the proposal and subsequent developments	Matters stated in Article 14-3 of the Securities and Exchange Act	Dissenting or qualified opinion of independent director(s)
	7. Approval of the proposal to apply for a loan with the bank.		
	Opinion(s) of the independent director(s): None.		
	Response of the Company to the independent director opinion(s): None.		
	Resolutions: All directors attending the meeting approved.		

Attendance of Independent Directors at Board Meetings

Date / Name	2019							
	3/11	3/29	5/3	8/2	8/28	9/16	11/8	12/13
Chin-Shan Huang	◎	◎	◎	◎	◎	◎	◎	◎
Young-Sheng Hsu	◎	◎	◎	◎	◎	◎	◎	◎
Yi-Chia Chiu	△	△	△	◎	◎	◎	◎	△

Date / Name	2020	
	3/5	3/25
Chin-Shan Huang	◎	◎
Young-Sheng Hsu	◎	◎
Yi-Chia Chiu	◎	◎

Note: ◎Attendance in person (including videoconference); △Attendance by proxy; ☆ Leave of absence.

(xii) Dissenting or qualified opinions of directors or supervisors against an important resolution passed by the board of directors that are on record or stated in a written statement in the past year and up to the printing date of this annual report: N/A.

(xiii) Summary of resignation or dismissal for chairman, president, accounting supervisor, financial officer, internal auditor, corporate governance officer, and R&D officer in the past year up to the printing date of this annual report:

Summary of resignations and dismissals at the Company

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
Chairman	Scott Ouyoung	1981.07.16	2019.08.13	Resigned
President	Andrew Yates	2016.05.16	2019.08.13	End of term and reassignment

v. Information on Fees to CPA:

Unit: NT$ thousand

Name of accounting firm	Name of accountants	Audit fee	Non-audit fee					Accountant's duration of audit	Notes
			System design	Business registration	Human resources	Other	Subtotal		
Ernst & Young	Yu-Ting Huang Tzu-Ping Huang	7,765	-	-	-	600	600	2019	Non-audit fees: CSR consulting and assurance service fees

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

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

(iii) If the audit fees have decreased by more than 10% compared to the previous year, the amount, ratio, and reason for the reduction in audit expense should be disclosed: N/A.

vi. Information on change of accountants:

In cooperating with the securities authority to strengthen the independence of auditing CPAs and in accordance with Article 29 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, the following adjustments to the CPAs responsible for certifying the Company's financial statements have been made since Q3 2019 to implement the self-rotation mechanism of CPAs:

Former: Tzu-Ping Huang, CPA; Hung-Kang Lin, CPA.

Newly appointed: Yu-Ting Huang, CPA; Tzu-Ping Huang, CPA.

vii. The company's chairman, president, financial manager, or accounting manager has worked at the firm of the certifying accountants or its affiliates within the last year, their name, position, and position at the firm of the certifying accountant or its affiliates should be disclosed: N/A.

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

(i) Change in share equity among directors, supervisors, managers, and major shareholders:

Unit: Shares

Title	Name	2019		2020 As of February 29	
		Increase (decrease) in the number of shares held	Increase (decrease) in pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in pledged shares
Director in	Ming-Ling Co., Ltd.	–	–	–	–
Representative of institutional director	Hsien Ou Yang (Note 4)	–	–	–	–
	Scott Ouyoung (Note 4)	20,000,000 (Note 1)	–	–	–
	Su-Hsiang Ou Young Chang	–	–	–	–
	Chi-Keung Chung (Note 5)	–	–	–	–
	Andrew Yates (Note 5)	(1,000,000) (Note 2)	–	–	–
	Wen-Mei Yiu	–	–	–	–
Independent director, principal	Chin-Shan Huang	–	–	–	–
Independent director, principal	Young-Sheng Hsu	–	–	–	–
Independent director, principal	Yi-Chia Chiu	–	–	–	–
President	Todd Alex Talbot(Note 6)	–	–	–	–
Vice President	Tsung-Min Chen	–	–	–	–
Vice President	Shu-Chi Lee	–	–	–	–
Vice President	Michael David Bond (Note	–	–	–	–
Assistant Vice President	Lei-Hui Lee		–	–	–
Assistant Vice President	Jung-Chao Lin	–	–	–	–
Assistant Vice President	Bhor-Chaou Chang	–	–	–	–
Assistant Vice President	Ming-Sheng Wei	20,000 (Note 3)	–	–	–

Title	Name	2019		2020 As of February 29	
		Increase (decrease) in the number of shares held	Increase (decrease) in pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in pledged shares
Assistant Vice President	Chung-Hsiang Chan(Note 8)	–	–	–	–
Assistant Vice President	Jun-Hong Li (Note 9)	–	–	–	–
Assistant Vice President	Sheng-Shyong Hwang (Note 10)	–	–	–	–
Head of Accounting	Min-Ling Wang	–	–	–	–

Note 1: Incoming escrowed shares upon maturity. Note 2: Did not meet vesting conditions of restricted share awards, thus retired by the Company. Note 3: Exercise of employee stock warrants. Note 4: An institutional director changed its representative from Miss Su-Hsiang Ou Young Chang to Mr. Hsien Ou Yang on February 20, 2019. Hsien Ou Yang took the post of chairman on August 13, 2019 while Scott Ouyoung resigned as the chairman on August 13, 2019. Note 5: An institutional director changed its representative from Mr. Chi-Keung Chung to Mr. Andrew Yates on October 21, 2019. Note 6: Todd Alex Talbot became President on August 13, 2019 and Andrew Yates resigned as President on August 13, 2019. Note 7: Michael David Bond became Vice President on September 18, 2019. Note 8: Chung-Hsiang Chan became Assistant Vice President on January 28, 2019 and resigned as Assistant Vice President on January 28, 2020. Note 9: Jun-Hong Li became Assistant Vice President on October 25, 2019. Note 10: Sheng-Shyong Hwang became Assistant Vice President on November 11, 2019

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

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

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

March 31, 2020

Name	Shareholding		Shares held by spouse and underage children		Total shares held in the name of others		Shareholders with the top 10 shareholding ratios who are related, spouses, and second-degree relatives, their names, and their respective relationships.		Notes
	No. of shares	Shareholding ratio %	No. of shares	Shareholding ratio %	No. of shares	Shareholding ratio %	Name	Relationship	
Yue Feng International Co., Ltd. Investment account under the custody of Taishin Bank	26,159,515	7.33	0	0	0	0	N/A	N/A	N/A
Ming-Ling Co., Ltd. (Representative: Scott Ouyoung)	23,366,692	6.55	0	0	0	0	Scott Ouyoung	Representative of Institutional Director for Ming-Ling Co., Ltd.	N/A
Su-Hsiang Ou Young Chang	21,637,899	6.06	0	0	0	0	Hsien Ou Yang	Mother and son	N/A
Trust property account of Scott Ouyoung at the Taipei Branch of the United Bank of Switzerland	20,558,787	5.76	0	0	0	0	Scott Ouyoung	Principal	N/A
Lei Ouyang	20,373,132	5.71	0	0	0	0	Hsien Ou Yang	Brothers	N/A
Scott Ouyoung	20,000,000	5.60	0	0	0	0	Hsien Ou Yang	Father/child	N/A
Hsien Ou Yang	19,999,772	5.60	0	0	0	0	Hsien Ou Yang	Principal	N/A
Norges Bank Investment Account under the custody of Citibank (Taiwan)	6,426,268	1.80	0	0	0	0	N/A	N/A	N/A
Kuo-Chi Yen's trust account under the custody of CTBC Bank	5,200,000	1.46	0	0	0	0	N/A	N/A	N/A
Taiwan Life Insurance Co., Ltd. (Representative: Sih-Kuo Huang)	4,563,000	1.28	0	0	0	0	N/A	N/A	N/A

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

IV. Capital Overview

(I) Capital and shareholding:

1.Source of share capital:

Unit: Share/NT$

Year Month	Issuing price	Authorized capital		Paid-in capital		Notes		
		No. of shares	Amount	No. of shares	Amount	Source of share capital	Shares acquired by non-cash assets	Other
October 2016	10	600,000,000	6,000,000,000	355,304,224	3,553,042,240	Restricted share awards 1,000,000 shares	None	Note 4
March 2017	10	600,000,000	6,000,000,000	351,769,224	3,517,692,240	Reduction of treasury stock 3,535,000 shares	None	Note 5
August 2017	10	600,000,000	6,000,000,000	363,168,968	3,631,689,680	Conversion of corporate bonds into shares 11,399,744 shares	None	Note 2
November 2017	10	600,000,000	6,000,000,000	364,888,962	3,648,889,620	Conversion of corporate bonds into shares 1,719,994 shares	None	Note 2
December 2017	10	600,000,000	6,000,000,000	366,855,962	3,668,559,620	Conversion of employee warrants 1,967,000 shares	None	Note 6
March 2018	10	600,000,000	6,000,000,000	367,440,962	3,674,409,620	Conversion of employee warrants 585,000 shares	None	Note 6

Year Month	Issuing price	Authorized capital		Paid-in capital		Notes		
		No. of shares	Amount	No. of shares	Amount	Source of share capital	Shares acquired by non-cash assets	Other
May 2018	10	600,000,000	6,000,000,000	367,575,962	3,675,759,620	Conversion of employee warrants 135,000 shares	None	Note 6
July 2018	10	600,000,000	6,000,000,000	367,595,962	3,675,959,620	Conversion of employee warrants 20,000 shares	None	Note 6
August 2018	10	600,000,000	6,000,000,000	367,707,962	3,677,079,620	Conversion of employee warrants 112,000 shares	None	Note 6
October 2018	10	600,000,000	6,000,000,000	367,944,962	3,679,449,620	Conversion of employee warrants 237,000 shares	None	Note 6
December 2018	10	600,000,000	6,000,000,000	368,159,962	3,681,599,620	Conversion of employee warrants 215,000 shares	None	Note 6
March 2019	10	600,000,000	6,000,000,000	368,211,962	3,682,119,620	Conversion of employee warrants 52,000 shares	None	Note 6
March 2019	10	600,000,000	6,000,000,000	356,211,962	3,562,119,620	Reduction of treasury stock 12,000,000 shares	None	Note 7
May 2019	10	600,000,000	6,000,000,000	356,236,962	3,562,369,620	Conversion of employee warrants 25,000 shares	None	Note 6
August 2019	10	600,000,000	6,000,000,000	356,742,962	3,567,429,620	Conversion of employee warrants 506,000 shares	None	Note 6
November 2019	10	600,000,000	6,000,000,000	357,212,962	3,572,129,620	Conversion of employee warrants 407,000 shares	None	Note 6
November 2019	10	600,000,000	6,000,000,000	356,212,962	3,562,129,620	Reduction of Restricted share awards 1,000,000 shares	None	Note 4
March 2020	10	600,000,000	6,000,000,000	356,848,962	3,568,489,620	Conversion of employee warrants 636,000 shares	None	Note 6

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

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

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

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

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

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

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

Note: 356,538,962 shares issued and outstanding as of December 31, 2019 (among which 326,000 shares have completed company change registration in March 2020).

March 31, 2020 Unit: Shares

Type of Shares	Authorized capital			Notes
	Shares issued and outstanding (Note)	Unissued shares	Total	
Ordinary shares	356,848,962	243,151,038	600,000,000	

Note: Currently 356,848,962 ordinary shares outstanding.

2. Shareholder structure:

March 31, 2020 Unit: Shares

Shareholder structure / Quantity	Government agencies	Financial institutions	Other legal persons	Individuals	Foreign institutions and foreigners	Total
No. of People	0	4	52	15,123	132	15,311
No. of shares held	0	6,585,225	57,448,036	218,279,713	74,535,988	356,848,962
Shareholding ratio (%)	0	1.84	16.10	61.17	20.89	100.00

3. Share distribution:

March 31, 2020 Unit: Shares; par value of NT$10 per share

Shareholding range	Number of shareholders	No. of shares held	Shareholding ratio %
1 to 999	3,370	715,285	0.20
1,000 to 5,000	7,573	17,339,335	4.86
5,001 to 10,000	1,945	15,208,253	4.26
10,001 to 15,000	742	9,232,135	2.59
15,001 to 20,000	422	7,806,699	2.19
20,001 to 30,000	424	10,746,657	3.01
30,001 to 50,000	376	14,996,720	4.20
50,001 to 100,000	220	15,395,080	4.31
100,001 to 200,000	122	17,131,858	4.80
200,001 to 400,000	54	15,028,236	4.21
400,001 to 600,000	21	10,009,857	2.81
600,001 to 800,000	6	4,068,475	1.14
800,001 to 1,000,000	4	3,489,125	0.98
Over 1,000,001	32	215,681,247	60.44
Total	15,311	356,848,962	100.00

Note: As of book closure on March 31, 2020. Currently 356,848,962 ordinary shares outstanding.

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

March 31, 2020 Unit: Shares

Name of major shareholder \ Shares	No. of shares held	Shareholding ratio (%)
Yue Feng International Co., Ltd. Investment account under the custody of Taishin Bank	26,159,515	7.33
Ming-Ling Co., Ltd.	23,366,692	6.55
Su-Hsiang Ou young Chang	21,637,899	6.06
Trust property account of Scott Ouyoung at the Taipei Branch of the United Bank of Switzerland	20,558,787	5.76
Lei Ouyang	20,373,132	5.71
Scott Ouyoung	20,000,000	5.60
Hsien Ou Yang	19,999,772	5.60
Norges Bank Investment Account under the custody of Citibank (Taiwan)	6,426,268	1.80
Kuo-Chi Yen's trust account under the custody of CTBC Bank	5,200,000	1.46
Taiwan Life Insurance Co., Ltd.	4,563,000	1.28

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

Item \ Year			2018	2019	The current year up to February 29, 2020
Market price per share	Highest		22.6	18.3	18.15
	Lowest		13.9	15.6	16.40
	Average		17.94	17.07	17.22
Net worth per share	Pre-distribution		16.56	15.62	–
	After distribution		15.26	15.02	–
Earnings per share	Weighted average shares		365,194,883	354,781,928	–
	Earnings per share	Pre-adjustment	1.69	0.94	–
		Post-adjustment	–	–	–
Dividends per share	Cash dividends		1.3	0.6	–
	Stock grants	Earnings	–	–	–
		Additional paid-in capital (APIC)	–	–	–
	Accumulated unpaid dividend		–	–	–
Return analysis	Price-earnings (P/E) ratio (Note 1)		10.62	18.16	–
	Price-dividend (P/D) ratio (Note 2)		13.80	28.45	–
	Cash dividend yield rate (Note 3)		0.07	0.04	–

Note 1: Price-earnings (P/E) ratio = Average market price / Earnings per share.
Note 2: Price-dividend (P/D) ratio = Average market price / Cash dividends per share.
Note 3: Cash dividend yield rate = Cash dividend per share / Average market price.

6. Company dividend policy and implementation:

1. Dividend policy:

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

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

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

2. Distribution of shareholder dividends proposed in the latest shareholders' meeting:

After taking tax affairs and shareholders' return on equity into consideration, the shareholders' meeting proposes that the Company distributes to shareholders cash dividends of NT$420 for every thousand shares, and cash dividends of NT$180 for every thousand shares paid from capital surplus.

7. Effect of stock grants proposed in the latest shareholders' meeting on the Company's business performance and earnings per share: N/A.

8. Remuneration of employees, directors, and supervisors:

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

According to the Company's Articles of Association:

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

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

2.Basis for estimating the amount of remuneration of employees, directors and supervisors; basis for calculating the number of shares to be distributed as employee remuneration; and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period: If any changes made to the amounts after the annual financial reports are published, the changes will be applied in accordance with accounting estimation changes and will be included in the financial statements of the following year. The Company did not distribute stock dividends to employees in 2019.

3.Remuneration proposals passed by the board of directors:

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

According to the Company's Articles of Association, the board of directors decided on March 5, 2020 to allocate NT$2,530 thousand as director remuneration and NT$13,459 thousand as employee remuneration (both remunerations to be distributed in the form of cash). The difference between these numbers and the total combined estimated amount, which is NT$16,070 thousand will be used to adjust the income (loss) for 2020.

(2) The amount of remuneration to employees to be paid in shares and its percentage out of the standalone or individual financial report for the current period in terms of the sum of net profit after tax and employee remuneration: N/A.

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

The board of directors made a resolution on March 11, 2019 and reported to the shareholders' meeting on May 31, 2019 to allocate NT$4,505 thousand as director remuneration and NT$23,973 thousand as employee remuneration (both remunerations to be distributed in the form of cash). The difference between these numbers and the total combined estimated amount, which is NT$26,970 thousand has been used to adjust the income (loss) for 2019.

The actual remuneration distributed to directors and employees was consistent with the resolution of the board of directors.

9. Company stock buyback:

1.Exercised:

The most recent year and as of the printing date of the annual report

Company stock buyback (exercised)

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

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

2.Any repurchase still in progress: N/A.

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

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

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

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

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

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

March 31, 2020

Tranche of ESOP	4th (batch) Employee share options
Date of approval by competent authorities	October 02, 2015
Date of issuance (processing)	October 29, 2015
Units granted	10,500,000 shares
Ratio of shares granted To total shares issued	2.96%
Subscription duration	5
Mode of implementation	Issuance of new shares
Time fame and ratio of restricted subscription (%)	First issue of share options totaled 1,800,000 shares. 50% can be exercised two years from the day after issuance; 100% can be exercised after three years. Second issue of share options totaled 8,700,000 shares. 100% can be exercised two years from the day after issuance.
Units exercised (shares)	4,960,000
Amount exercised (NT$)	64,703,599
Number of rights unexercised	2,745,000
Exercise price for unexercised units (NT$)	11.8
Ratio of unexercised number of rights to ratio of total outstanding shares (%)	0.77%
Impact on shareholders' equity	Dilution of our Company's earnings per share is still generally limited and so will not exert a major impact on shareholders' equity.

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

Issued on October 29, 2015 Up to March 31, 2020

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

<table>
<tr><th rowspan="2"></th><th rowspan="2">Title</th><th rowspan="2">Name</th><th rowspan="2">Number of rights vested</th><th rowspan="2">Ratio of vested rights to total outstanding shares</th><th colspan="4">Exercised</th><th colspan="4">Unexercised</th></tr>
<tr><th>Number of rights</th><th>Subscription price</th><th>Value of rights</th><th>Ratio of rights to total outstanding shares</th><th>Number of rights</th><th>Subscription price</th><th>Value of rights</th><th>Ratio of rights to total outstanding shares</th></tr>
<tr><td rowspan="5">Managers</td><td>Vice President</td><td>Tsung-Min Chen</td><td rowspan="5">3,215</td><td rowspan="5">0.90%</td><td rowspan="5">785
320
300</td><td rowspan="5">13.7
12.7
11.8</td><td rowspan="5">10,755
4,064
3,540</td><td rowspan="5">0.39%</td><td rowspan="5">1,810</td><td rowspan="5">11.8</td><td rowspan="5">21,358</td><td rowspan="5">0.51%</td></tr>
<tr><td>Assistant Vice President</td><td>Lei-Hui Lee、Jun-Hong Li、Jung-Chao Lin、Bhor-Chaou Chang、Ming-Sheng Wei</td></tr>
<tr><td>Head of Accounting</td><td>Min-ling Wang</td></tr>
<tr><td>President of overseas subsidiary</td><td>Keith Yurko、Richard George</td></tr>
<tr><td>Vice president of overseas subsidiary</td><td>Janet Oh、Glenn Diehl、Kevin McJoynt、Jason Shaw、Zhen-Hui Jin、Hong-Ting Wang</td></tr>
</table>

Issued on October 29, 2015 Up to March 31, 2020

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

	Title	Name	Number of rights vested	Ratio of vested rights to total outstanding shares	Exercised				Unexercised			
					Number of rights	Subscription price	Value of rights	Ratio of rights to total outstanding shares	Number of rights	Subscription price	Value of rights	Ratio of rights to total outstanding shares
Top ten employees	Shu-Xian Gong、Shu-Hui Su、Qing-Feng Lai、Chao-Gen Xiao、An-Ni Xiao、Zhong-Yi Zheng、Long-Xing Cai、Jun-Li Cai、Xiu-Ru Liu、Hong-Zhen Yang、Zhao-Da Yang、Zong-Yi Huang、Li-Fen Chen、Li-Yu Chen、Jun-Xian Chen、Zhong-Yu Guo、Ming-Feng Zhang、Zhong-Xiang Zhang、Ri-Dong Zhang、Da-Ying Zhang、Da-Jun Zhang、Qiu-Lan Gao、Jia-Hua Yuan、Liang-Ying Ke、Zong-Nan Jiang、Yi-Ping Lin、Ping-He Lin、Yi-Jun Lin、Shi-Xian Lin、Tsun-chu Chou、Shu-Juan Li、Xiu-Ling Li、Yi-Hui Wu、Hong-Yen Yu、Nai-Ching Shih、Andrew Yates、Nathalie Vandecraen		2,460	0.69%	1,423 146 81	13.7 12.7 11.8	19,495 1,854 956	0.46%	810	11.8	9,558	0.23%

2. Processing of the issuance of restricted share awards:

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

March 31, 2020

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

Types of restricted share awards	1st (batch) issuance of restricted share awards
	2. Attendance, proposal, speech, and voting rights in shareholders' meeting are to be conducted in accordance with the trust custodianship contract. Before the said restricted share awards reach vesting conditions, the employees may not take part in the distribution of shares, dividends, capital surplus in cash (shares) and subscription of shares upon capital increase in cash. For employees who reach the vesting conditions during the period starting from 15 business days before the book closure date for stock grants, cash dividends, or capital increase in cash up to the base date for distribution of rights, their attendance, proposal, speech, and voting rights in shareholders' meeting to lift the restriction over the shares they hold shall still be based on the trust custodianship contract and they may still not be entitled to distribution of earnings.
Custody of restricted share awards	Restricted share awards will be in trust custody before the vesting conditions are fulfilled.
Method for handling failure to meet vesting conditions following assignment of new stock to or subscription by employees	If the vesting conditions are not fulfilled, the Company will recall the shares and void them free of charge in accordance with the law.
Number of recalled or bought-back restricted share awards	1,000,000
Number of unrestricted new shares	0
Number of restricted new shares	0
Ratio of number of restricted new shares to total outstanding shares (%)	0
Impact on shareholders' equity	Stock has been canceled and retired. There is no dilution to the Company's earnings per share and no impact to shareholders' equity.

The vesting conditions of the restricted share awards were not met this time and stock was retired by the Company.

Change registration has been approved through Letter Jia-Shou-Zhong-Zi No. 1084200180 from the competent authority dated November 27, 2019.

(2) Names of managers who have received restricted share awards cumulatively up to the date the Annual Report was printed and Top 10 employees in terms of the number of shares they acquired and the status of acquisition: N/A. Company has been recalled the shares and void them free of charge in accordance with the law.

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

(VII) Implementation of capital allocation plan:

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

V. Operational Highlights

i. Business activities

(i) Business scope

Globe Union's main area of business is the manufacturing and distribution of faucets and other bathroom fittings. Globe Union's business scope includes design, development, manufacturing, marketing, branding, and sales channel operation for kitchen and bathroom products. The Company has also set up business operation offices in North America, Europe, and Mainland China. It is one of the few Vitreous China and bathroom faucets companies in the industry equipped with design, manufacturing, sales, and business operation capacity. The Company takes advantage of diversified forms of business, combining sales of its own brands in the North American and European markets; private label and OEM service for large DIY/bathroom brands globally; and professional sales channel distribution services. The three business models are strategically deployed across the global bathroom products market so that the Company's products will have high penetration across different niche markets.

To streamline the Group's organizational structure and decision-making process, we restructured our business groups in 2019 based on their respective businesses. The four business groups and percentage of revenue accounted for by each business group are as follows: Brands account for 36% of revenue, OEM and private label account for 29% of revenue, PJH accounts for 32% of revenue, and Home Boutique accounts for 3% of revenue (Note).

Note: The Company has completed the sale of most of the shares held for HBI Co., Ltd. (about 78% of the shares held by the Company) on September 23, 2019. Thus, consolidated revenue and regional revenue for 2019 only includes cumulative revenue of HBI Co., Ltd. from January to September.

Business breakdown:

Product	2019	Notes
Faucets and showerheads	43%	
Vitreous China	34%	
Kitchen products	2%	Note 1
Other	21%	Note 2
Total	100%	

Note 1: Kitchen products include bundled kitchen systems and kitchenware.

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

New products under development:

1. Extreme water-saving toilet, which flush less than a gallon. 2. Pressure balance valve of shower output less than 1.2 gpm. 3. New PVD finishes, which could comply trends. 4. New structure design of SUS faucets. 5 Low body lavatory faucets series. 6. Kitchen bridge pull-down faucets. 7. Freestanding tub filler rough-in structure design. 8. New version of lavatory induction faucet. 9. SprayForce application of patented technology products with high cleaning efficiency. 10. Three functions sprayer development.

(ii) Industry overview:

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

In 2019, global economic growth faced multiple challenges, including escalating trade disputes, repeated delays to the UK's Brexit, weak global manufacturing and service industry growth, impact on financial stability, and an expected 10-year low hit by global economic growth. In January, based on the easing of US-China trade tensions, the International Monetary Fund (IMF) had estimated 3.3% global growth for 2020. However, the spread of the COVID-19 outbreak has dampened the global growth outlook. This year's global growth rate will be lower than last year's 2.9%, suggesting that the IMF will revise the growth rate downward by more than 0.4 percentage points when it releases its latest growth forecast after March, making this year's growth rate the slowest since the financial crisis.

The IMF said in January that the United States, the world's largest economy, is undertaking a neutral fiscal policy and the market does not expect further monetary easing. Growth for this year and the next is set to decline, from 2.3% in 2019 to 2.0% for 2020. But as COVID-19 spreads, major banks have revised the 2020 growth of the US economy downwards. According to the National Association of Realtors' adjusted estimates in April, existing home sales are expected to decline by 1.8% in 2020. Housing start, a leading indicator for the housing market, is expected to reach 1.37 million homes (a 6.0% growth compared to 2019).

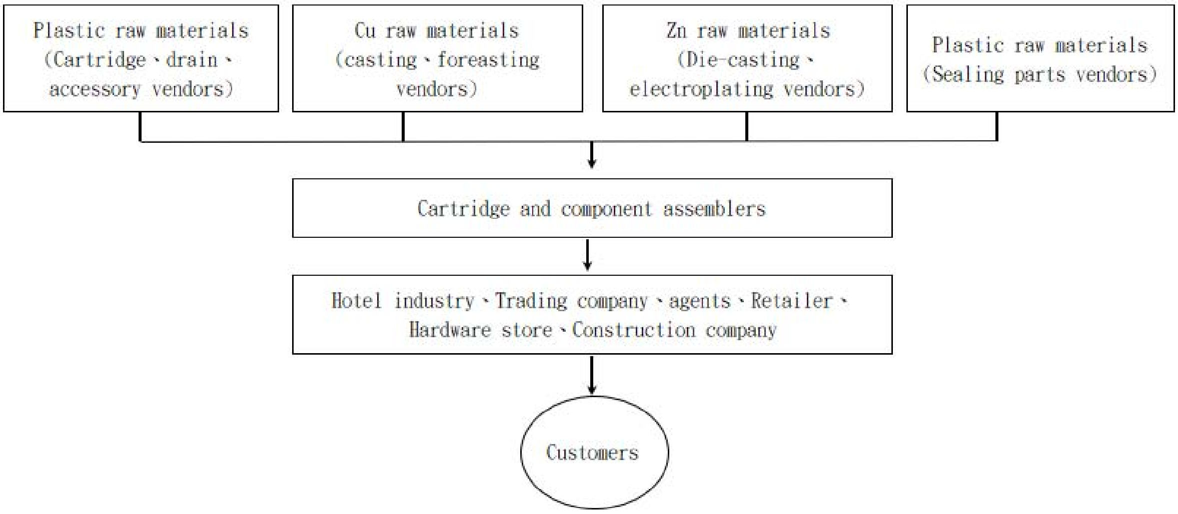
Benefiting from the signing of the first-stage trade agreement between China and the United States, China's growth for 2019 was estimated to be 6.1%, and the IMF estimated in January that it would reach 6.0% in 2020. The COVID-19 outbreak casted another shadow on China's weak economic momentum. In late February, the IMF revised China's 2020 economic outlook downwards by 0.4 percentage points to 5.6%. The projection was based on two assumptions: The epidemic being restricted to China and controlled. However, due to the rapid worsening of the situation, the IMF has again lowered this year's forecast for China's economic growth rate to below 5.6%.

China is a major producer of industrial products in the world. However, with the increasingly fierce competition, the diversification of customer needs, the complexity of the manufacturing process, and the continuous increase in the market's demands for quality and efficiency, the traditional manufacturing industry faces great challenges. In the context of the gradual weakening of the low-cost advantage of the manufacturing industry, manufacturers must focus on improving product quality and production management efficiency to reshape their competitive advantage.

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

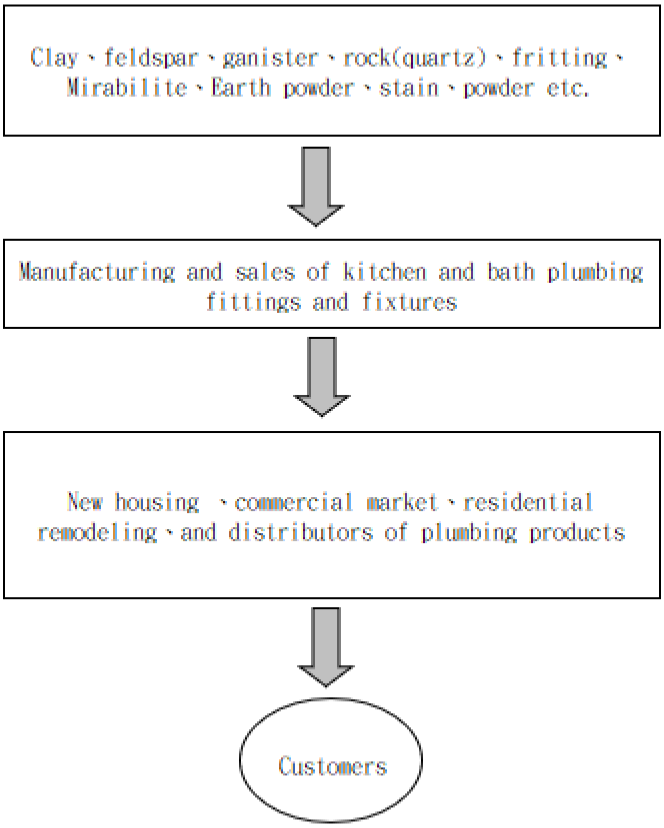
Upper, mid, and down-stream industry supply chain:

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



Taiwan Industry Economics Services by Taiwan Institute of Economic Research. Basic Information of Pumps, Compressors, Stopcocks, and Valves Manufacturing Sector, April 12, 2018.

Upper, mid, and down-stream Vitreous China bathroomware industry supply chain:



Product development trends and competition situations:

Product trends:

- Style trends: The rise of modernist interior design style, Kohler launched a slightly decorative minimalist style to cater to the young generation's preferences in the U.S. Delta, Moen and other brands have introduced a more retro transitional style and a popular industrial style to make a market segmentation.

  Kitchen faucets are mainly transition this year, which are more focused on functionality and user experience, integrating technology with design to satisfy customer's attention to detail.

- Smart home: Every brand are scrambling to develop the Alexa voice-controlled smart faucet. Besides the more precise water output and temperature control this year, mainstream brands have also decreased the price of voice systems to cater to the market, and provide various designs on product. In addition to the voice system, touch-sensing, electronic valve, LED detection and other functions have also introduced entry-level specifications to stimulate consumers to purchase; IOT bathroom equipment could set a more customized use mode via APP.
- Module matching: The mainstream brands in market have modalized various function to T&S valve module, which could be install quickly and comply various customized requirement with non-metallic structural parts to reduce production cost.
- Brand Power: Customers are willing to spend more on product with potentially good quality, Costco used mainstream brands as the bathroom product threshold instead of OEMs. Meanwhile, the European and American mainstream brand gradually expand the product line to the parity retail market, let the public experience high-quality parity, but also suppress the survival space of low-priced brands and OEMs.
- Energy saving and environmental protection: More power saving: on kitchen faucet perspective, Kohler add detect switch LED lights to save prover, the basin-free toilet is also claimed to be able to reach a year of use with 4 AA batteries.
- More water saving: For shower water, mainstream brands have launched the water saving showerhead, which are able to achieve lager coverage area with less water; Other brands have also published the multi-pattern showerhead with the sample water volume to increase the scour force.

Competition situation:

Facing the tariff impact of the trade war between China and the U.S, manufacturers, channels and brands face higher costs of manufacturing in China and must find many alternatives. Including increase the purchase in other countries, reducing the profits or sharing the increase cost with channels. Covid-19 affects Chinese labor cost and shipments.

To provide better service and products to brands and channels by manufacturers. To make a difference from traditional competition, understand the interior design trends could be able to provide new products efficiently.

In response to consumer’s pursuit of a complete style, bands products not only fit the interior design trend, but design the accessories together to pursue the consistency of style matching. In addition, new technologies keep challenge market acceptance through entry-level products in order to create brand patents and market segmentation after success.

Brands are just as mentioned above, bands products not only fit the interior design trend, but design the accessories together to pursue the consistency of style matching. Furthermore, new technologies keep challenge market acceptance through entry-level products to expend the products diversity and create market segmentation with channel own product market.

Channel distributors have steadily rooted in basic entry-level products with price advantages, wide circulation and have tried to launch MPP series of products to increase the market share of their own brands and their own brand profits. Therefore, the brand expands new markets and high-end products. Channel distributors actively seize the mid-price market. Small brands need to have a clearer price positioning to distinguish them.

(iii) Overview of technology and R&D:

1. R&D expenses of the latest year, up to the print date of the annual report

Unit: NT$ thousand

Item \ Year	2019	Up to February 29, 2020 (Company reported amount)
R&D expenses	278,530	46,024

2. Successfully developed technologies and products

Item	Project name	Current situation	R&D details and impact
1	new Lemora family by Gerber	Market research found new product opportunities, quickly formulated product style and proceed product collection development. Tooling completed at the end of 2019, mass production in 2020.	Lead the trend, introduce new organic elements and modern design series, add new product line.
2	New Kinze Kitchen family by Gerber	Completed the development of the entire series of industrial kitchen faucets. Strengthen the competitiveness of kitchen products.	To cater to the trend of industrial style, develop a complete series of products, including commercial, Pot-filler, pulldown and bar to increase product revenue.
3	New CZ PVD	To meet the new finish needs of high0end wholesale customers, develop a new brushed bronze PVD finish.	Cooperate with the customer's market planning, expand new finish, successfully replace competitors and enter the customer's product supply chain.
4	Tresta	Successfully implemented the new water saving rough-in, built Gerber rough-in competitiveness.	Establish high quality valve module to provide 12 kinds of installation modes. Cartridge module has back to back installation paten, easy for plumber to install. Cartridge comply new generation's watering saving and large flow specification, shower could satisfy 1.5 gpm, tub spout more than 6 gpm.
5	Touch commercial kitchen faucet	Expand mechanical touch product line, Co-work with supplier to develop the pressure-bearing hose completed, implement into product successfully.	Extend product line. Expanding the patent blueprint for mechanical touch products.
6	SprayForce	Complete high efficiency cleaning kitchen sprayer module developing mass production and obtain the	Mainstream manufacturers have their own special consumption functions for kitchen showers. In order to formulate a low splash

Item	Project name	Current situation	R&D details and impact
		patent.	force, high cleaning power kitchen sprayer module, which developed to help product recommendation.
7	Fast Mount	Completed 2nd generation quick installation nut tooling and validation, ready to ship.	Improved the ease of installation of 1st generation quick installation nut to increase product performance, improve user installation experience. The 2nd generation's installation and locking stability are better than competitor.

(iv) Long- and short-term business plans:

A. Short-term business plan:

1. Brand business group integration and expansion - "Lead with VC; Differentiate with Faucets"

To strengthen brand competitiveness, the Company completed the asset acquisition of the equipment of a well-known Vitreous China factory in Mexico in 2019, doubled the Vitreous China production capacity to support brand growth, and integrated Danze by Gerber into the Gerber brand. In the past, Gerber secured North American wholesale channels with a single brand, but such wholesale channels only accounts for 45% of the North American market. Currently, the Company will enter North America's retail and big box sales channels, which account for 55% of the market, in order to expand and increase market share. Our marketing strategy is based on improving our product portfolio and enhancing product services. The Company will be rebranded as featuring mid- to high-end, high-quality and design-oriented products to increase brand power and therefore overall revenue contribution.

At the end of 2019, the Company further optimized the integration of the Group's businesses and business units with "One family one vision" as the corporate core spirit, and defined a new market strategy: "Lead with VC; Differentiate with Faucet". For customers, the Company offers provides customers with Vitreous China and faucet products in one stop; Win market share with professional brands and customized products and services such as ODM/OEM and private labeling.

2. China + 1 strategy for establishing manufacturing bases in multiple countries

In the face of global competition, the Company plans to deploy manufacturing bases in multiple countries to increase capacity and expand our business. In addition to the hardware products manufacturing base in Shenzhen and Vitreous

China manufacturing base in Shandong, China, and the Mexican Vitreous China plant acquired last year, the Company has evaluated and will actively cooperate to prepare faucet factories in Southeast Asia for hardware and faucet products. In the face of severe market competition, the introduction of modular management and lean production concepts in all of the Company's manufacturing bases will facilitate flexible allocation of production capacity and use of production lines to meet customer needs and achieve effective manufacturing management.

3. Steady growth of PJH professional sales channel services

UK's PJH is a leading local professional provider of sales channels for kitchen and bathroom products. In recent years, through corporate culture reform, a human-centric philosophy has strengthened corporate culture, united the team, and continuously improved and rationalized the basic operating structure of logistics, which has greatly improved corporate value, service efficiency, and customer satisfaction. PJH also demonstrated extremely high response capabilities in dealing with the fire crisis that occurred at the end of 2018, and won praise from customers. Recently, revenues of all of PJH's businesses (multiples, contracts, and retail) have shown growth, and the Company will continue to manage and reduce costs in order to maintain steady profit influx.

B. Long-term business plan:

1. Increase production efficiency

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

2. Channel development and expansion

Sales strategies of self-owned brands are already undergoing reform due to consumer and market differentiation. The Company will take full advantage of its product design and manufacturing capacity as well as brand recognition to uncover new sales platforms and provide customers with diverse services (brands and OEM) and products (faucets and bathroom Vitreous China). Long-term business development will be based on solidifying short-term business niches. The Company will implement lean manufacturing as well as enhance and steadily expand the market share of the North American retail market. In addition, sales strategies will focus on establishing virtual sales channels as the main route for future product sales. Brand and product information transparency will allow faster interactions with consumers on the web.

ii. Market and Sales Overview:

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

1. Main markets

Unit: Thousand NTD

Region \ Year	2018		2019	
	Amount	%	Amount	%
North America	10,081,715	56.39	9,193,626	54.01
United Kingdom	5,138,455	28.74	5,478,657	32.18
China	292,196	1.63	138,733	0.81
Other	2,366,754	13.24	2,212,410	13.00
Total	17,879,120	100.00	17,023,426	100.00

2. Market share:

The Company's main business regions are North America and Europe, of which the UK's PJH revenues are a main part. In 2019, the Company's revenue was 9.19 billion in North America and 5.48 billion in the UK. With sophisticated services, top-notch quality, and the two-pronged strategy of self-owned brands and OEM, the Company will occupy an important position in the global bathroom and kitchen products industry.

3. Future market supply, demand, and future growth:

(1) Supply and demand:

According to the analysis in Global Plumbing Fixtures & Fittings Market published by MarketsandMarkets Research in 2019, the compound annual growth rate of the global bathroom and kitchen products industry from 2018 to 2027 will be 5.4%, and the market size is expected to reach US$139.4 billion in 2027. The report pointed out that the main factors driving market growth will be the increase in demand due to urbanization in the Asia-Pacific region, renovations, construction in emerging economies, and the increase in industrial facilities and infrastructure development.

①USA

The 2020 report of Freedonia Inc. showed that the demand for bathroom fixtures in the U.S. will have a compound annual growth rate of approximately 4.4% from 2020 to 2024, and may reach US$15.9 billion in 2024.

As homeowners' demand for kitchen and bathroom renovation increases, installing showers and expanding kitchens to enhance convenience, the demand for bathroom equipment will grow year by year. In addition, some new bathroom products will better meet the requirements of water conservation and environmental protection, and also be more convenient to use for older Americans or disabled people.

②Europe

According to a report by the German market research company Titze, central Europe (including 9 countries, such as Germany, the UK, and France) will reach US$14 billion in the bathroom fitting market in 2017. Mintel Group's report shows that the bathroom retail market in the UK has benefited from residential renovations and online sales growth, growing 2.3% in 2018 and 2019. It is expected to grow by another 13% from 2019 to 2024 (an annual compound growth rate of approximately 2.5%).

(2) Growth potential:

A Fediyma report showed that the output value of the global home improvement sector reached US$666 billion in 2018, up 1.1% compared with 2017. Europe and the US accounted for 87% (US$578.6 billion). According to HIRI (Home Improvement Research Institute, the North American market expects lower housing supply and price hikes to drive the home improvement market to grow 4.1% to US$405 billion in 2019. However, HIRI expects growth to slow after 2020 and estimates 2.6% growth in 2021 to 2023.

4. Competitive niches

(1) Increased brand power of self-owned brands and high market share

The Company's North American brand Gerber is 100 years old. The Company continues to invest in developing environmentally friendly and water-conserving features in our products; that's why our quality and reliability are widely recognized by the plumbing/electrician community and wholesale channels. We are third in market share in the U.S. Vitreous China fittings market, which gives us a very stable competitive edge. Under the steady sales foundation among the North American bathroom market wholesale channels (approximately 45% of the overall market), Gerber's brand recognition and revenue have grown year by year. In 2019, the Company established a subsidiary in Mexico and acquired the equipment of a local Vitreous China factory, which doubled the production capacity to support the business development of the Group's Gerber brand to expand the retail market (approximately 55% of the overall market).

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

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

  Utilizing the two-pronged model of self-owned brands and OEM, we combine Vitreous China and faucet product profiles and product life-cycle management systems to reduce development costs, and introduced the China+1 production strategy to establish manufacturing bases in multiple countries. This allows us to flexibly allocate production capacity and speed up product launch schedules. In terms of sales strategies, we introduce products that coincide with the legislation, functional, and price demands of their respective markets globally and improve our profits by focusing on high-value innovative products.

- The China+1 multi-country production strategy:

  The Company has implemented the deployment of multi-country manufacturing bases. Currently, there are the Globe Union (hardware and faucets) and Milim (Vitreous China) plants in China, and the GU PLUMBING de MEXICO S.A. de C.V. (Vitreous China) plant, which was set up in Mexico in 2019. The business team will plan the production capacity and a globally consistent manufacturing management system. Through global deployment, the Group will make more effective capacity planning decisions and serve customers with a more flexible supply chain to reduce costs.

- Mastering core development technology:

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

(3) Strengthen the governance system of the Board of Directors and professional management teams, ensure that the Company does honest business and pursues sustainable development.

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

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

Favorable factors:

Products and brand positioning encompass different markets globally, reducing the risk of relying solely on one market. In terms of environmental protection and energy conservation, the demand for environmentally conscious products sees continues increase in Western countries. The Company's efforts to improve energy efficiency through integrated development of materials, production processes, and design have won us market recognition, which can spread across the globe to all other markets.

Unfavorable factors:

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

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

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

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

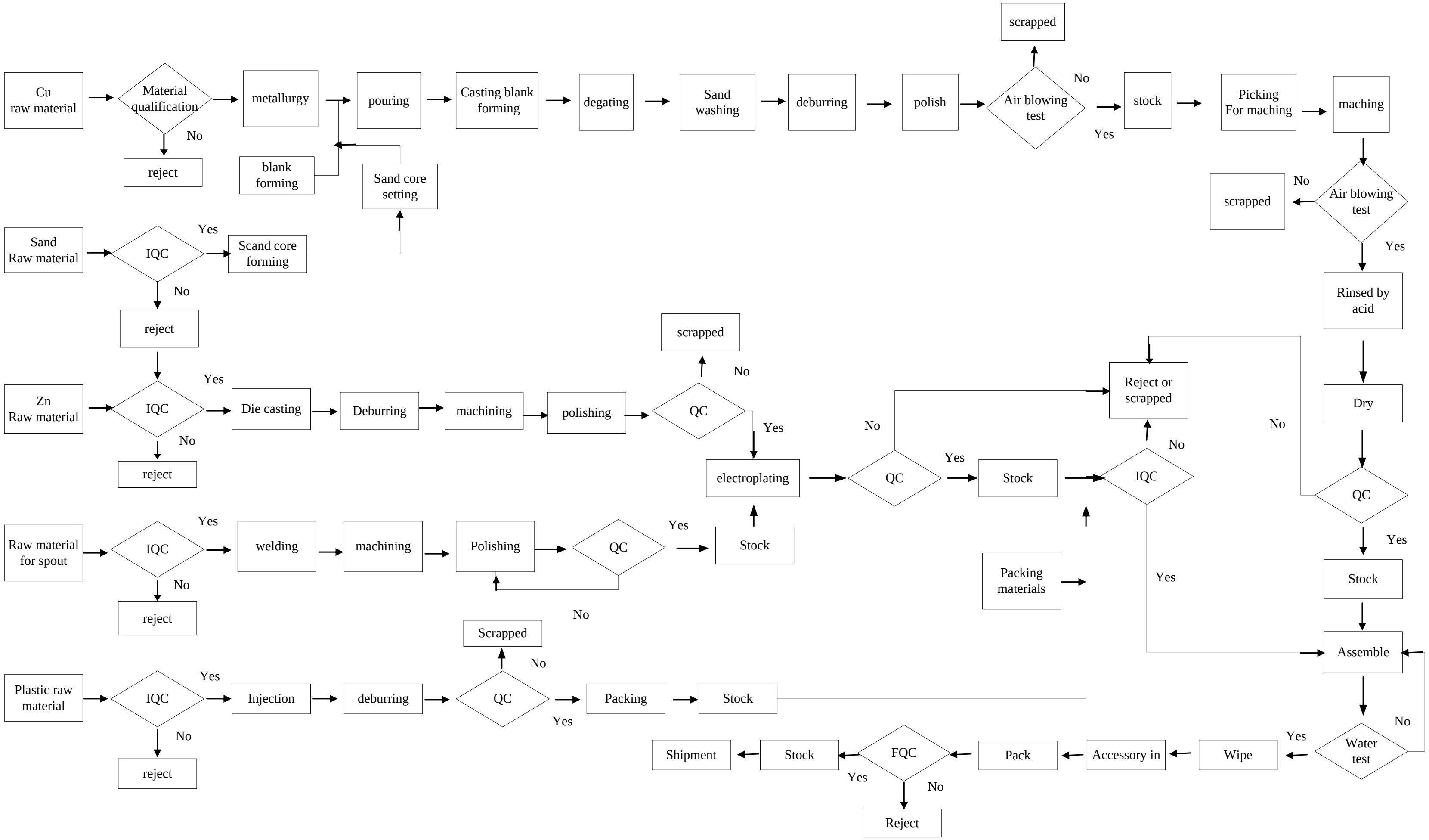
3. Market channel development: Most of the Group's customers are in Europe and the US. The growth of the physical channel market has been relatively slow.

   Response strategies: In physical channels, the Company's North American brand Gerber has equally emphasized retail sales and wholesales in North America beginning at the end of 2019 for purpose of expansion. Meanwhile, efforts are made to strengthen relations with clients who are brand owners. With their brand power and operation sites plus our production and design capabilities, we are able to explore different layers of the distribution market. We are also continuing to study online sales systems in order to expand our reach to consumers and provide them with production information even more quickly.

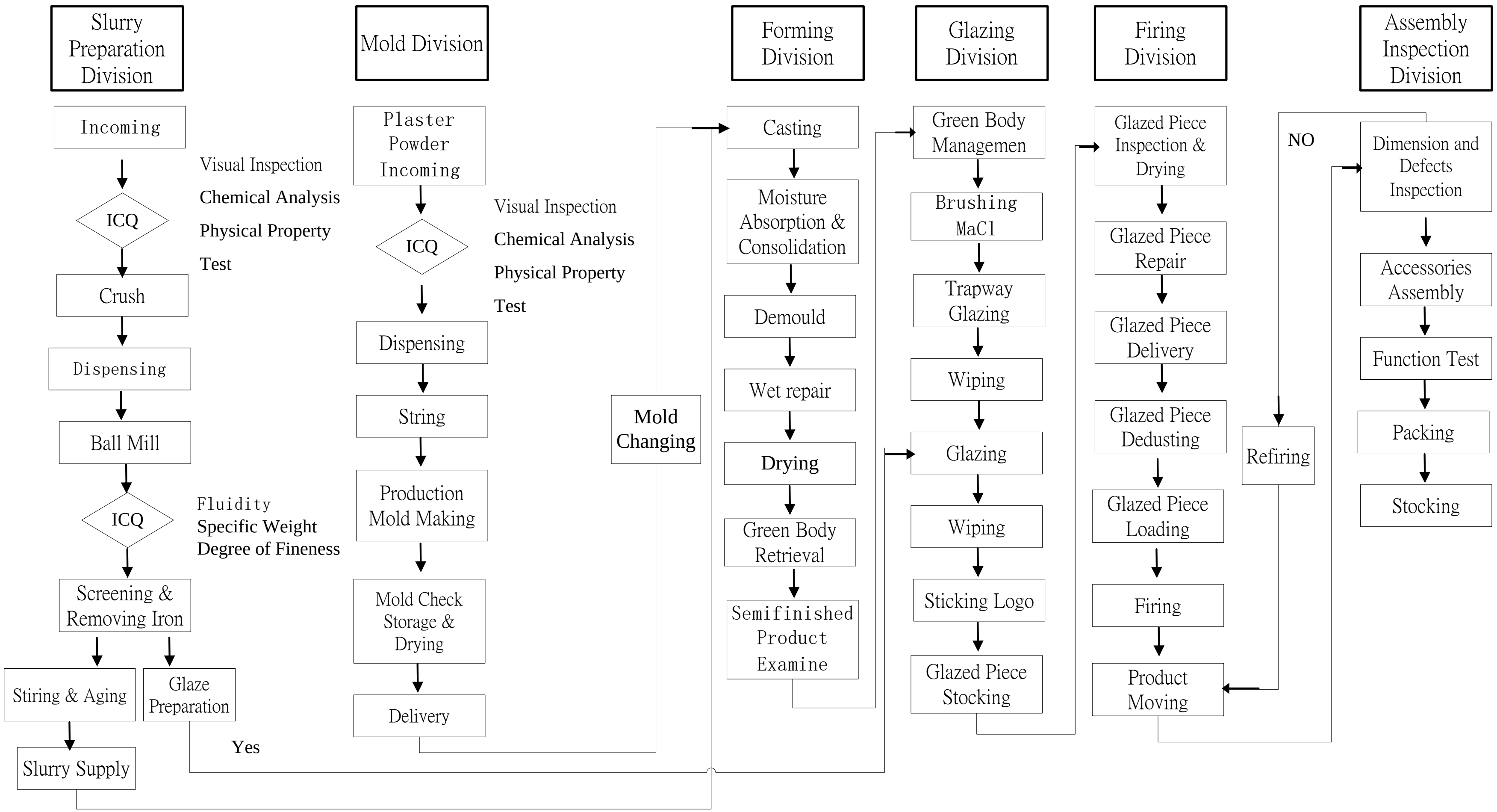
(ii) Major applications and manufacturing processes of core products:

1. Major applications of core products: Suitable for bathroom, kitchen, and garden use.
2. Manufacturing processes of products:

Faucet product manufacturing process:



Vitreous China tank and toilet manufacturing process:



(iii) Supply of main raw materials: A sound relationship with our suppliers ensures that our sources are stable.

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

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

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

Year / Item	2018				2019			
	Name	Amount	Percentage of annual net sales(%)	Relationship with issuer	Name	Amount	Percentage of annual net sales(%)	Relationship with issuer
1.	Customer A	2,379,839	13.31	N/A	Customer A	2,490,828	14.63	N/A
	Other	15,499,281	86.69		Other	14,532,598	85.37	
	Net sales	17,879,120	100.00		Net sales	17,023,426	100.00	

Note: The sales numbers to Customer A in 2019 were mainly influenced by market demand, which impacted order amounts.

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

Year / Core product	2018	2019	Notes
	Sales value	Sales value	
Faucets and showerheads	7,827,837	7,273,075	
Vitreous China	6,006,557	5,883,618	
Kitchen products	287,385	275,485	Note 1
Other	3,757,341	3,591,248	Note 2
Total	17,879,120	17,023,426	

The Company has a large product portfolio and each product uses a different unit of measurement so sales volume is not listed here.

Note 1: Kitchen products include bundled kitchen systems and kitchenware. Note 2: Other covers operating income from bathroom accessories, shower enclosures, cabinets, and distribution services.

iii. Number of current employees, mean number of years in service, mean age, and distribution of education in the most recent two years and up to the date this annual report was printed:

Consolidated financial statements:

Year		2018	2019	From this year to February 29, 2020
Employee count	Direct employees	3,273	3,430	3,419
	Indirect employees	2,358	2,378	2,343
	Total	5,631	5,808	5,762
Average age		37.5	38.7	39.1
Average years of service		8.0	8.5	8.5
Academic qualification (%)	Ph.D	0.0	0.06	0.08
	MA	1.6	2.85	3.64
	University/College	15.7	17.91	21.67
	High school	13.3	18.06	19.04
	Below high school	69.4	61.12	55.57

iv. Environmental protection expenditure information:

Losses incurred as a result of environmental pollution (including compensation and environmental protection audit results that violate environmental laws and regulations; the date of punishment, the number of the punishment, the provisions of the statute violated, the content of the statute violation, and the content of the punishment should be listed) in the most recent year and up to the date this annual report was printed, estimated values that might occur now and in the future, and their countermeasures: None.

v. Employer-employee relations:

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

(i) The Company's employee welfare measures, continuing education, training, retirement regulations and their actual implementation, along with employer-employee agreements, and measures for protecting employee rights:

1. Employee welfare

Remuneration:

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

The Company uses the annual HR Evaluation Committee meeting to conduct objective assessments and provide employees with fair opportunities for promotion.

Health and safety-related benefits:

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

Education and entertainment-related benefits:

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

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

2. Employee continuing education and training

An abundance of high quality human resources is considered the foundation of corporate sustainability. We truly believe that "corporate growth is driven by

constant innovation and developing the value of talent." Driven by this core business philosophy, we allocate a budget to provide employees with complete education and training every year, not only to improve their abilities and literacy, but also to bring out their potential and enhance our competitiveness.
During 2019, a total of NT$7,099 thousand was spent on education and training, including 732 internal and external training sessions throughout the year that added up to 51,835 hours. A headcount of 31,441 people received the training. These primarily consisted in leadership and management, culture and values, labor safety training, internal audit, quality management, technology R&D, accounting management, information management, sales management, and new employee orientation.

Continuing education for managers of Globe Union:

Name	Title	Course Name	Organizer	Date of Training	Hours
Tsung-Min Chen	Chief Financial Officer	GU 2.0 Workshop	Internal Company Training	2019/1/10	7.5
Sheng-Shyong Hwang	Assistant Vice President	GUIC_New Employee Orientation	Internal Company Training	2019/11/11	4.5
Sheng-Shyong Hwang	Assistant Vice President	Brass Smart Manufacturing Seminar	Industrial Development Bureau, MOEA	2019/12/31	8
Chung-Hsiang Chan	Assistant Vice President	GUIC_New Employee Orientation	Internal Company Training	2019/1/28	4.5
Jung-Chao Lin	Assistant Vice President	2019 Performance Management Workshop (Class for Managers)	Internal Company Training	2019/3/4	6
Jung-Chao Lin	Assistant Vice President	Moments of Truth (MoT)	Internal Company Training	2019/6/25~6/26	14
Lei-Hui Lee	Assistant Vice President	Vietnam and India investment forum by PWC	PwC Taiwan	2019/1/10	8
Lei-Hui Lee	Assistant Vice President	2019 Performance Management Workshop (Class for Managers)	Internal Company Training	2019/3/4	6
Lei-Hui Lee	Assistant Vice President	Moments of Truth (MoT)	Internal Company Training	2019/7/9~7/10	14
Ming-Sheng Wei	Assistant Vice President	Oracle FY19 Strategic Product Exchange Seminar	SYSAGE Technology Co., Ltd.	2019/2/22	8

Name	Title	Course Name	Organizer	Date of Training	Hours
Ming-Sheng Wei	Assistant Vice President	2019 Performance Management Workshop (Class for Managers)	Internal Company Training	2019/3/4	6
Ming-Sheng Wei	Assistant Vice President	Toward the Wireless Smart Industry Seminar	Kinmax Technology Inc.	2019/4/11	8
Ming-Sheng Wei	Assistant Vice President	D Forum 2019 - Smart Factory Forum	DIGITIMES Inc.	2019/4/16	8
Ming-Sheng Wei	Assistant Vice President	Big Data and Analytics Seminar	PTC Inc.	2019/5/30	8
Ming-Sheng Wei	Assistant Vice President	Moments of Truth (MoT)	Internal Company Training	2019/6/25~6/26	14
Ming-Sheng Wei	Assistant Vice President	Industrial Big Data Seminar	Hon Hai Precision Industry Co., Ltd.	2019/8/16	4.5
Ming-Sheng Wei	Assistant Vice President	Veeam Corporate IT Critical Data Protection Seminar	Veeam Software	2019/9/24	4.5
Ming-Sheng Wei	Assistant Vice President	Oracle Cloud Experience Workshop	Oracle Taiwan LLC, Taiwan Branch (U.S.A.)	2019/12/18	4.5
Bhor-Chaou Chang	Assistant Vice President	Moments of Truth (MoT)	Internal Company Training	2019/6/25~6/26	14
Bhor-Chaou Chang	Assistant Vice President	2019 Performance Management Workshop (Class for Managers)	Internal Company Training	2019/3/4	6
Min-Ling Wang	Head of Accounting	2019 Performance Management Workshop (Class for Managers)	Internal Company Training	2019/3/4	6
Min-Ling Wang	Head of Accounting	GU 2.0 Workshop	Internal Company Training	2019/1/10	7.5
Min-Ling Wang	Head of Accounting	Moments of Truth (MoT)	Internal Company Training	2019/6/25~6/26	14
Min-Ling Wang	Head of Accounting	12 Hours of Training for Heads of Accounting	Accounting Research and Development Foundation	2019/12/16~12/17	12

3. Pension scheme

The retirement plans of the Company and its subsidiaries in Taiwan are applicable to all formally hired employees. In compliance with the *Labor Pension Act*, the Company defines its appropriation plan and follows the plan by setting aside 6% from each employee's salary on a monthly basis to the personal pension account with the Bureau of Labor Insurance. All pension funds are under the management of the Labor Pension Reserve Supervision Committee and saved in the dedicated pension account in the name of the Labor Pension Reserve Supervision Committee. They are completely separated from the Company and domestic subsidiaries. When employees retire under the old pension scheme, the pension appropriated is paid by the Company in accordance with the pension rates set out under Article 55 of the Labor Standards Act; there were no such cases in 2019.

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

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

4. Measures for protecting employee rights

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

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

(ii) Losses incurred as a result of employer-employee disputes (including labor inspection results that violate the Labor Standards Act; the date of punishment, the number of the punishment, the provisions of the statute violated, the content of the statute violation, and the content of the punishment should be listed) in the most recent year and as of the date the annual report was printed, estimated values that might be incurred now and in the future, and their countermeasures: An employment contract was disputed. A former senior manager of the Company filed a retirement application in September 2018. The Company agreed for the employee to retire on October 31, 2018 and paid the relevant amount according to the contract with the employee. However, the former employee filed a civil lawsuit in the Taiwan Taichung District Court on January 7, 2020, claiming that the Company still needs to pay remaining pension and remuneration amounts. As of the date the annual report was printed, the outcome and possible impact of the above litigation cannot be determined.

vi. Important contracts:

Nature of contract	Contracting parties	Commencement date/Expiration date	Content	Restrictive clauses
Syndicated loan contract	Eleven lenders including CTBC Bank, O-Bank, E.SUN Commercial Bank, and Taipei Fubon Bank (lead arranger)	2018.07.25 ~2023.07.25	Syndicated loan	For the duration of the loan, annual and Q2 consolidated financial statements that have been audited and reviewed by CPAs shall be used as the basis for calculations and specific financial ratios shall be maintained
Land Lease Contract	Taichung Export Processing Zone, Export Processing Zone Administration, MOEA	2013.10.01 ~2023.09.30	Land lease	May only be used for the specified business purpose

VI. Financial Overview

i. Condensed profit and loss statements, comprehensive income statements, names of CPAs, and audit opinions for the last five years

(i) Condensed profit and loss statements

Based on the International Financial Reporting Standards– Consolidated financial statements

Unit: NT$ thousand

Item \ Year		2015	2016	2017	2018	2019
Current assets		11,226,041	10,035,597	10,249,528	9,975,744	9,589,522
Property, plant and equipment		2,043,136	1,677,650	1,574,872	1,541,094	2,516,758
Right-of-use assets		-	-	-	-	2,056,539
Intangible assets (including business reputation)		1,949,219	883,260	853,373	823,222	765,340
Other assets		777,490	755,838	603,503	473,121	921,685
Total assets		15,995,886	13,352,345	13,281,276	12,813,181	15,849,844
Current liabilities	Before distribution	6,149,226	5,805,197	5,761,721	5,225,531	5,311,557
	After distribution	5,724,061	5,255,423	5,299,913	4,763,723	Not distributed
Non-current liabilities		2,534,993	1,893,916	1,420,317	1,612,835	4,964,677
Total liabilities	Before distribution	8,684,219	7,699,113	7,182,038	6,838,366	10,276,234
	After distribution	8,259,054	7,149,339	6,720,230	6,376,558	Not distributed
Equity attributable to owners of parent		7,209,085	5,571,297	6,023,651	5,897,630	5,573,610
Share capital		3,543,042	3,553,042	3,675,889	3,682,235	3,565,977
Capital reserve		920,265	940,467	1,026,759	1,032,019	995,214
Retained earnings	Before distribution	2,407,658	1,408,570	1,791,536	1,895,790	1,740,633
	After distribution	1,982,493	858,796	1,329,728	1,433,982	Not distributed
Other equity		338,120	(285,914)	(470,533)	(526,207)	(728,214)
Treasury stock		–	(44,868)	-	(186,207)	-

Item \ Year		2015	2016	2017	2018	2019
Non-controlling interests		102,582	81,935	75,587	77,185	-
Total equity	Before distribution	7,311,667	5,653,232	6,099,238	5,974,815	5,573,610
	After distribution	6,886,502	5,103,458	5,637,430	5,513,007	Not distributed

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

Condensed profit and loss statements

Based on the International Financial Reporting Standards–Standalone statements

Unit: NT$ thousand

Item \ Year		2015	2016	2017	2018	2019
Current assets		2,236,238	1,672,665	2,069,151	2,242,070	2,212,406
Property, plant and equipment		95,512	95,679	86,414	84,413	76,923
Right-of-use assets		-	-	-	-	3,123
Intangible assets		82,611	63,828	46,038	31,244	19,667
Other assets		10,150,927	8,518,175	8,783,406	9,176,106	9,483,508
Total assets		12,565,288	10,350,347	10,985,009	11,533,833	11,795,627
Current liabilities	Before distribution	3,129,197	3,237,078	3,813,723	4,270,660	3,760,317
	After distribution	2,704,032	2,687,304	3,351,915	3,808,852	Not distributed
Non-current liabilities		2,227,006	1,541,972	1,147,635	1,365,543	2,461,700
Total liabilities	Before distribution	5,356,203	4,779,050	4,961,358	5,636,203	6,222,017
	After distribution	4,931,038	4,229,276	4,499,550	5,174,395	Not distributed
Equity attributable to owners of parent		7,209,085	5,571,297	6,023,651	5,897,630	5,573,610
Share capital		3,543,042	3,553,042	3,675,889	3,682,235	3,565,977
Capital reserve		920,265	940,467	1,026,759	1,032,019	995,214
Retained earnings	Before distribution	2,407,658	1,408,570	1,791,536	1,895,790	1,740,633
	After distribution	1,982,493	858,796	1,329,728	1,433,982	Not distributed
Other equity		338,120	(285,914)	(470,533)	(526,207)	(728,214)
Treasury stock		–	(44,868)	–	(186,207)	-
Total equity	Before distribution	7,209,085	5,571,297	6,023,651	5,897,630	5,573,610
	After distribution	6,783,920	5,021,523	5,561,843	5,435,822	Not distributed

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

(ii) Condensed consolidated income statements

Based on the International Financial Reporting Standards–Consolidated financial statements

Unit: NT$ thousand

Item \ Year	2015	2016	2017	2018	2019
Operating income	19,945,545	19,304,125	17,910,124	17,879,120	17,023,426
Operating margin	5,513,701	5,657,522	5,076,134	4,894,358	4,797,880
Operating profit or loss	542,259	581,938	977,347	626,115	391,056
Non-operating income and expenses	204,996	(860,537)	10,210	177,277	92,475
Net income (loss) before tax	747,255	(278,599)	987,557	803,392	483,531
Net profit (loss) of continuing operations for this period	506,788	(482,557)	706,729	618,916	336,055
Losses from discontinued operations	–	–	–	–	-
Net income (loss) for this period	506,788	(482,557)	706,729	618,916	336,055
Other comprehensive income (OCI) for this period (net amount after tax)	75,675	(722,656)	(142,657)	(23,631)	(199,926)
Total comprehensive income for this period	582,463	(1,205,213)	564,072	595,285	136,129
Profit attributable to owners of parent	502,913	(463,027)	698,342	618,220	335,173
Profit attributable to non-controlling interests	3,875	(19,530)	8,387	696	882
Total comprehensive income attributable to owners of parent	580,055	(1,185,124)	555,399	593,687	135,247
Total comprehensive income attributable to non-controlling interests	2,408	(20,089)	8,673	1,598	882
Earnings per share (NTD)	1.42	(1.31)	1.98	1.69	0.94

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

Condensed consolidated income statements

Based on the International Financial Reporting Standards - Standalone statements

Unit: NT$ thousand

Year / Item	2015	2016	2017	2018	2019
Operating income	6,760,005	6,926,595	6,817,057	9,330,271	8,045,768
Operating margin	621,737	1,098,495	1,006,675	918,411	943,142
Operating profit or loss	180,394	449,170	478,459	93,152	134,540
Non-operating income and expenses	369,861	(818,814)	281,399	595,394	251,211
Net income (loss) before tax	550,255	(369,644)	759,858	688,546	385,751
Net profit (loss) of continuing operations for this period	502,913	(463,027)	698,342	618,220	335,173
Losses from discontinued operations	–	–	–	–	-
Net income (loss) for this period	502,913	(463,027)	698,342	618,220	335,173
Other comprehensive income (OCI) for this period (net amount after tax)	77,142	(722,097)	(142,943)	(24,533)	(199,926)
Total comprehensive income for this period	580,055	(1,185,124)	555,399	593,687	135,247
Profit attributable to owners of parent	502,913	(463,027)	698,342	618,220	335,173
Profit attributable to non-controlling interests	–	–	–	–	-
Total comprehensive income attributable to owners of parent	580,055	(1,185,124)	555,399	593,687	135,247
Total comprehensive income attributable to non-controlling interests	–	–	–	–	-
Earnings per share (NTD)	1.42	(1.31)	1.98	1.69	0.94

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

(iii) Names of auditing CPAs of the most recent five years and their audit opinions

Year	CPAs	Audit opinions
2015	Tzu-Ping Huang, Hung-Kang Lin	Unqualified opinion
2016	Tzu-Ping Huang, Hung-Kang Lin	Unqualified opinion
2017	Tzu-Ping Huang, Hung-Kang Lin	Unqualified opinion
2018	Tzu-Ping Huang, Hung-Kang Lin	Unqualified opinion
2019	Yu-Ting Huang, Tzu-Ping Huang	Unqualified opinion

Reason for change of CPAs within the past five years:

The change of CPAs was due internal organizational adjustments at Ernst & Young.

ii. Financial analysis for the last five years

(i) Based on the International Financial Reporting Standards–Consolidated financial analysis

Analysis item	Year	2015	2016	2017	2018	2019
		Financial analysis for the past five years				
Financial structure (%)	Debt asset ratio	54.29	57.66	54.08	53.37	64.83
	Ratio of long-term capital to property, plant and equipment	481.94	449.86	477.47	492.35	418.72
Solvency %	Current ratio	182.56	172.87	177.89	190.90	180.54
	Quick ratio	114.49	116.28	122.56	124.70	120.48
	Interest coverage ratio	8.96	(2.77)	20.71	17.56	4.40
Operating ability	Receivables turnover (times)	5.47	5.84	6.01	6.31	6.94
	Average collection days	66.72	62.50	60.73	57.84	52.59
	Inventory turnover (times)	3.42	3.77	4.13	4.06	3.84
	Payables turnover (times)	5.37	5.46	5.41	5.68	5.77
	Average days of sales	106.72	96.81	88.37	89.90	95.05
	Turnover of property, plant and equipment (times)	9.95	10.38	11.01	11.48	8.39
	Total asset turnover (times)	1.22	1.32	1.34	1.37	1.19
Profitability	Return on assets(%)	3.69	(2.93)	5.63	5.04	3.14
	Return on equity(%)	7.13	(7.44)	12.03	10.25	5.82
	Net income before tax to paid-in capital ratio(%)	21.09	(7.84)	26.87	21.82	13.56
	Net profit margin(%)	2.52	(2.40)	3.90	3.46	1.97
	Earnings per share (NTD)	1.42	(1.31)	1.98	1.69	0.94
Cash flows	Cash flow ratio(%)	5.10	30.03	13.18	17.07	15.69
	Cash flow adequacy ratio (%)	3.65	69.92	92.62	84.33	87.62
	Cash re-investment ratio (%)	1.32	14.58	4.49	3.79	3.68
Leverage	Operating leverage	1.74	1.77	1.30	1.45	2.55
	Financial leverage	1.27	1.12	1.06	1.08	1.57

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

Explanation for changes of over 20% between 2019 and 2018:

1. Decrease of debt asset ratio: This is mainly due to a NT$1,394,968

thousand increase in loans this year.

2. Decrease of interest coverage ratio: This is mainly due to a NT$319,861 thousand decrease of net profit before tax from continuing operations and a NT$93,535 thousand increase in interest expenses (the International Financial Reporting Standards 16 Leases is applicable to the Group since January 1, 2019, resulting in an increase of NT$88,265 thousand in interest expenses related to leases this year).
3. Decrease of property, plant and equipment turnover: This is mainly due to a NT$975,664 thousand increase in the net amount of property this year.
4. Decrease in return on assets, decrease in return on equity, decrease in net income before tax to paid-in capital ratio, decrease in net profit margin, and increase in degree of operating leverage: This is mainly due to a NT$319,861 thousand decrease in net income before tax this year.
5. Increase of financial leverage: This is mainly due to a NT$235,059 thousand decrease in operating profit and a NT$93,505 thousand increase in interest expenses this year.

The formulas are as follow:

1. Financial structure
   (1) Debt asset ratio = total liabilities / total assets.
   (2) Ratio of long-term capital to property, plant and equipment = (value of equity + non-current liabilities) / net amount of property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
   (3) Interest coverage ratio = net income before income tax and interest expenses / interest expenses for this period.
3. Operating ability
   (1) Receivables (including accounts receivable and business-related notes receivable) turnover ratio = net sales / average balance of receivables for each period (including accounts receivable and business-related notes receivable).
   (2) Average collection days = 365 / receivables turnover.
   (3) Inventory turnover = cost of goods sold / average amount of inventory.
   (4) Payables (including accounts payable and business-related notes payable) turnover = cost of goods sold / average balance of payables for each period (including accounts payable and business-related notes payable).
   (5) Average days of sales = 365 / inventory turnover.
   (6) Property, plant and equipment turnover = net sales / average net amount of property, plant and equipment.
   (7) Total assets turnover = net sales / total average assets.

4. Profitability
   (1) Return on assets = [profit and loss after tax + interest expenses * (1 - tax rate)] / total average assets.
   (2) Return on equity＝ profit and loss after tax / net average shareholders' equity.
   (3) Net profit margin = profit and loss after tax / net sales.
   (4) Earnings per share = (Profit and loss attributable to owners of parent - stock dividends of preferred stocks) / weighted average number of outstanding shares.

5. Cash flows
   (1) Cash flow ratio = net cash flows from operating activities / current liabilities.
   (2) Net cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividends) in the past five years.
   (3) Cash re-investment ratio = (net cash flows from operating activities - cash dividends) / (gross amount of property, plant and equipment + long-term investment + other non-current assets + operating capital).

6. Leverage:
   (1) Operating leverage = (net operating income - current operating costs and expenses) / operating profit.
   (2) Financial leverage = operating profit / (operating profit - interest expenses).

(ii) Based on the International Financial Reporting Standards – Standalone financial analysis

Analysis item / Year		Financial analysis for the past five years				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt asset ratio	42.63	46.17	45.16	48.87	52.75
	Ratio of long-term capital to property, plant and equipment	9,879.48	7,434.51	8,298.75	8,604.33	10,445.91
Solvency %	Current ratio	71.46	51.67	54.26	52.50	58.84
	Quick ratio	64.78	46.28	45.47	44.22	50.61
	Interest coverage ratio	11.59	(79.25)	23.29	22.57	11.24
Operating ability	Receivables turnover (times)	4.37	5.07	5.68	7.19	6.94
	Average collection days	83.52	71.99	64.26	50.76	52.59
	Inventory turnover (times)	34.46	36.36	27.10	29.03	25.96
	Payables turnover (times)	4.10	3.93	3.66	3.76	3.21
	Average days of sales	10.59	10.04	13.47	12.57	14.06
	Turnover of property, plant and equipment (times)	70.10	72.46	74.87	109.24	99.74
	Total asset turnover (times)	0.55	0.60	0.64	0.83	0.69
Profitability	Return on assets (%)	4.48	(3.72)	6.82	5.72	3.13
	Return on equity (%)	7.18	(7.25)	12.05	10.37	5.84
	Net income before tax to paid-in capital ratio (%)	15.53	(10.40)	20.71	18.70	10.83
	Net profit margin (%)	7.44	(6.68)	10.24	6.63	4.17
	Earnings per share (NTD)	1.42	(1.31)	1.98	1.69	0.94
Cash flows	Cash flow ratio (%)	16.29	25.79	18.28	16.21	7.73
	Cash flow adequacy ratio (%)	78.67	120.88	195.14	171.80	144.85
	Cash re-investment ratio (%)	(52.73)	(31.60)	(23.15)	(7.97)	(80.70)
Leverage	Operating leverage	0.89	1.17	0.96	1.74	1.34
	Financial leverage	1.44	1.11	1.08	1.52	1.39

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

Explanation for changes of over 20% between 2019 and 2018:

1. Increase in ratio of long-term capital to property, plant and equipment: This is mainly due to a NT$1,096,157 thousand increase in non-current liabilities.
2. Decrease in interest coverage ratio and decrease in net income before tax to paid-in capital ratio (%): This is mainly due to a NT$302,795 thousand decrease in net income before tax this year.
3. Decrease in return on assets (%), decrease in return on equity (%), and decrease in net profit margin (%): This is mainly due to a NT$283,047 thousand decrease in profit and loss after tax this year.
4. Decrease of cash flow ratio: This is mainly due to a NT$401,448 thousand decrease in net cash flow from operating activities this year.
5. Decrease in cash re-investment ratio: This is mainly due to a NT$1,516,798 thousand decrease in long-term investments.
6. Decrease in operating leverage: This is mainly due to a NT$41,388 thousand increase in operating profits.

iii. Audit Committee Audit Report

Globe Union Industrial Corp.

Audit Committee Audit Report

The Board of Directors has prepared and submitted the 2019 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 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 25, 2020

iv. For financial reports of the most recent year, please refer to pages 161 to 293.

v. For the most recent CPA-certified standalone financial reports, please refer to pages 294 to 405.

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

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

i. Financial position

Comparative analysis of financial position (consolidated financial statements)

Unit: NT$ thousand

Item \ Year	2019	2018	Difference	
			Amount	%
Current assets	9,589,522	9,975,744	(386,222)	(3.87)
Property, plant and equipment	2,516,758	1,541,094	975,664	63.31
Right-of-use assets	2,056,539	-	2,056,539	100
Intangible assets (including business reputation)	765,340	823,222	(57,882)	(7.03)
Other assets	921,685	473,121	448,564	94.81
Total assets	15,849,844	12,813,181	3,036,663	23.70
Current liabilities	5,311,557	5,225,531	86,026	1.65
Non-current liabilities	4,964,677	1,612,835	3,351,842	207.82
Total liabilities	10,276,234	6,838,366	3,437,868	50.27
Equity attributable to owners of parent	5,573,610	5,897,630	(324,020)	(5.49)
Share capital	3,565,977	3,682,235	(116,258)	(3.16)
Capital reserve	995,214	1,032,019	(36,805)	(3.57)
Retained earnings	1,740,633	1,895,790	(155,157)	(8.18)
Other equity	(728,214)	(526,207)	(202,007)	38.39
Treasury stock	-	(186,207)	186,207	(100)
Non-controlling interests	-	77,185	(77,185)	(100)
Total equity	5,573,610	5,974,815	(401,205)	(6.71)

1. Explanation for changes of over 20%:
   (1) Increase in property, plant and equipment over 2018: This is mainly due to a NT$1,515,071 thousand increase and NT$266,514 thousand depreciation in fixed assets, and the disposal of Home Boutique Group, causing fixed assets to decrease by NT$225,543 thousand.
   (2) Increase in right-of-use assets over 2018: This is mainly due to applying IFRS16 since 2019.
   (3) Increase in other assets over 2018: This is mainly due to a NT$577,596 thousand increase in other non-current assets.
   (4) Increase of total assets compared to 2018: This is mainly due to a NT$975,664 thousand increase in property, plant and equipment and NT$2,056,539 thousand increase in right-of-use assets.
   (5) Decrease in non-current liabilities over 2018: This is mainly due to a NT$1,044,007 thousand increase in long-term borrowings and a NT$1,824,681 thousand increase

in non-current lease liabilities due to the application of IFRS16 since 2019.

(6) Decrease in other equity over 2018: This is mainly caused by an NT$205,507 thousand decrease in exchange differences arising from the translation of the financial statements of foreign operations.

(7) Decrease in treasury stock compared to 2018: This is mainly due to cancellation of treasury stocks in 2019.

(8) Decrease in non-controlling interests over 2018: This is mainly due to a decrease in shareholding ratio from 86.319% to 19% in HBI Co., Ltd. resulting from the disposal in 2019. The Company no longer has control over HBI Co., Ltd., and there are no non-controlling interests.

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

ii. Financial performance

Comparative analysis of financial performance (consolidated financial statements)

Unit: NT$ thousand

Item \ Year	2019	2018	Difference	
			Amount	%
Operating income	17,023,426	17,879,120	(855,694)	(4.79)
Operating margin	4,797,880	4,894,358	(96,478)	(1.97)
Operating profit or loss	391,056	626,115	(235,059)	37.54
Non-operating income and expenses	92,475	177,277	(84,802)	(47.84)
Net profit before tax	483,531	803,392	(319,861)	(39.81)
Net profit of continuing operations for this period	336,055	618,916	(282,861)	(45.70)
Losses from discontinued operations	—	—	—	—
Net income (loss) for this period	336,055	618,916	(282,861)	(45.70)
Other comprehensive income (OCI) for this period (net amount after tax)	(199,926)	(23,631)	(176,295)	746.03
Total comprehensive income for this period	$136,129	595,285	(459,156)	(77.13)
Profit attributable to owners of parent	$335,173	618,220	(283,047)	(45.78)
Profit attributable to non-controlling interests	882	696	186	26.72
Total comprehensive income attributable to owners of parent	135,247	593,687	(458,440)	(77.22)
Total comprehensive income attributable to non-controlling interests	882	1,598	(716)	(44.81)
Earnings per share (NTD)	0.94	1.69	(0.75)	(44.38)

1. Explanation for changes of over 20%:

(1) Decrease in operating profit or loss, net profit before tax, net profit of continuing operations, net profit (loss) for this period, net income attributable to owners of parent, net income attributable to non-controlling interests, total comprehensive income attributable to owners of parent, total comprehensive income attributable to non-controlling interests, and earnings per share (NTD) over 2018: This is mainly due to a NT$96,478 thousand decrease in operating margin and a NT$138,581 thousand increase in operating expenses.

(2) Decrease in non-operating income and expenses over 2018: This is mainly due to a NT$93,505 thousand increase in interest expenses.

(3) Decrease in other comprehensive income (OCI) for this period (net amount after tax) and total comprehensive income for this period compared to 2018: This is mainly due to a NT$145,271 thousand decrease in exchange differences arising from the translation of the financial statements of foreign operations.

2. Sales forecast for the coming year and basis:

The Company's sales forecasts are based on the industry environment as well as supply and demand. Our production capacity and business development are also taken into account. The Company has a large product portfolio and each product uses a different unit of measurement so anticipated sales volume is not listed here. The anticipated distribution of product sales is: Faucets & showerhead products 43%, porcelain products 34%, kitchen products 2%, other 21%.

iii. Cash flows:

(i) Analysis on the cash flow changes during the current year (consolidated financial statements)

Unit: NT$ thousand

Cash balance at the beginning of year	Annual net cash flow from operating activities	Annual net cash flow from investment activities	Annual net cash flow from fund-raising activities	Effects of changes in exchange rates	Cash balance at end of the year
3,101,792	833,551	(1,319,197)	745,437	(122,184)	3,239,399

Annual cash flow analysis

1.Net cash inflow from operating activities of NT$833,551 thousand:

Mainly due to:

Main cash inflow subtotal of NT$1,424,062 thousand:

Net profit before tax this year was NT$483,531 thousand and income charges (credits) not affecting cash were NT$633,140 thousand. Accounts receivable decreased by NT$217,167 thousand.

Main cash outflow sub-total of NT$590,511 thousand:

Inventory increased by NT$119,714 thousand and other payables decreased by NT$66,023 thousand which was caused by the NT$162,034 thousand profit-seeking enterprise income tax payment and NT$142,042 thousand interest expenses.

2.Net cash outflow for investment activities is NT$1,319,197 thousand:

Mainly due to:

Cash outflow of NT$1,515,071 thousand for acquiring property, plant, and equipment.

Cash inflow of NT$217,322 thousand from disposal of subsidiary company.

3.Net cash inflow of NT$745,437 thousand from fund-raising activities:

Mainly due to: a NT$798,428 thousand increase in short-term borrowings (an increase of NT$755,000 thousand for Globe Union; an increase of NT$43,428 thousand for PJH), repayment of NT$517,999 thousand in short-term borrowings (NT$517,999 thousand for Globe Union), NT$1,501,172 thousand increase in long-term borrowings (including loans that will mature within one year) (NT$1,390,000 thousand increase for Globe Union), repayment of NT$299,759 thousand in long-term borrowings (including loans that will mature within one year) (Globe Union repaid NT$255,769 thousand; Home Boutique repaid NT$3,991 thousand), NT$461,808 thousand in cash dividends distributed by Globe Union, and decrease in lease liabilities by NT$270,239 thousand.

(ii) Cash flow analysis for the next year Unit: NT$ thousand

Cash balance at beginning of period (1)	Expected annual net cash flow from operating activities (2)	Expected annual cash outflow (3)	Expected cash surplus (deficit) (1)+(2)-(3)	Remedial measures for expected cash deficit	
				Investment plan	Financing plan
3,239,399	895,572	460,304	3,674,667	–	–

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

   Operational improvements are expected to generate cash flow from operating activities in 2020. Expenses will be mainly capital expenses such as distribution of dividends, loan repayment to reduce liabilities, and replacement of production equipment. This will lead to a minor total cash outflow.

2. Remedial measures for expected cash deficit and liquidity analysis: None.

iv. Effect of major capital expenditures on finance and business in the past year:

To increase the porcelain production capacity, and in response to the development and demand of the North American market, the Company established the Mexican subsidiary GU PLUMBING de MEXICO S.A. de C.V. in August 2019, and acquired the machinery and equipment from NAMCE, S. de R.L. de C.V.'s porcelain plant in October 2019, paying NT$1,203,000 thousand. The source of funds consisted in the Company's own funds and cash inflows generated from financing activities. There is no significant impact on the Company's finance and business.

v. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year:

The re-investment policy of the Company adopts the equity method to focus on long-term strategic objectives. Please see pages 156 to 157 for re-investment profit or loss in the most recent year. The Company recognized the investment loss of NT$127,549 thousand for GU PLUMBING de MEXICO S.A. de C.V. in 2019. The main reason is that the re-invested business is in the initial stage of operation and is not yet stable. Currently, the capacity increase plan has been implemented, and it is expected that investment effectiveness can be improved according to the plan. In the future, the Company will continue to carefully evaluate the re-investment plan based on the principle of long-term strategic investment.

vi. Risk analysis and evaluation of the following items in the most recent year and up to the date the annual report was printed:

(i) The effects that interest rates, exchange rate fluctuations, and inflation have on earnings and losses of the Company as well as response measures:

1. The effect of interest rate fluctuations on earnings and losses of the Company as well as response measures:

Interest rate risk mainly comes from change of market interest rate, which causes fluctuations and risks in cash flow and the fair value of financial tools. The Group's interest rate risk mainly comes from floating interest rate investments divided into outstanding loans and receivables, and loans with fixed and floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio with fixed and floating interest rates, and entering into interest rate swaps. However, hedge accounting does not apply to these swaps as they do not qualify for such accounting measures.

The effect of interest rate fluctuations on earnings and losses of the Company:

NT$ thousand ; %

Item	2019
Net interest income (expenses) A	(83,132)
Operating income B	17,023,426
Operating profits C	391,056
A/B	(0.49%)
A/C	(21.26%)

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 floating 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 2019 to increase/decrease by NT$4,162 thousand.

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

2. The effect of exchange rate fluctuations on earnings and losses of the Company as well as response measures:

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

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

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

NT$ thousand ; %

Item	2019
Exchange gains and losses A	(15,048)
Operating income B	17,023,426
Operating profits C	391,056
A/B	(0.09%)
A/C	(3.85%)

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

	Equity increase (decrease)	Loss (profit)
2019	$-	$8,202

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

	Equity increase (decrease)	Loss (profit)
2019	$-	$2,218

If the value of NTD depreciates against the above currencies while all other variables remain unchanged, then the impact in 2019 will be equal in an opposite manner for the above currencies.

Future response measures: The Group's main source of exchange risk comes from conversion between NTD and USD, and between NTD and RMB. Account receivables and account payables in the same foreign currencies have a natural hedging effect. We routinely conduct pre-purchase of forward foreign exchange depending on risk exposure of the difference between receivables and payables, in order to reduce the exchange risks.

3. Response measures for inflation:

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

(ii) Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures:

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

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

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

(iii) Future R&D projects and estimated R&D expenditure:

1. Extreme water-saving toilet, which flush less than a gallon. 2. Pressure balance valve of shower output less than 1.2 gpm. 3. New PVD finishes, which could comply trends. 4. New structure design of SUS faucets. 5. Low body lavatory faucets series. 6. Kitchen bridge pull-down faucets. 7. Freestanding tub filler rough-in structure design. 8. New version of lavatory induction faucet. 9. SprayForce application of patented technology products with high cleaning efficiency. 10. Three functions sprayer development.

(iv) Estimate investment of above plans are 17,000 thousand.

(v) Major changes in government policies and laws at home and broad and the impact on finance and business of the Company and response measures:

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

(vi) Impact of recent technological and market changes on finance and business of the Company, and response measures: None.

(vii) Impact of change in corporate image on risk management and response measures: The Company enjoys a good corporate image and there have been no reports that detract from our corporate image.

(viii) Expected benefits and potential risks of mergers and acquisitions, and response measures: N/A.

(ix) Expected benefits and potential risks of capacity expansion, and response measures: N/A.

(x) Risks associated with over-concentration in purchases or sales, and response measures: This event did not occur at the Company.

(xi) The effects and risks of large-scale share transfers or conversions by directors, supervisors, or major shareholders holding more than 10% of the Company's shares, and response measures: N/A.

(xii) The impact and risk of a change in ownership on the Company, and response measures: N/A.

(xiii) Litigation or non-litigation events:

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

(xiv) Other significant risks and countermeasures:

Risk of cyberattacks:

We did not face or discover any major cyberattacks or operations being affected by damaged systems from 2019 to the publication date of this annual report. There was no material negative impact on our business and operations, and we were not involved in any legal cases or investigated for related incidents.

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

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

We ensure the security, completeness, and effectiveness of data through backups and annual reviews of network security regulations and protocols, such as setting up a firewall, regular disaster drills, and reviewing and auditing the recovery plan, as well as continuous upgrades of information security. We are using integrated information security equipment of credible third parties, and continue to subscribe to virus and threat protection updates, as well as security updates to establish the front line of defense for information security.

Furthermore, due to business and operational requirements, we need to share highly sensitive information with third parties of the Company or our affiliated enterprises around the globe, or their employees, so that they can provide relevant services. Even though we require third party service providers to comply with confidentiality and/or network security regulations in the service contract, this does not fully guarantee that every third party service provider will, nor force them to, comply with or strictly abide by relevant obligations. The intranet system and/or external cloud network (such as servers) maintained by the above service providers and/or their contractors are also at risk of relevant cyberattacks.

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

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

Risk of phishing attacks:

Hackers use phishing emails to manipulate recipients into clicking on malicious links. These threats result in leaks of sensitive or personal information. The hacker may sell this sensitive information or use it for other malicious purposes. Phishing attacks usually use fake senders and socially engineered email content to make recognition by employees difficult, resulting in them accidentally opening the attached malware, click on malicious links, or both. The emails are entry points for malware. The sender of these deceptive emails pose as a legitimate source, such as a familiar contact, customer, or enterprise of the victim. This type of malicious email poses two different types of threats to businesses. The first type is malicious emails that impersonate corporate domains. Such fraudulent attacks will cause great damage to corporate reputation, especially when the victim is also a customer. The second type, a more serious threat, is fraudulent emails that hackers use to attack corporate employees. They bypass the external security system to launch attacks from the inside. Despite the continuous evolution of protection and security awareness, phishing emails are also evolving, and more and more cyber attacks are used as a starting point now, such as business email compromise (BEC) attacks, which cause huge and direct losses.

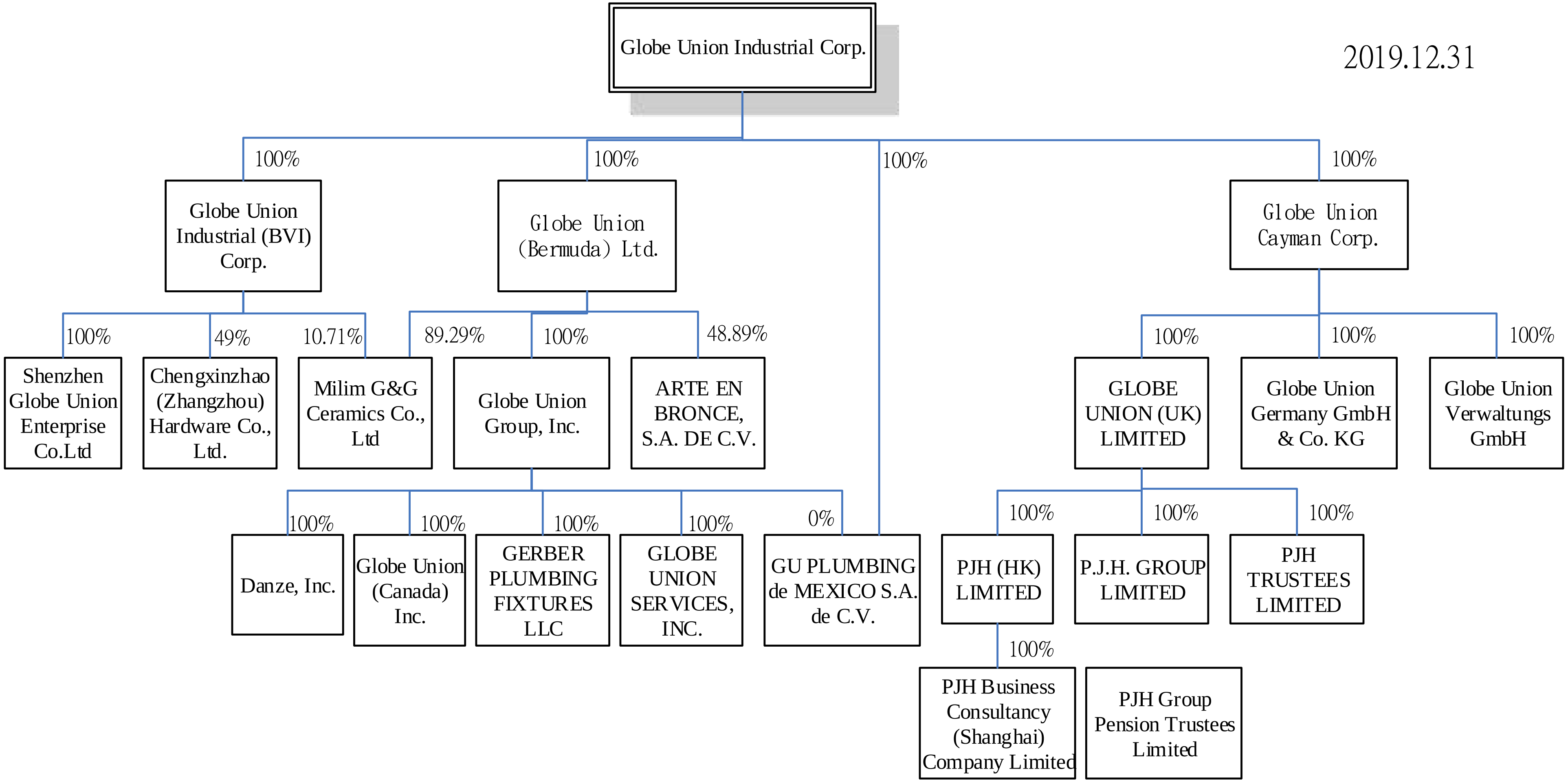
The Company has introduced Microsoft Office 365 to the Group's email in Q2 2019, and enabled EOP, its cloud-based email filtering service, to protect the Company from spam and malware. It also includes features that safeguard the Company from messaging policy violations. Incoming mail will initially pass through connection filtering, which checks the sender's reputation and inspects the email for malware through the anti-malware module. Emails continue through content filtering before entering the recipient's mailbox to prevent the first type of attack.

To cope with and strengthen our defense against phishing emails, beginning in Q4 2019, our head office and Group subsidiaries have successively enabled multi-factor authentication (MFA) to strengthen the security of email account verification. When a user logs onto Office 365, in addition to the first password verification, MFA will perform a second real-time authentication by SMS or through the mobile app to help protect against improper access to personal data and applications, while maintaining the convenience of account use. Two-factor authentication is required, and a series of easy-to-use authentication methods are provided for strong authentication and additional security by enabling MFA. Thus, even if the hacker obtains the user's password via phishing, it is impossible to log into the email to obtain company information without MFA verification. We thereby avoid the second type of threat and its related losses caused by malicious theft from phishing employees.

VII. Other material matters: None.

VIII. Special Disclosures

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



(ii) Affiliate profiles

December 31, 2019

Company name	Date of establishment	Address	Paid-in capital	Main business/products
Globe Union Industrial (BVI) Corp.	1996.07.26	P.O. BOX 3340,Road Town, Tortola, British Virgin Islands	NT$1,434,538,392	Holding company
Shenzhen Globe Union Enterprise Co., Ltd.	2001.03.13	Fushan Industrial District, Qiaotou Community of Fuyong Subdistrict, Bao'an District, Shenzhen City, People's Republic of China	RMB 380,459,896.03	Manufacture and sale of faucets and related parts
Chengxinzhao (Zhangzhou) Hardware Co., Ltd.	2006.04.11	Chihu Industrial Park, Zhangpu County, Fujian Province, People's Republic of China	RMB 40,340,025.73	Manufacture and sale of bathroom accessories
Globe Union Cayman Corp.	2004.09.02	Scotia Center, 4th Floor, P.O.Box 2804, Geroge Town, Grand Cayman, Cayman Islands	NT$2,687,628,838	Holding company
Globe Union Germany GmbH&Co.KG (Previously Lenz Badkultur GmbH & Co. KG)	2004.12.01	Dreherstr. 11, 59425 Unna, Germany	€5,743,075.94	Manufacture and sale of faucets and related parts
Globe Union Verwaltungs GmbH (Previously Globe Union Germany GmbH)	2004.10.08	Dreherstr. 11, 59425 Unna, Germany	€1,755,000	Holding company
Milim G&G Ceramics Co., Ltd.	1992.10.05	Jinshangwa Town, Fangzi District, Weifang City, Shandong Province, People's Republic of China	RMB 223,813,280	Manufacture and sale of porcelain bathroom fittings
Globe Union(Bermuda)Ltd.	2000.03.06	21 Laffan Street, Hamilton, HM 09 Bermuda	NT$3,098,446,597	Holding company
ARTE EN BRONCE, S.A. DE C.V.	1978.08.11	Alfredo Del Mazo No.15 C.Col.Parque Industrial E1 Cerrillo Lerma, Edo, De Mexico	Mex$9,000,000	Product sales and service center, customer service center
Globe Union Group, Inc.	2002.03.27	2500 Internationale Parkway, Woodridge, IL 60517-4979, USA	US$63,734,859	Holding company
Globe Union(Canada)Inc.	1999.06.08	9260 Cote de Liesse, QC, H8T1A1, Canada	CA$7,298,630	Sales and marketing support services
DANZE, INC.	2000.05.15	2500 Internationale Parkway, Woodridge, IL 60517-4979, USA	US$33,035,522.60	Overseas sales and maintenance center

Company name	Date of establishment	Address	Paid-in capital	Main business/products
GERBER PLUMBING FIXTURES LLC	2003.02.14	2500 Internationale Parkway, Woodridge, IL 60517-4979, USA	US$42,236,382	Assembly and sale of bathroom products
GLOBE UNION SERVICES, INC.	2005.04.29	2500 Internationale Parkway, Woodridge, IL 60517-4979, USA	US$1,000,000	Marketing support services
GLOBE UNION(UK)LIMITED	2007.02.02	Alder House Slackey Brow Kearsley Bolton Lancashire BL4 8SL	£39,529,845	Holding company
P.J.H. GROUP LIMITED	1972.05.26	Alder House Kearsley Bolton BL4 8 SL	£7,500,000	Sale of kitchen and bathroom products
PJH TRUSTEES LIMITED	1994.06.09	Alder House, Slackey Brow, Kearsley, Bolton, UK, BL4 8 SL	£2	Trust company
PJH(HK)LIMITED	2005.07.21	FLAT/RM 05-6 17/F 248 QUEEN'S ROAD EAST WANCHAI HK	HK$10	Holding company
PJH Business Consultancy(Shanghai)Company Limited	2006.01.05	Room 1904, No. 1701, Beijing West Road, Jing'an District, Shanghai, People's Republic of China	RMB 519,514.05	Consulting company
GU PLUMBING de MEXICO S.A. de C.V.	2019.08.30	Isidro Lopez Zertuche#3745, Saltillo, Coahuila, MEXICO, CP 25240	Mex$941,942,420	Manufacture and sale of porcelain bathroom fittings

(iii) Controlling and subordinate companies with identical shareholders: N/A

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

(v) Information on the directors and supervisors of affiliates

December 31, 2019 Unit: Shares : %

Company name	Title	Name or representative	Shareholding	
			No. of shares	Shareholding ratio (%)
Globe Union Industrial(BVI)Corp.	Director	Scott Ouyoung Tsung-Min Chen (Representative of Globe Union Industrial Corp.)	44,427,680	100.00
Shenzhen Globe Union Enterprise Co., Ltd.	Director Director Supervisor	Scott Ouyoung Jun-Chao Lin, Tsun-Chu Chou Tsung-Min Chen (Representative of Globe Union Industrial (BVI) Corp.)	No issued shares	100.00
Chengxinzhao (Zhangzhou) Hardware Co., Ltd.	Director Director Director Supervisor	Song-Shan Chung Min-Chih Chung, Kuo-Chi Yen Chiu-Chih Chung, Ta-Ying Chang Chien-Chie Chung (Representative of Globe Union Industrial (BVI) Corp.)	No issued shares	49.00
Globe Union Cayman Corp.	Director	SCOTT OUYOUNG ANDREW YATES Tsung-Min Chen (Representative of Globe Union Industrial Corp.)	81,555,901	100.00
Globe Union Germany GmbH&Co.KG (Previously Lenz Badkultur GmbH & Co. KG)	Director	SCOTT OUYOUNG Tsung-Min Chen ANDREW YATES Nathalie Vandecraen (Representative of Globe Union Cayman Corp.)	No issued shares	100.00
Globe Union Verwaltungs GmbH (Previously Globe Union Germany GmbH)	Director	SCOTT OUYOUNG Tsung-Min Chen ANDREW YATES Nathalie Vandecraen (Representative of Globe Union Cayman Corp.)	1,755,000	100.00
Milim G&G Ceramics Co., Ltd.	Director Director Supervisor	Scott Ouyoung Zhen-Hui Jin, Hong-Ting Wang Kuo-Hsiang Tsao, Chun-Hsien Chen, Tsung-Min Chen (Representative of Globe Union (Bermuda) Ltd.) (Representative of Globe Union Industrial (BVI) Corp.)	No issued shares	89.29 10.71
Globe Union(Bermuda)Ltd.	Director	Scott Ouyoung, Tsung-Min Chen (Representative of Globe Union Industrial Corp.)	93,449,027	100.00
ARTE EN BRONCE, S.A. DE C.V.	Director	RODOLFO MIJARES GARZA SCOTT OUYOUNG	4,400,000	48.89

Company name	Title	Name or representative	Shareholding	
			No. of shares	Shareholding ratio (%)
		MICHAEL ERIC WERNER GUILLERMINA MIJARES OVIEDO PEDRO MIJARES OVIEDO (Representative of Globe Union (Bermuda) Ltd.)		
Globe Union Group, Inc.	Director	SCOTT OUYOUNG, KEITH E YURKO (Representative of Globe Union (Bermuda) Ltd.)	100	100.00
Globe Union(Canada)Inc.	Director	SCOTT OUYOUNG Keith Yurko Corey Dunwoodie (Representative of Globe Union Group Ltd.)	5,824,000	100.00
DANZE, INC.	Director	SCOTT OUYOUNG (Representative of Globe Union Group Ltd.)	700	100.00
GERBER PLUMBING FIXTURES LLC	Director	SCOTT OUYOUNG Keith Yurko Tsung-Min Chen (Representative of Globe Union Group Ltd.)	9,335,000 ordinary shares 32,901,382 preferred shares	100.00
GLOBE UNION SERVICES, INC.	Director	KEITH E YURKO (Representative of Globe Union Group Ltd.)	100	100.00
GLOBE UNION(UK)LIMITED	Director	Tsung-Min Chen, Lei-Hui Lee RICHARD IAN GEORGE, JASON DAVID SHAW (Representative of Globe Union Cayman Corp.)	39,529,845	100.00
P.J.H. GROUP LIMITED	Director	JASON DAVID SHAW, RICHARD IAN GEORGE (Representative of Globe Union (UK) Limited)	7,500,000	100.00
PJH TRUSTEES LIMITED	Director	RICHARD IAN GEORGE (Representative of Globe Union (UK) Limited)	2	100.00
PJH(HK)LIMITED	Director	ANDREW YATES, JASON DAVID SHAW (Representative of Globe Union (UK) Limited)	1	100.00
PJH Business Consultancy(Shanghai)Company Limited	Director Director Supervisor	Zhen-Hui Jin, ANDREW YATES JASON DAVID SHAW, RICHARD IAN GEORGE (Representative of PJH (HK) Limited)	1	100.00
GU PLUMBING de MEXICO S.A. de C.V.	Director	KEITH E YURKO, Hsien Ou Yang, Todd Alex Talbot	941,942,420	100.00

VI. Operational overview of each affiliateUnit: NT$ thousand

Company name	Capital	Total assets	Total liabilities	Net worth	Operating income	Operating profit (loss)	Profit or loss for the current period (After tax)	Earnings (loss) per share (NTD) (After tax)
Globe Union Industrial (BVI) Corp.	1,434,538	3,488,560	18,356	3,470,204	0	(118)	59,957	1.35
Shenzhen Globe Union Enterprise Co., Ltd.	1,643,587	3,765,469	1,015,354	2,750,115	3,942,984	65,052	92,898	NA(*1)
Chengxinzhao (Zhangzhou) Hardware Co., Ltd.	174,269	46,236	1,276	44,960	0	(2,058)	130	NA(*1)
Globe Union Cayman Corp.	2,687,629	1,174,159	0	1,174,159	0	(241)	167,094	2.05
Globe Union Germany GmbH & Co.KG (Previously Lenz Badkultur GmbH & Co. KG)	193,771	422,268	193,331	228,937	699,806	32,328	34,036	NA(*1)
Globe Union Verwaltungs GmbH (Previously Globe Union Germany GmbH)	59,214	4,779	(2)	4,781	0	(6)	36	0.02
Milim G&G Ceramics Co., Ltd.	966,873	1,818,535	605,015	1,213,520	2,103,420	74,619	62,550	NA(*1)
Globe Union (Bermuda) Ltd.	3,098,447	3,725,252	0	3,725,252	0	(1,092)	78,757	0.84
Globe Union Group, Inc.	1,917,145	2,461,643	0	2,461,643	0	0	0	0
Globe Union (Canada) Inc.	168,379	284,471	119,830	164,641	422,355	(7,621)	(5,310)	(0.91)
DANZE, INC.	993,709	730,180	433,757	296,423	163,834	(153,902)	(135,376)	(193,394)
GERBER PLUMBING FIXTURES LLC	1,270,470	2,883,688	971,663	1,912,025	4,738,574	234,540	154,696	16.57
GLOBE UNION SERVICES, INC.	30,080	106,175	11,461	94,714	0	7,454	6,249	62,490

Company name	Capital	Total assets	Total liabilities	Net worth	Operating income	Operating profit (loss)	Profit or loss for the current period (After tax)	Earnings (loss) per share (NTD) (After tax)
GLOBE UNION (UK) LIMITED	1,563,010	1,334,730	1,599	1,333,131	0	0	0	0
P.J.H. GROUP LIMITED	296,550	2,290,689	1,766,909	523,781	5,528,860	82,915	98,882	13.18
PJH TRUSTEES LIMITED	0	0	0	0	0	0	0	0
PJH (HK) LIMITED	0	0	0	0	0	0	0	0
PJH Business Consultancy (Shanghai) Company Limited	2,244	754	(3,904)	4,658	7,235	(21)	(21)	(21,000)
GU PLUMBING de MEXICO S.A. de C.V.	1,485,952	2,657,216	1,298,399	1,358,817	0	(103,969)	(126,303)	(0.13)

December 31, 2019 exchange rate：

USD/NTD=1：30.08、CAD/NTD=1：23.07、HKD/NTD=1：3.866、CNY/NTD=1：4.320、GBP/NTD=1：39.54、EUR/NTD=1：33.74、MXN/NTD=1：1.5909

Note *1: No issued shares

(vii) Consolidated financial statements of affiliates: Please refer to the statement.

(viii) Reports of affiliates: None.

Statement

We hereby state that the companies that should be included in the 2019 (January 1, 2019 to December 31, 2019) consolidated financial statements of affiliates in accordance with the *Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises* are identical to the companies that should be included in the consolidated financial statements of the parent company and subsidiaries in accordance with International Financial Reporting Standards No. 10, and the information that should be disclosed in the consolidated financial statements of affiliates has been duly disclosed in the aforesaid consolidated financial statements of the parent company and subsidiaries. The Company is therefore not required to prepare a separate consolidated financial statements of affiliates.

Hereby declares

Globe Union Industrial Corp.

Legal representative: Hsien Ou Yang

March 5, 2020

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

Globe Union Industrial Corp.
Statement of Internal Control System

Date: March 25, 2020

The Company hereby makes the following statement about its internal control system for the year 2019 based on the assessments it performed:

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

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

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

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

V. Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2019 (Note 2) (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability, promptness and transparency of reports and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.

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

VII. This Statement has been passed by the Board of Directors Meeting of the Company held on March 25, 2020, where 0 of the 7 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Globe Union Industrial Corp.
Chairman: Hsien Ou Yang

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

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

(IV).Other necessary supplemental information: None.

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

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 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2019 and 2018, 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 2019 and 2018, and their consolidated financial performance and cash flows for the years ended 31 December 2019 and 2018, 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 2019 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 2019, the goodwill was carried at NT$719,664 thousand which accounted for 5% 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 4,5 and 6.

Inventory valuation

As at 31 December 2019, the net inventories amounted to NT$3,049,800 thousand, which accounted for 19% 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 4,5 and 6.

Emphasis of Matter – Application of New Accounting Standards

As described in Note 3 of the consolidated financial statements, the Company and its subsidiaries applied the International Financial Reporting Standard 16, "Lease" starting 1 January 2019, and elected not to restate the consolidated financial statements for prior periods. Our conclusion is not modified in respect of this matter.

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:

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.

1. 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.

2. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

3. 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.

4. 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.

5. 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 2019 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 2019 and 2018.

Huang Yu Ting
Huang Tzu Ping
Ernst & Young, Taiwan
5 March 2020

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 2019 and 31 December 2018
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As at 31 Dec 2019	As at 31 Dec 2018
Current assets			
Cash and cash equivalents	4, 6(1)	$3,239,399	$3,101,792
Financial assets at fair value through profit or loss, current	4, 6(2)	113,507	10,492
Financial assets measured at amortized cost, current	4, 6(3), 8	226,065	263,344
Notes receivable, net	4, 6(4)	-	29,560
Accounts receivable, net	4, 6(5), 8	2,287,784	2,591,745
Inventories, net	4, 5, 6(6)	3,049,800	3,322,556
Prepayment	6(7)	140,128	136,902
Other current assets	7	532,839	519,353
Total current assets		9,589,522	9,975,744
Non-current assets			
Investments accounted for under the equity method	4, 6(8)	22,030	22,698
Property, plant and equipment	4, 6(9), 8	2,516,758	1,541,094
Investment property, net	4, 6(10)	-	-
Right-of-use assets	4, 6(24)	2,056,539	-
Intangible assets	4, 6(11)	45,676	43,035
Goodwill	4, 5, 6(11),6(12)	719,664	780,187
Deferred tax assets	4, 6(28)	215,181	232,286
Deposits-out		36,888	33,986
Other non-current assets	6(13)	647,586	120,067
Long-term prepaid rent expenses	6(13)	-	64,084
Total non-current assets		6,260,322	2,837,437
Total assets		$15,849,844	$12,813,181

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

(continued)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 December 2019 and 31 December 2018
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As at 31 Dec 2019	As at 31 Dec 2018
Current liabilities			
Short-term loans	4, 6(14)	$1,560,566	$1,280,137
Financial liabilities at fair value through profit or loss, current	4, 6(15)	793	375
Contract liabilities, current	6(22)	20,272	276,008
Notes payable		65,426	86,376
Accounts payable		2,008,520	2,077,711
Other payables	6(16)	125,816	135,997
Accrued expenses	6(17)	1,008,047	1,156,626
Current tax liabilities	4, 6(28)	82,598	98,013
Lease liabilities, current	4, 6(24)	231,910	-
Current portion of long-term loans	4, 6(18)	131,632	61,100
Other current liabilities	6(19)	75,977	53,188
Total current liabilities		5,311,557	5,225,531
Non-current liabilities			
Long-term loans	4, 6(18)	2,469,540	1,425,533
Deferred tax liabilities	4, 6(28)	29,634	37,228
Lease liabilities, non-current	4, 6(24)	1,824,681	-
Other non-current liabilities		575,350	12,545
Net defined benefit obligation, noncurrent	4, 6(19)	65,472	137,529
Total non-current liabilities		4,964,677	1,612,835
Total liabilities		10,276,234	6,838,366
Equity attributable to the parent company	4, 6(20)		
Capital			
Common stock		3,562,130	3,681,600
Advance receipts for common stock		3,847	635
Total capital		3,565,977	3,682,235
Additional paid-in capital		995,214	1,032,019
Retained earnings			
Legal reserve		830,341	768,519
Special reserve		522,707	470,533
Retained earnings		387,585	656,738
Total retained earnings		1,740,633	1,895,790
Other components of equity			
Exchange differences on translation of foreign operations		(728,214)	(522,707)
Unearned employee salary		-	(3,500)
Total other components of equity		(728,214)	(526,207)
Treasury stock		-	(186,207)
Non-controlling interests	6(20)	-	77,185
Total equity		5,573,610	5,974,815
Total liabilities and equity		$15,849,844	$12,813,181

(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 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		For the Years Ended 31 December	
	Notes	2019	2018
Net sales	6(22)	$17,023,426	$17,879,120
Cost of sales	6(6)(25)	(12,225,546)	(12,984,762)
Gross profit		4,797,880	4,894,358
Operating expenses	6(24)(25)		
Selling and marketing		(1,391,283)	(1,425,563)
General and administrative		(2,736,741)	(2,597,575)
Research and development		(278,530)	(234,619)
Expected credit losses	6(23)	(270)	(10,486)
Total operating expenses		(4,406,824)	(4,268,243)
Operating income		391,056	626,115
Non-operating income and expenses	6(26)		
Other revenue		216,048	149,351
Other gains and losses		18,459	77,036
Financial costs		(142,065)	(48,560)
Share of profit or loss of associates and joint ventures	4, 6(8)	33	(550)
Subtotal		92,475	177,277
Income from continuing operations before income tax		483,531	803,392
Income tax expense	6(28)	(147,476)	(184,476)
Income from continuing operations, net of tax		336,055	618,916
Other comprehensive income (loss)	6(27)		
Items that may not to be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		4,784	43,434
Income tax related to items that may not to be reclassified subsequently to profit or loss		797	(6,979)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(204,806)	(59,535)
Share of other comprehensive of associates and joint ventures	6(8)	(701)	(551)
Total other comprehensive income (loss), net of tax		(199,926)	(23,631)
Total comprehensive income (loss)		$136,129	$595,285
Net income attributable to:			
Stockholders of the parent		$335,173	$618,220
Non-controlling interests		882	696
		$336,055	$618,916
Comprehensive income attributable to:			
Stockholder of the parent		$135,247	$593,687
Non-controlling interests		882	1,598
		$136,129	$595,285
Earnings per share (NTD)	6(29)		
Earnings per share-basic		$0.94	$1.69
Earnings per share-diluted		$0.94	$1.68

(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 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

		Capital			Retained Earnings			Other components of equity					
	Notes	Common Stock	Advance Receipts for Common Stock	Additional Paid-in Capital	Legal Reserve	Special reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unearned employee salary	Treasury stock	Total	Non-controlling interests	Total equity
Balance as at 1 Jan 2018	6(20)	$3,668,560	$7,329	$1,026,759	$698,685	$285,914	$806,937	$(462,366)	$(8,167)	$ -	$6,023,651	$75,587	$6,099,238
Appropriations of earnings, 2017:													
Legal reserve					69,834		(69,834)				-		-
Special reserve						184,619	(184,619)				-		-
Cash dividends							(549,774)				(549,774)		(549,774)
Other changes in additional paid-in capital:													
Share of changes in net assets of associates and joint ventures accounted for using the equity method				192							192		192
Net income in 2018							618,220				618,220	696	618,916
Other comprehensive income, net of tax in 2018							35,808	(60,341)			(24,533)	902	(23,631)
Total comprehensive income		-	-	-	-	-	654,028	(60,341)	-	-	593,687	1,598	595,285
Acquisition of treasury stock										(186,207)	(186,207)		(186,207)
Share-based payment transactions-Exercise of employee stock option	Note 2		10,606								10,606		10,606
Share-based payment transactions-Conversion of advance receipts for common stock	Note 3	13,040	(17,300)	4,260							-		-
Share-based payment transactions-Share-based payment expense				808					4,667		5,475		5,475
Balance as at 31 Dec 2018	6(20)	$3,681,600	$635	$1,032,019	$768,519	$470,533	$656,738	$(522,707)	$(3,500)	$(186,207)	$5,897,630	$77,185	$5,974,815
Balance as at 1 Jan 2019	6(20)	$3,681,600	$635	$1,032,019	$768,519	$470,533	$656,738	$(522,707)	$(3,500)	$(186,207)	$5,897,630	$77,185	$5,974,815
Appropriations of earnings, 2018:													
Legal reserve					61,822		(61,822)				-		-
Special reserve						52,174	(52,174)				-		-
Cash dividends							(461,808)				(461,808)		(461,808)
Net income in 2019							335,173				335,173	882	336,055
Other comprehensive income, net of tax in 2019							5,581	(205,507)			(199,926)	-	(199,926)
Total comprehensive income		-	-	-	-	-	340,754	(205,507)	-	-	135,247	882	136,129
Retirement of treasury stock		(120,000)		(32,104)			(34,103)			186,207	-		-
Decrease in non-controlling interests	Note 1											(20,521)	(20,521)
Change in ownership of subsidiaries	Note 4			(3,122)							(3,122)	(57,546)	(60,668)
Share-based payment transactions-Exercise of employee stock option	Note 2		16,163								16,163		16,163
Share-based payment transactions-Conversion of advance receipts for common stock	Note 3	10,530	(12,951)	2,421							-		-
Share-based payment transactions-Share-based payment expense									3,500		3,500		3,500
Retirement of Share options plan		(10,000)		(4,000)							(14,000)		(14,000)
Balance as at 31 Dec 2019	6(20)	$3,572,130	$3,847	$995,214	$830,341	$522,707	$387,585	$(728,214)	$ -	$ -	$5,573,610	$ -	$5,573,610

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

Note 1: The consolidated subsidiaries of the Company carried out capital reduction and returned capital contributions to non-controlling interests according to the shareholding percentage. Therefore, non-controlling interests decreased by $20,521 thousand.

Note 2: 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. During the year of 2019, employees converted their options into 533,000 shares at NT$12.7 per share, and 796,000 shares at NT$11.8 per share, respectively. Total consideration received was $16,163 thousand.

Note 3: As at 31 December 2018, 1,304,000 shares under capital collected in advance in the amount of $17,300 thousand have completed the registration process, and thus increased the common stock and the additional paid-in capital by $13,040 thousand and $4,260 thousand respectively.As at 31 December 2019, 1,053,000 shares under capital collected in advance in the amount of $12,951 thousand have completed the registration process, and thus increased the common stock and the additional paid-in capital by $10,530 thousand and $2,421 thousand respectively.

Note 4: The board of directors approved the sale of 35,162,689 shares of Home Boutique International Co., Ltd. to Singular Point Ltd. on 2 August 2019, and the transaction of 27,422,937 shares was completed on 23 September 2019. Therefore, the percentage of ownership that the Company held in Home Boutique International Co., Ltd. decreased from 86.319% to 19%. Since the Company lost control over it, the additional paid-in capital and non-controlling interest decreased by $3,122 thousand and $57,546 thousand respectively.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended 31 December 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Notes	For the Years Ended 31 December 2019	2018
Cash flows from operating activities:			
Net income before tax		$483,531	$803,392
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		588,271	256,986
Amortization		17,655	22,145
Expected credit losses		270	10,486
Net gain of financial assets/liabilities at fair value through profit or loss		(39,336)	(12,104)
Interest expense		142,065	48,560
Interest revenue		(58,933)	(71,447)
Share-based payment expense		3,500	5,475
Share of loss of subsidiaries, associates and joint ventures		(33)	550
Loss on disposal of property, plant and equipment		2,584	2,012
Gain on disposal of subsidiary and financial assets measured at fair value through profit or loss		(8,903)	(48,516)
Retirement of Share options plan		(14,000)	-
Changes in operating assets and liabilities:			
Financial assets/liabilities at fair value through profit or loss, current		1,260	3,447
Notes receivable		426	11,366
Accounts receivable		217,167	397,521
Inventories, net		(119,714)	(257,499)
Prepayments		(39,916)	(15,053)
Other current assets		(15,656)	2,276
Other assets-others		(2,728)	34,125
Notes payable		(17,138)	4,596
Accounts payable		7,856	(204,936)
Other payables		(66,023)	(7,977)
Contract liabilities, current		8,381	9,416
Other current liabilities		12,284	2,665
Defined benefit obligation		(25,260)	(47,021)
Other liabilities-others		1,084	10,706
Cash generated from operations		1,078,694	961,171
Interest received		58,933	71,447
Interest paid		(142,042)	(48,507)
Income tax paid		(162,034)	(91,968)
Net cash generated from operating activities		833,551	892,143

(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 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Notes	For the Years Ended 31 December 2019	2018
(Continued)			
Cash flows from investing activities:			
Acquisition of financial assets measured at fair value through profit or loss		(363,000)	(50,000)
Disposal of financial assets measured at fair value through profit or loss		393,451	50,038
Disposal of subsidiary		217,322	(2,981)
Acquisition of property, plant and equipment		(1,515,071)	(389,831)
Disposal of property, plant and equipment		7,416	9,024
Increase in deposits-out		(10,098)	(890)
(Increase) Decrease in financial assets measured at amortized cost, current		(28,103)	463,667
Acquisition of intangible assets		(21,114)	(13,335)
Net cash (used in) generated from investing activities		(1,319,197)	65,692
Cash flows from financing activities:			
Increase in short-term loans		798,428	998,000
Decrease in short-term loans		(517,999)	(1,076,333)
Increase in long-term loans		1,501,172	1,000,000
Decrease in long-term loans		(299,759)	(1,081,020)
Cash dividends		(461,808)	(549,774)
Decrease in lease liabilities		(270,239)	-
Exercise of employee stock option		16,163	10,606
Increase in treasury stock		-	(186,207)
Subsidary cash repayment of capital reduction		(20,521)	-
Net cash used in financing activities		745,437	(884,728)
Effect of changes in exchange rate on cash and cash equivalents		(122,184)	(59,940)
Net increase in cash and cash equivalents		137,607	13,167
Cash and cash equivalents at beginning of period	6(1)	3,101,792	3,088,625
Cash and cash equivalents at end of period		$3,239,399	$3,101,792

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Years Ended 31 December 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. HISTORY AND ORGANIZATION

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

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

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended 31 December 2019 and 2018 were authorized for issue by the Company's board of directors (the Board) on 5 March 2020.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by the Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2019. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

(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 Group followed the transition provision in IFRS 16 and the date of initial application was 1 January 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

A. Please refer to Note 4 for the accounting policies before or after 1 January 2019.

B. For the definition of a lease, the Group elected not to reassess whether a contract was, or contained, a lease on 1 January 2019. The Group was 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. That is, for contracts entered into (or changed) on or after 1 January 2019, the Group needs to assess whether contacts are, or contain, leases applying IFRS 16. When compared with IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assessed most of the contracts are, or contain, leases and no significant impact arose.

C. The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognized 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.

(a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Group measured and recognized those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 January 2019, and; the Group chose, 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.

On 1 January 2019, the Group's right-of-use asset and lease liability increased by NT$1,628,385 thousand and NT$1,561,951 thousand, respectively.

Besides, on 1 January 2019, for leases that were previously classified as operating leases applying IAS 17 and those who have paid the rent in full, the Group reclassified the long-term rental prepayment of NT$66,003 thousand to the right-of-use asset.

In accordance with the transition provision in IFRS 16, the Group used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
ii. Rely on its assessment of whether leases are onerous immediately before 1 January 2019 as an alternative to performing an impairment review.
iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of 1 January 2019
iv. Exclude initial direct costs from the measurement of the right-of-use asset on 1 January 2019.
v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

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

(b) Please refer to Note 4, Note 5 and Note 6 for additional disclosure of lessee and lessor which required by IFRS 16.

(c) As at 1 January 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

i. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on 1 January 2019 was 4.605%.

ii. The explanation for the difference of NT$18,094 thousand between: 1) operating lease commitments disclosed applying IAS 17 as at 31 December 2018, discounted using the incremental borrowing rate on 1 January 2019; and 2) lease liabilities recognized in the balance sheet as at 1 January 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as at 31 December 2018	$1,897,188
Discounted using the incremental borrowing rate on 1 January 2019	$1,543,857
Add/(less): adjustments to the options to extend or terminate the lease that is reasonably certain to exercise (if any)	18,094
The carrying value of lease liabilities recognized as at 1 January 2019	$1,561,951

The Group is a lessor and has not made any adjustments. Please refer to Notes 4, 5 and 6 for the information relating to the lessor.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Definition of a Business - Amendments to IFRS 3	1 January 2020
b	Definition of Material - Amendments to IAS 1 and 8	1 January 2020
c	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020

(a) 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.

(b) Definition of a 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 amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

(c) Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

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

The amendments include:

(1) highly probable requirement
When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

(2) prospective assessments
When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

(3) IAS 39 retrospective assessment
An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80–125%) for hedging relationships directly affected by the interest rate benchmark reform.

(4) separately identifiable risk components
For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

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 2020. The standards and interpretations have no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 Insurance Contracts	1 January 2021
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2022

(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. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(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; and
(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 (Premium Allocation Approach) mainly for short-duration contracts.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

The abovementioned standards and interpretations issued by IASB have not yet been endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (c), it is not practicable to estimate their impact on the Group at this point in time. The remaining new or amended standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended 31 December 2019 and 2018 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations"), IFRSs, IASs, IFRIC and SIC, which are endorsed by the FSC (collectively referred to as "TIFRSs").

(2) Basis of Preparation

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

(3) Basis of consolidation

(a) Preparation principle of consolidated financial statements

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

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

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

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

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

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

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

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

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

If the Company loses control of a subsidiary, it:

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

(b) The consolidated entities are as follows:

Investor	Subsidiary	Main Business	Percentage of ownership (%) 31 December 2019	Percentage of ownership (%) 31 December 2018	Note
Globe Union Industrial Corp.	Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Holding company	100.00%	100.00%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Shenzhen Globe Union Enterprise Co., Ltd.	Manufacturing and selling bathroom products	100.00%	100.00%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Qingdao Globe Union Technology Industrial Corp.	Manufacturing faucets, kitchen products and related parts	-	-	Note2
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	10.71%	10.71%	Note1
Globe Union Industrial Corp.	Globe Union Cayman Corp.	Holding company	100.00%	100.00%	
Globe Union Cayman Corp.	Globe Union Verwaltungs GmbH	Holding company	100.00%	100.00%	
Globe Union Cayman Corp.	Globe Union Germany GmbH & Co.KG	Manufacturing and selling faucets and parts	100.00%	100.00%	
Globe Union Cayman Corp.	Globe Union UK Ltd.	Holding company	100.00%	100.00%	
Globe Union UK Ltd	PJH Trustees Limited	Trust industry	100.00%	100.00%	
Globe Union UK Ltd	PJH Group Limited	Selling kitchen and bathroom products	100.00%	100.00%	
Globe Union UK Ltd	PJH (HK) Limited	Holding company	100.00%	100.00%	
PJH (HK) Limited	PJH Business Consultancy Shanghai Company Limited	Consulting industry	100.00%	100.00%	
Globe Union Industrial Corp.	Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Holding company	100.00%	100.00%	
Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Globe Union Group, Inc.	Holding company	100.00%	100.00%	
Globe Union Group, Inc.	Danze Inc.	Sales and maintenance center	100.00%	100.00%	
Globe Union Group, Inc.	Globe Union (Canada) Inc.	Sales and customer service center	100.00%	100.00%	
Globe Union Group, Inc.	Gerber Plumbing Fixtures, LLC	Manufacturing and selling faucets and sanitary	100.00%	100.00%	

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

Investor	Subsidiary	Main Business	Percentage of ownership (%) 31 December 2019	Percentage of ownership (%) 31 December 2018	Note
		ceramic wares			
Globe Union Group, Inc.	Globe Union Services Inc.	Customer service center	100.00%	100.00%	
Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	89.29%	89.29%	Note1
Globe Union Industrial Corp.	Home Boutique International Co., Ltd.	Selling sanitary ceramic wares	19%	86.319%	Note4
Home Boutique International Co., Ltd.	YI SHEH CO., LTD.	Selling and distributing kitchen and bathroom products	Note4	100.00%	
Home Boutique International Co., Ltd.	Great Hope Management Consulting Inc.	Holding company	-	100.00%	Note3
Home Boutique International Co., Ltd.	Home Boutique Co., Ltd.	Selling and distributing kitchen and bathroom products	Note4	100.00%	
Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	Manufacturing and selling sanitary ceramic wares	100.00%	-	Note5

Note 1: Globe Union (Bermuda) Ltd. increased share capital in Milim G&G Ceramics Co., Ltd. in the amount of US$3 million, US$3 million and US$0.82 million on 11 April, 10 May and 20 June 2018. The total amount was US$6.82 million. Milim G&G Ceramics Co., Ltd. completed change of registration in June 2018. The ownership of Globe Union (Bermuda) Ltd. Held in Milim G&G Ceramics Co., Ltd. increased from 86.01% to 89.29% and Globe Union Industrial (B.V.I.) Corp.'s ownership in Milim G&G Ceramics Co., Ltd. decreased from 13.99% to 10.71%.

Note 2: One of the subsidiaries, Globe Union Industrial (B.V.I.) Corp., sold Qingdao Globe Union Technology Industrial Corp. to Qingdao Kaili Xiangtong Investment Management Co., Ltd. on December 2018. Therefore, the percentage of ownership that Globe Union Industrial (B.V.I.) Corp. held in Qingdao Globe Union Technology Industrial Corp. reduced from 100% to 0%.

Note 3: One of the subsidiaries, Great Hope Management Consulting Inc. ceased to operate on February 2019. Therefore, the percentage of ownership that Home Boutique International Co., Ltd. held in Great Hope Management Consulting Inc. decreased from 100% to 0%.

Note 4: The board of directors approved the sale of 35,162,689 shares of Home Boutique International Co., Ltd. to Singular Point Ltd. on 2 August 2019, and the transaction of 27,422,937 shares was completed on 23 September 2019. Therefore, the percentage of ownership that the Company held in Home Boutique International Co., Ltd. decreased from 86.319% to 19%. Due to the loss of control, Home Boutique International Co., Ltd. is no longer a subsidiary of the Company.

Note 5: The Company established a subsidiary, GU PLUMBING de MEXICO S.A. de C.V., in Mexico in August 2019. The subsidiary is still in the early stage of operation planning. Please refer to Note 6(13) for more details.

(4) Foreign Currency Transactions

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

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

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

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

(b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.

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

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

(5) Translation of financial statements in foreign currency

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

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

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

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

(6) Current and non-current distinction

An asset is classified as current when:

(a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
(b) The Group holds the asset primarily for the purpose of trading.
(c) The Group expects to realize the asset within twelve months after the reporting period.
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Group expects to settle the liability in its normal operating cycle.
(b) The Group holds the liability primarily for the purpose of trading.
(c) The liability is due to be settled within twelve months after the reporting period.
(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

(8) Financial Instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments 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 Group accounts for regular way purchase or sales of financial assets on the trade date.

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

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

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

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

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

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

(2) Impairment of financial assets

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

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

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

B. the time value of money

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

The loss allowance is measured as follows:

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

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

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

D. For lease receivables arising from transactions within the scope of IFRS 16 (before 1 January 2019: IAS 17), the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

(3) Derecognition of financial assets

A financial asset is derecognized when:

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

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

(4) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

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

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

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

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 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; or
iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

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

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

<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.

(9) Derivative instrument

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

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

When the host contracts are either non-financial assets or liabilities, 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 designated at fair value though profit or loss.

(10) Fair value measurement

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

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

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

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

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

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

(11) Inventories

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

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

Raw materials – Purchase cost on a weighted average method.

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 on weighted average method.

Merchandise – Purchase cost on weighted average method.

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.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(12) Investments accounted for under the equity method

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

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

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

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

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

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

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

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

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

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

(13) Property, plant and equipment

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

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

Items	Useful Lives
Buildings	5～55 years
Machinery and equipment	4～10 years
Transportation equipment	5 years
Furniture, fixtures and equipment	2～7 years
Right-of-use assets/leased assets (note)	2～34 years
Other equipment	2～7 years

Note: The Group reclassified the lease assets to right-of-use assets after the adoption of IFRS 16 on 1 January 2019.

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

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

(14) Investment property

The accounting policy adopted on 1 January 2019 is as follows:

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

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

Items	Useful Lives
Buildings	20 years

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

The Group transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

The accounting policy adopted before 1 January 2019 is as follows:

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

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

Items	Useful Lives
Buildings	20 years

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

The Group transfers to or from investment properties when there is a change in use for these assets.

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

(15) Leases

<u>The accounting policy adopted on 1 January 2019 is as follows:</u>

For contracts entered on or after 1 January 2019, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

(a) The right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

The Group elected not to reassess whether a contract is, or contains, a lease on 1 January 2019. The Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

<u>Group as a lessee</u>

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) Fixed payments (including in-substance fixed payments), less any lease incentives receivable.
(b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
(c) Amounts expected to be payable by the lessee under residual value guarantees.
(d) The exercise price of a purchase option if the Group is reasonably certain to exercise that option.
(e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

The accounting policy adopted before 1 January 2019 is as follows:

Group as a lessee

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

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

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

Group as a lessor

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

(16) Intangible assets

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

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

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

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

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

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

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

(17) Impairment of non-financial assets

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

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

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

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

(18) Post-employment benefits

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

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

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

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

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

(19) Provisions

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

(20) Treasury shares

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

(21) Revenue recognition

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

Sale of goods

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

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

The credit period of the Group's sale of goods is from 60 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

Some rendering of services contracts of the Group, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

(22) Borrowing cost

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

(23) Government grants

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

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

(24) Share-based payment transactions

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

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

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

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

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

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

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

(25) Income Tax

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

<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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

(26) Business combinations and goodwill

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(1) Judgement

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

(a) Investment Property

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

(b) Operating lease commitment－Group as the lessor

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

(2) Estimates and assumptions

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

(a) Fair value of financial instruments

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

(b) Impairment of goodwill

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit.

The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

(c) Pension benefits

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

(d) Share-based payment transactions

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

(e) Revenue recognition – estimation of sales returns and allowance

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

(f) Income tax

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

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

(g) Accounts receivables–estimation of impairment loss

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

(h) Evaluation of 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	
	2019	2018
Cash on hand	$1,298	$1,245
Demand deposits	2,109,598	2,027,419
Time deposits	1,128,503	1,073,128
Total	$3,239,399	$3,101,792

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

	As at 31 December	
	2019	2018
Mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments		
Fund beneficiary certificate	$10,081	$-
Unlisted company stocks	94,648	-
Forward foreign exchange contracts	8,778	10,492
Total	$113,507	$10,492

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

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

(3) Financial assets measured at amortized cost- Current

	As at 31 December	
	2019	2018
Bank deposits-time deposit (longer than three months)	$122,522	$107,800
Bank deposits-time deposit-pledged	60,912	47,101
Bank deposits-reserve account	42,631	108,443
Subtotal (total carrying amount)	226,065	263,344
Less: loss allowance	-	-
Total	$226,065	$263,344

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

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

(4) Notes receivables, net

	As at 31 December	
	2019	2018
Notes receivables	$-	$29,560
Less: loss allowance	-	-
Total	$-	$29,560

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

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

(5) Trade receivables, net

	As at 31 December	
	2019	2018
Trade receivables	$2,458,193	$2,851,655
Less: allowance for sales discounts	(146,017)	(223,583)
Less: loss allowance	(24,392)	(36,327)
Total	$2,287,784	$2,591,745

Trade receivables are generally on 60-150 day terms. The total carrying amount as at 31 December 2019 and 31 December 2018 were $2,458,193 and $2,851,655, respectively. Please refer to Note 6 (23) for more details on loss allowance of trade receivables for the years ended 31 December 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

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

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

(6) Inventories

(a) Details as follows

	As at 31 December	
	2019	2018
Raw materials	$229,022	$319,455
Supplies & parts	8,224	10,171
Work in progress	248,246	401,961
Finished goods	378,478	326,964
Merchandise	2,185,830	2,264,005
Total	$3,049,800	$3,322,556

(b) The cost of inventories recognized in expenses for the years ended 31 December 2019 and 2018 were $12,225,546 and $12,984,762, respectively. The profit and loss related to cost of goods sold are as follows:

	For the years ended 31 December	
	2019	2018
Losses on obsolete inventory price recovery	$(27,047)	$(9,407)
Scraps	(25,969)	(15,942)
Net	$(53,016)	$(25,349)

No inventories were pledged.

(7) Prepayments

	As at 31 December	
	2019	2018
Prepayment for purchases	$28,493	$31,322
VAT paid	-	19,650
Other prepayments	111,635	85,930
Total	$140,128	$136,902

Prepayments were not pledged.

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

(8) Investments accounted for using the equity method

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

	As at 31 December			
	2019		2018	
Investees	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in associates:				
Chengxinzhao (Zhangzhou) Hardware Co., Ltd.	$22,030	49.00%	$22,698	49.00%
Arte En Bronce, S.A. DE C.V.	-	48.89%	-	48.89%
Total	$22,030		$22,698	

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

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

	For the years ended 31 December	
	2019	2018
Gain(Loss) from continuing operations	$33	$(550)
Other comprehensive loss	(701)	(551)
Total comprehensive loss	$(668)	$(1,101)

The associates had no contingent liabilities or capital commitments as at 31 December 2019 and 2018, and did not provide any guarantee.

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

(9) Property, plant and equipment

	31 Dec. 2019 (Note)	31 Dec. 2018
Owner occupied property, plant and equipment	$2,516,758	
Property, plant and equipment leased out under operating leases	-	
Total	$2,516,758	

Note: The Group adopted IFRS 16 on 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(a) Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As at 1 Jan. 2019	$139,340	$982,405	$1,722,471	$53,779	$539,916	$646,569	$50,569	$4,135,049
Additions	-	15,599	1,203,188	4,048	24,237	129,382	138,617	1,515,071
Disposals	-	(28,118)	(27,675)	(1,353)	(7,660)	(36,255)	-	(101,061)
Transfers	-	-	134,180	88	-	34,205	(168,487)	(14)
Loss of control	(139,340)	(133,973)	-	(3,984)	(3,918)	-	(5,940)	(287,155)
Exchange differences	-	(18,889)	(54,534)	(209)	(7,363)	(15,752)	(1,509)	(98,256)
As at 31 Dec. 2019	$-	$817,024	$2,977,630	$52,369	$545,212	$758,149	$13,250	$5,163,634
Depreciation and impairment:								
As at 1 Jan. 2019	$-	$590,445	$1,038,432	$41,718	$465,180	$458,180	$-	$2,593,955
Depreciation	-	44,859	110,677	4,670	26,946	79,362	-	266,514
Disposals	-	(27,834)	(25,093)	(1,355)	(7,331)	(29,448)	-	(91,061)
Loss of control	-	(55,620)	-	(3,758)	(2,233)	-	-	(61,611)
Exchange differences	-	(13,127)	(27,796)	(171)	(6,848)	(12,979)	-	(60,921)
As at 31 Dec. 2019	$-	$538,723	$1,096,220	$41,104	$475,714	$495,115	$-	$2,646,876
Net carrying amount:								
31 Dec. 2019	$-	$278,301	$1,881,410	$11,265	$69,498	$263,034	$13,250	$2,516,758

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

(b) Property, plant and equipment leased under operating leases (prior to the application of IFRS 16)

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As at 1 Jan. 2018	$139,340	$1,247,748	$1,596,100	$51,822	$521,283	$729,408	$68,340	$4,354,041
Additions	-	15,800	36,816	4,903	29,685	44,450	258,177	389,831
Disposals	-	(34,327)	(37,084)	(1,647)	(10,140)	(33,956)	-	(117,154)
Transfers	-	913	224,905	-	13,331	26,749	(267,585)	(1,687)
Loss of control	-	(227,727)	(61,586)	(133)	(11,473)	(108,013)	(6,756)	(415,688)
Exchange differences	-	(20,002)	(36,680)	(1,166)	(2,770)	(12,069)	(1,607)	(74,294)
As at 31 Dec. 2018	$139,340	$982,405	$1,722,471	$53,779	$539,916	$646,569	$50,569	$4,135,049
Depreciation and impairment:								
As at 1 Jan. 2018	$-	$676,641	$1,062,519	$40,328	$463,516	$529,244	$6,921	$2,779,169
Depreciation	-	60,351	91,003	3,834	25,747	75,159	-	256,094
Disposals	-	(32,483)	(33,369)	(1,369)	(10,015)	(28,882)	-	(106,118)
Transfers	-	-	-	-	-	-	-	-
Loss of control	-	(102,856)	(61,586)	(133)	(11,473)	(108,013)	(6,756)	(290,817)
Exchange differences	-	(11,208)	(20,135)	(942)	(2,595)	(9,328)	(165)	(44,373)
As at 31 Dec. 2018	$-	$590,445	$1,038,432	$41,718	$465,180	$458,180	$-	$2,593,955
Net carrying amount:								
31 Dec. 2018	$139,340	$391,960	$684,039	$12,061	$74,736	$188,389	$50,569	$1,541,094

(c) There is no property, plant and equipment pledged as at 31 December 2019. Please refer to Note 8 for more details on property, plant and equipment under pledge as at 31 December 2018.

(d) There is no occurrence of capitalization of interest due to purchasing property, plant and equipment for the years ended 31 December 2019 and 2018.

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

(10) Investment property

	Buildings
Cost:	
As at 1 Jan. 2019	$-
Additions from subsequent expenditure	-
Exchange differences	-
As at 31 Dec. 2019	$-
As at 1 Jan. 2018	$19,769
Additions from subsequent expenditure	-
Effect of losing control of a subsidiary	(19,298)
Exchange differences	(471)
As at 31 Dec. 2018	$-
Depreciation and impairment:	
As at 1 Jan. 2019	$-
Depreciation	-
Exchange differences	-
As at 31 Dec. 2019	$-
As at 1 Jan. 2018	$8,006
Depreciation	892
Effect of losing control of a subsidiary	(8,684)
Exchange differences	(214)
As at 31 Dec. 2018	$-
Net carrying amount:	
As at 31 Dec. 2019	$-
As at 31 Dec. 2018	$-

	2019	2018
Rental income from investment property	$-	$4,116
Less: Direct operating expenses from investment property generating rental income	-	(892)
Total	$-	$3,224

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

(11) Intangible assets and goodwill

	Computer software	Trademarks	Customer relationships	Goodwill	Total
Cost:					
As at 1 Jan. 2019	$198,538	$120,512	$-	$1,451,660	$1,770,710
Addition-acquired separately	21,114	-	-	-	21,114
Loss of control	(2,903)	(43,663)	-	(108,279)	(154,845)
Exchange differences	(736)	1,129	-	20,785	21,178
As at 31 Dec. 2019	$216,013	$77,978	$-	$1,364,166	$1,658,157
As at 1 Jan. 2018	$187,208	$122,718	$508,553	$1,493,356	$2,311,835
Addition-acquired separately	13,335	-	-	-	13,335
Derecognitions	-	-	(492,221)	-	(492,221)
Exchange differences	(2,005)	(2,206)	(16,332)	(41,696)	(62,239)
As at 31 Dec. 2018	$198,538	$120,512	$-	$1,451,660	$1,770,710
Amortization and impairment:					
As at 1 Jan. 2019	$175,849	$100,166	$-	$671,473	$947,488
Amortization	12,399	5,256	-	-	17,655
Loss of control	(1,823)	(43,663)	-	(37,729)	(83,215)
Exchange differences	(768)	899	-	10,758	10,889
As at 31 Dec. 2019	$185,657	$62,658	$-	$644,502	$892,817
As at 1 Jan. 2018	$161,122	$96,287	$508,553	$692,500	$1,458,462
Amortization	16,575	5,570	-	-	22,145
Derecognitions	-	-	(492,221)	-	(492,221)
Exchange differences	(1,848)	(1,691)	(16,332)	(21,027)	(40,898)
As at 31 Dec. 2018	$175,849	$100,166	$-	$671,473	$947,488
Net carrying amount:					
31 Dec. 2019	$30,356	$15,320	$-	$719,664	$765,340
31 Dec. 2018	$22,689	$20,346	$-	$780,187	$823,222

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

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

	For the years ended 31 December	
	2019	2018
Operating costs	$863	$1,911
Operating expenses	$16,792	$20,234

(12) Impairment testing of goodwill

For the purpose of impairment testing, goodwill acquired through business combinations have been allocated to three cash-generating units which are also reportable operating segments. Carrying amount of goodwill allocated to each cash-generating units are as follows:

	As at 31 December	
	2019	2018
Goodwill		
- Channel unit 1	$637,899	$627,251
- Channel unit 2 (Note)	-	70,550
- Manufacturing unit	81,765	82,386
Total	$719,664	$780,187

Note: The Company had sold channel unit 2 as at 30 September 2019.

Channel cash-generating unit

Channel cash-generating unit 1

The recoverable amount of the channel unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The discount rate applied to cash flow projections was 10.5% and 11.1% as at 31 December 2019 and 2018, respectively, and cash flows beyond the five-year period were extrapolated using both 0% growth rate as at 31 December 2019 and 2018, that was the same as the long-term average growth rate for the electronics industry. As a result of this analysis, management did not identify any impairment for goodwill of $637,899 which is allocated to this cash-generating unit.

Channel cash-generating unit 2

The recoverable amount of the channel unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The discount rate applied to cash flow projections was 12.1% as at 31 December 2018, respectively, and cash flows beyond the five-year period were extrapolated using 2% growth rate that does not exceed the long-term average growth rate for the electronics industry.The Company sold channel unit 2 on 30 September 2019.

Manufacturing cash-generating unit

The recoverable amount of the manufacturing unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The discount rate applied to cash flow projections was both 14.4% as at 31 December 2019 and 2018, respectively, and cash flows beyond the five-year period were extrapolated using both 0% growth rate as at 31 December 2019 and 2018, that does not exceed the long-term average growth rate for the electronics industry. As a result of this analysis, management did not identify any impairment for goodwill of $81,765 which is allocated to this cash-generating unit.

Key assumptions used in value-in-use calculations

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

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

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

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

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

Sensitivity to changes in assumptions

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

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

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

Raw materials price inflation – Management didn’t consider the possibility of raw material price inflation. Budgeted price inflation remains the same because currently the international raw materials price movements are small. Management believes there is no raw materials price deviating from the budget for the years ended 31 December 2019 and 2018, and therefore no further impairment may arise.

Growth rate assumptions – Management recognizes that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts included in the budget. The estimated long-term growth rate of channel unit 1 , and manufacturing unit were 0% , 0%, and 0% , 0% for the years ended 31 December 2019 and 2018, respectively. Management deemed these growth rates reasonable after considering the long-term growth rate and the economic environment for the years ended 31 December 2019 and 2018. Therefore, no further impairment may result.

The estimated long-term growth rate of channel unit 2 were 2% for the years ended 31 December 2018 . Management deemed these growth rates reasonable after considering the long-term growth rate and the economic environment for the years ended 31 December 2018. Therefore, no further impairment may result.The Company sold channel unit 2 on 30 September 2019.

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

	As at 31 December	
	2019	2018
Other assets	$644,853	$116,268
Others	2,733	3,799
Long-term prepaid rent (Note)	-	64,084
Total	$647,586	$184,151

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

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

The group set up a new subsidiary GU PLUMBING de MEXICO S.A. de C.V. in August 2019 and acquired the machinery, equipment and inventory of ceramic works of NAMCE, S. DE R. L. DE C.V. in the amount of $187,890 (US$60,000 thousand). However, the group has not completed the legal transfer of some of its assets, so it was temporarily recorded under other assets. The group accounts for other assets as of December 31, 2019 in the amount of $577,596 (US$19,202 thousand). A balance of $561,721(US$18,674 thousand) has not been paid and was recorded under other non-current liabilities.

Note: The Group adopted IFRS 16 on 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(14) Short-term loans

	As at 31 December	
	2019	2018
Unsecured bank loans	$1,235,000	$998,000
Secured bank loans	325,566	282,137
Total	$1,560,566	$1,280,137
Interest Rates (%)	0.88%-2.95%	0.90%-3.00%

The Group’s unused short-term lines of credits amounted to $1,741,834 and $1,620,263 as at 31 December 2019 and 2018, respectively.

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

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

	As at 31 December	
	2019	2018
Held for trading:		
Derivatives not designated as hedging Instruments		
Forward foreign exchange contracts	$793	$375

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

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

(16) Other payables

	As at 31 December	
	2019	2018
Accrued VAT payables	$25,520	$33,030
Others	100,296	102,967
Total	$125,816	$135,997

(17) Accrued expenses

	As at 31 December	
	2019	2018
Accrued payroll and bonus	$344,395	$373,861
Accrued sales discounts	303,376	288,004
Accrued freight	51,822	106,851
Others	308,454	387,910
Total	$1,008,047	$1,156,626

(18) Long-term loans

(a) As at 31 Dec. 2019

Lenders	Type	As at 31 Dec. 2019	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 (Leading Bank of Syndicated Loan)	Syndicated bank loans	350,000	2019/10-2023/07 Interest is paid monthly.	None
Yuanta Bank	Credit	300,000	2019/04-2022/03 Interest is paid monthly.	None
CTBC Bank	Credit	200,000	2019/10-2021/12 Interest is paid monthly.	None
KGI Bank	Credit	180,000	2019/09-2021/09 Interest is paid monthly.	None
The Shanghai Commercial & Savings Bank, Ltd.	Credit	100,000	2019/06-2021/06 Interest is paid monthly.	None

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

Lenders	Type	As at 31 Dec. 2019	Maturity date and terms of repayment	Guarantee
Taishin International Bank	Credit	100,000	2019/11-2021/11 Interest is paid monthly.	None
Bank SinoPac	Credit	100,000	2019/10-2022/05 Interest is paid monthly.	
Taipei Fubon Commercial Bank	Credit	100,000	2019/12-2022/11 Interest is paid monthly.	
O-Bank	Credit	100,000	2019/09-2021/09 Interest is paid monthly.	None
The Hongkong and Shanghai Banking Corporation Ltd	Credit	71,172	2019/09-2022/03 Interest is paid monthly. Payable quarterly after the grace period.	None
Subtotal		2,601,172		
Less: current portion		(131,632)		
Total		$2,469,540		
Interest rate		1.230%-2.250%		

(b) As at 31 Dec. 2018

Lenders	Type	As at 31 Dec. 2018	Maturity date and terms of repayment	Guarantee
CTBC Bank (Leading Bank of Syndicated Loan)	Syndicated bank loans	$1,000,000	2018/07-2023/07 Interest is paid monthly; repayable annually starting from 2 years after the drawdown of the loan. The annual payment of each year is 100 million, 200 million, 300 million, and 400 million.	None
KGI Bank	Credit	140,000	2018/10-2020/10 Interest is paid monthly.	None
CTBC Bank	Credit	100,000	2018/12-2020/12 Interest is paid monthly.	None
Far Eastern International Bank	Credit	100,000	2018/12-2020/12 Interest is paid monthly.	None
Chang Hwa Commercial Bank	Secured loan	90,864	2014/03-2034/03 Interest is paid monthly, with a grace period of 36 months. Payable monthly after the grace period. Due within 204 payments.	Land and buildings, Time deposits

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

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

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

(19) Post-employment benefits

Defined contribution plan

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

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

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

Expenses under the defined contribution plan for the years ended 31 December 2019 and 2018 were $174,906 and $190,706 respectively.

Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is managed by the in-house managers or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute $37,256 to its defined benefit plan in the next year starting from 31 December 2019.

The average duration of the defined benefits plan obligation as at 31 December 2019 and 2018, were 18 years and 21.1 years.

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

Pension costs recognized in profit or loss for the years ended 31 December 2019 and 2018:

	For the years ended 31 December	
	2019	2018
Current period service costs	$1,009	$4,259
Interest income or expense	10,783	10,093
Prior period service costs	-	9,175
Total	$11,792	$23,527

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

	As at		
	31 December 2019	31 December 2018	1 January 2018
Defined benefit obligation	$1,253,624	$1,167,359	$1,403,916
Plan assets at fair value	(1,150,896)	(1,009,006)	(1,153,776)
Defined benefit obligation	$102,728	$158,353	$250,140
Other non-current liabilities	-	-	(3,188)
Other non-current liabilities - the Group expects to contribute in the coming year	(37,256)	(20,824)	(28,563)
Other non-current liabilities - defined benefit obligation	$65,472	$137,529	$218,389

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 2018	$1,403,916	$(1,153,776)	$250,140
Current period service costs	4,259	-	4,259
Net interest expense (income)	31,354	(21,261)	10,093
Past period service costs	9,175	-	9,175
Subtotal	$1,488,704	$(1,175,037)	$273,667

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

	As at		
	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(6,399)	-	(6,399)
Actuarial gains and losses arising from changes in financial assumptions	(84,423)	-	(84,423)
Experience adjustments	(14,971)	-	(14,971)
Remeasurements of the net defined benefit asset	-	62,359	62,359
Subtotal	$(105,793)	$62,359	$(43,434)
Payments from the plan	(142,879)	142,879	-
Contributions by employee	428	(428)	-
Contributions by employer	-	(67,921)	(67,921)
Effect of changes in foreign exchange rates	(33,101)	29,142	(3,959)
As at 31 December 2018	$1,167,359	$(1,009,006)	$158,353
Acquisition and disposal of subsidiaries	(25,898)	9,704	(16,194)
As at 31 December 2018, adjusted	1,141,461	(999,302)	142,159
Current period service costs	1,009	-	1,009
Net interest expense (income)	31,562	(20,779)	10,783
Past service cost	-	-	-
Subtotal	1,174,032	(1,020,081)	153,951
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(19,646)	-	(19,646)
Actuarial gains and losses arising from changes in financial assumptions	171,630	-	171,630
Experience adjustments	(41,570)	-	(41,570)
Remeasurements of the net defined benefit asset	-	(115,198)	(115,198)
Subtotal	110,414	(115,198)	(4,784)
Payments from the plan	(45,149)	44,983	(166)
Contributions by employee	-	-	-
Contributions by employer	-	(48,497)	(48,497)
Effect of changes in foreign exchange rates	14,327	(12,103)	2,224
As at 31 December 2019	$1,253,624	$(1,150,896)	$102,728

(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	
	2019	2018
Discount rate	0.80%-4.25%	1.05%-4.25%
Expected rate of salary increases	0.00%-3.00%	0.00%-3.00%

A sensitivity analysis for significant assumption as at 31 December 2019 and 2018 is, as shown below:

	Effect on the defined benefit obligation			
	2019		2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$-	$6,792	$-	$7,378
Discount rate decrease by 0.5%	7,414	-	8,821	-
Future salary increase by 0.5%	7,212	-	8,668	-
Future salary decrease by 0.5%	-	6,684	-	7,331

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

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

(20) Equities

(a) Common stock

The Company’s authorized capital was $6,000,000 on 1 January 2018, divided into 600,000,000 shares with par value of NT$10 each. The paid-in capital amounted to $3,668,560, with 367,390,962 shares issued. Among the issued and outstanding shares, 535,000 shares have not completed the registration process and were booked as collection in advance in the amount of $7,329. Each share has one voting right and a right to receive dividends.

The Company issued employee share option in 2015. As of 1 January 2018, the employees converted their options into 2,502,000 shares at NT$13.7 per share. The above share options executed amounted to 535,000 shares which have completed the registration process in the first quarter of 2018 and have converted into common stock.

For the year ended 31 December 2018, the employees converted their options into 205,000 shares at NT$13.7 per share and 614,000 shares at NT$12.7 per share, a total of 819,000 shares were converted. As at 31 December 2018, the above share options executed amounted to 3,321,000 shares, among them, 3,271,000 shares have completed the registration process while 50,000 shares have not and were booked as collection in advance.

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 paid-in capital amounted to $3,681,600, with 368,209,962 shares issued. Among the issued and outstanding shares, 50,000 shares have not completed the registration process and were booked as collection in advance in the amount of $635. Each share has one voting right and a right to receive dividends. The above share options executed was 50,000 shares have completed the registration process in the first quarter of 2019 and have converted into common stock.

The Company resolved at its board meeting held on 11 March 2019 to retire 12,000,000 shares of treasury stock. The record date of capital decrease was 14 March 2019. The abovementioned transaction was approved by the competent authority on 22 March 2019.

The Company resolved at its board meeting held on 8 November 2019 to retire 1,000,000 shares of share options plan in the amount of $10,000. The record date of capital decrease was 27 November 2019. The abovementioned transaction was approved by the competent authority on 27 November 2019.

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

For the year ended 31 December 2019, the employees converted their options into 533,000 shares at NT$12.7 per share and 796,000 shares at NT$11.8 per share, with a total of 1,329,000 shares were converted. The above share options executed amounted to 4,650,000 shares, among them, 4,324,000 shares have completed the registration process while 326,000 shares have not and were booked as collection in advance.

As at 31 December 2019, the Company's authorized capital was $6,000,000, divided into 600,000,000 shares with par value of NT$10 each. The paid-in capital amounted to $3,562,130, divided into 356,538,962 shares. Among the issued and outstanding shares, 326,000 shares have not completed the registration process and were booked as collection in advance in the amount of $3,847. Each share has one voting right and a right to receive dividends.

(b) Capital surplus

	As at 31 December	
	2019	2018
Additional paid-in capital	$954,933	$984,616
Share of changes in net assets of associates and joint ventures accounted for using the equity method	6,005	9,127
Premium from merger	1,895	1,895
Share-based payment transactions	32,381	32,381
Restricted stocks for employees	-	4,000
Total	$995,214	$1,032,019

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)
01 Jan. 2019	12,000	$186,207
Decrease	(12,000)	(186,207)
31 Dec. 2019	-	$-

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 2018 and 2017 earnings distribution and dividends per share as resolved by the shareholders' meeting on 31 May 2019 and 25 May 2018, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2018	2017	2018	2017
Legal reserve	$61,822	$69,834		
Special reserve	52,174	184,619		
Common stock -cash dividend	461,808	549,774	$1.30	$1.50

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

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

(e) Unearned employee salary

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

	2019	2018
Beginning balance	$(3,500)	$(8,167)
Recognized shared-based payment expense	3,500	4,667
Ending balance	$-	$(3,500)

(f) Non-controlling interests

	For the years ended 31 December	
	2019	2018
Beginning balance	$77,185	$75,587
Net income attributable to non-controlling interests	882	696
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	-	255
Remeasurements of defined benefit plans	-	647
Subsidiary carried out capital reduction and returned capital contribution	(20,521)	-
Subsidiary disposal by equity method	(57,546)	-
Ending balance	$-	$77,185

(21) Share-based payment plans

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

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

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

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

As at 31 December 2019, 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	3,055	3,055	$11.80

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

	As at 31 December			
	2019		2018	
	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	4,534	$12.70	5,753	$13.70
Converted	(1,329)	12.16	(819)	12.95
Forfeited	(150)	11.80	(400)	12.70
Outstanding at end of period	3,055	$11.80	4,534	$12.70
Weighted average fair value of share options (NT$)	$-		$-	

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

d. The following table contains further details on the aforementioned share-based payment plan as at 31 December 2019:

		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	$11.80	450	2020/10/28	0.83	$11.80	450	$11.80
2015/10/29 Share options plan -8,700 units secondly issued	11.80	2,605	2020/10/28	0.83	11.80	2,605	11.80

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 $0 and $808 in 2019 and 2018. 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:

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.

In November 2019, the Company withdrew 1,000,000 shares of restricted stock for employees for those who did not meet the established conditions, and reduced the capital reserve of restricted stock for employees by $ 4,000 and reversed salary of $ 14,000.

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

(22) Operating revenue

	For the years ended 31 December	
	2019	2018
Revenue from contracts with customers		
Sale of goods	$18,399,617	$19,458,496
sales returns and allowance	(1,376,191)	(1,579,376)
Total	$17,023,426	$17,879,120

(a) Disaggregation of revenue

2019.1.1~2019.12.31

	Taiwan Segment	China Segment	America Segment	Europe Segment	Total
Sale of goods	$5,350,292	$146,040	$5,345,766	$6,181,328	$17,023,426
Timing of revenue recognition					
At a point in time	$4,799,214	$146,040	$5,345,766	$6,181,328	$16,472,348
Over time	551,078	-	-	-	551,078
Total	$5,350,292	$146,040	$5,345,766	$6,181,328	$17,023,426

2018.1.1~2018.12.31

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

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

(b) Contract balances

Contract liabilities - current

	2019.12.31	2018.12.31	2018.1.1
Sales of goods	$20,272	$276,008	$266,926

The significant changes in the Group's balances of contract liabilities for the years ended 31 December 2019 and 2018 are as follows:

	For the years ended 31 December	
	2019	2018
The opening balance transferred to revenue	$(259,842)	$(247,626)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	268,746	257,452
Loss of control	(264,117)	(343)
Exchange differences	(523)	(401)

(23) Expected credit losses/ (gains)

	For the years ended 31 December	
	2019	2018
Operating expenses – Expected credit losses/(gains)		
Notes receivables	$-	$-
Accounts receivables	270	10,486
Total	$270	$10,486

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

The credit risk for the Group's financial assets measured at amortized cost is assessed as low, while the Group only transacts with banks and financial institutions with good credit rating. Therefore, the loss allowance is $0 measured at 0% expected credit loss.

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

The Group measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at 31 December 2019 and 2018 is as follows:

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

2019.12.31

	Not yet due (note)	Overdue				Total
		1-90 days	90-180 days	181-365 days	Upon 366 days	
Gross carrying amount	$2,041,705	$229,406	$21,050	$11,174	$8,841	$2,312,176
Loss ratio	0.20%	4.42%	0.00%	12.20%	99.00%	
Lifetime Expected credit losses	(4,146)	(10,130)	(1)	(1,362)	(8,735)	(24,392)
Carrying amount	$2,037,559	$219,276	$21,049	$9,812	$88	$2,287,784

2018.12.31

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

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

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

The movement in the provision for impairment of note receivables and trade receivables during the years ended 31 December 2019 and 2018 is as follows:

	Note receivables	Trade receivables
Beginning balance at 2019.1.1	$-	$36,327
Addition for the current period	-	270
Write off	-	(9,699)
Loss of control	-	(1,464)
Exchange differences	-	(1,042)
Ending balance at 2019.12.31	$-	$24,392

	Note receivables	Trade receivables
Beginning balance at 2018.1.1 (in accordance with IAS 39)	$-	$35,890
Transition adjustment to retained earnings at 2018.1.1	-	-
Beginning balance at 2018.1.1 (in accordance with IFRS 9)	-	35,890
Addition for the current period	-	10,486
Write off	-	(9,839)
Exchange differences	-	(210)
Ending balance at 2018.12.31	$-	$36,327

(24) Leases

(1) Group as a lessee (applicable to the disclosure requirement under IFRS 16)

The Group leases various properties, including real estate such as land and buildings, machinery and equipment, transportation equipment, office equipment and other equipment. The lease terms range from 2 to 47 years. There are no restrictions placed upon the Group by entering into these leases.

The Group’s leases effect on the financial position, financial performance and cash flows are as follows:

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

A. Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

	As at 31 December	
	2019	2018 (Note)
Land	$65,140	
Buildings	1,818,430	
Machinery and equipment	41,993	
Transportation equipment	36,274	
Other equipment	94,702	
Total	$2,056,539	

Note: The Group adopted IFRS 16 on 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

During the year ended 31 December 2019, the Group's additions to right-of-use assets amounted to NT$840,647 thousand.

b. Lease liabilities

	As at 31 December	
	2019	2018 (Note)
Lease liabilities	$2,056,591	
Current	$231,910	
Non-current	$1,824,681	

Please refer to Note 6 (26)(c) for the interest on lease liabilities recognized during the year ended 31 December 2019 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 December 2019.

Note: The Group adopted IFRS 16 on 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2019	2018 (Note)
Land	$2,833	
Buildings	230,857	
Machinery and equipment	14,103	
Transportation equipment	18,521	
Other equipment	55,443	
Total	$321,757	

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Income and costs relating to leasing activities

	For the years ended 31 December	
	2019	2018 (Note)
The expenses relating to short-term leases	$19,932	
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	8,734	
The expenses relating to variable lease payments not included in the measurement of lease liabilities	6,411	
Total	$35,077	

Note: The Group adopted IFRS 16 on 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

D. Cash outflow relating to leasing activities

During the year ended 31 December 2019, the Group’s total cash outflows for leases amounted to NT$393,581 thousand.

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

(2) Operating lease commitments – Group as lessee (applicable to the disclosure requirement in IAS17)

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

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2019 and 2018 are as follows:

	As at 31 December	
	2019 (Note)	2018
Not later than one year		$329,273
Later than one year but not later than five years		887,104
Later than five years		680,811
Total		$1,897,188

Operating lease expenses recognized are as follows:

	For the years ended 31 December	
	2019	2018
Minimum lease payments	(Note)	$182,886

Note: The Group has adopted IFRS16 since 1 January 2019 and has chosen not to reedit the comparing period in accordance with the transition provision in IFRS 16.

E. Other information relating to leasing activities

(i) Variable lease payments

Some of the Group's warehouse rental agreements contain variable payment terms that are linked to daily usage of pallets in warehouses, which is common in the industry of the Group. As such variable lease payments do not meet the definition of lease payments, those payments are not included in the measurement of the assets and liabilities. The Group expects that, for every usage of thousand of pallets, the rental payments will increase by NT$7 thousand.

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

(ii) Extension and termination options

Some of the Group's property rental agreement contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group.

After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

(25) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended 31 December 2019 and 2018:

Function / Nature	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$1,012,700	$1,645,807	$2,658,507	$1,144,584	$1,609,595	$2,754,179
Labor and health insurance	19,368	128,492	147,860	22,542	127,945	150,487
Pension	125,021	61,677	186,698	134,936	79,297	214,233
Other employee benefits expense	6,171	22,911	29,082	7,278	24,905	32,183
Depreciation	204,441	383,830	588,271	167,267	89,719	256,986
Amortization	863	16,792	17,655	1,911	20,234	22,145

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 2019, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2019 to be 3.37% and 0.63% 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 2019 amount to $13,528 and $2,542, respectively. 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. The employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2018 amount to $22,925 and $ 4,045, respectively, recognized as salary expense.

A resolution was passed at a board meeting held on 5 March 2020 to distribute $13,459 and $2,530 in cash as 2019 employees' compensation and remuneration to directors and supervisors, respectively. The difference of $(81) between the actual employee bonuses and the estimated amount of $16,070 was recognized as an adjustment to current income in 2020.

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.

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

(26) Non-operating income and expenses

(a) Other income

	For the years ended 31 December	
	2019	2018
Interest income		
Financial assets measured at amortized cost	$58,933	$71,447
Others	157,115	77,904
Total	$216,048	$149,351

(b) Other gains and losses

	For the years ended 31 December	
	2019	2018
Losses on disposal of property, plant and equipment	$(2,584)	$(2,012)
Gains on disposal of investment	8,903	48,516
Foreign exchange gains (losses), net	(15,048)	89,566
Gains and losses on financial assets and liabilities at fair value through profit or loss	39,336	12,104
Others (Note)	(12,148)	(71,138)
Total	$18,459	$77,036

Note: PJH Group Limited, a subsidiary of the Company, had a fire incident in one of the leased warehouses on 15 November 2018. The warehouse and inventory in the premises were fully insured. Upon settling the insurance claims, the net income as a result of claim settlement less casualty losses was $5,868, and PJH Group Limited incurred no significant property loss.

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

(c) Finance costs

	For the years ended 31 December	
	2019	2018
Interest on loans from bank	$53,800	$48,560
Interest on lease liabilities	88,265	(Note)
Total	$142,065	$48,560

Note: The Group adopted IFRS 16 on 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(27) Components of other comprehensive income

For the year ended 31 December 2019:

	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	$4,784	$-	$4,784	$797	$5,581
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(204,806)	-	(204,806)	-	(204,806)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(701)	-	(701)	-	(701)
Total of other comprehensive income	$(200,723)	$-	$(200,723)	$797	$(199,926)

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

For the year ended 31 December 2018:

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

(28) Income tax

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

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

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

(a) Income tax expense recognized in profit or loss

	For the years ended 31 December	
	2019	2018
Current income tax expense:		
Current income tax charge	$147,822	$121,476
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	(346)	46,387
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	-	(7,755)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	-	4,368
Total income tax expense	$147,476	$184,476

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

	For the years ended 31 December	
	2019	2018
Deferred tax expense (income):		
Remeasurements of defined benefit plans	$(797)	$6,979
Income tax relating to components of other comprehensive income	$(797)	$6,979

(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	
	2019	2018
Accounting profit before tax from continuing operations	$483,531	$803,392
Tax at the domestic rates applicable to profits in the country concerned	$166,799	$156,558
Tax effect of revenues exempt from taxation	(39,083)	-
Tax effect of expenses not deductible for tax purposes	15,849	25,190
Deferred tax effect of tax rate change	-	(7,755)
Tax effect and its reversal of temporary difference	-	(9,517)
Adjustments in respect of current income tax of prior periods	-	20,000
Additional income tax on unappropriated earnings	3,911	-
Total income tax expenses recorded in profit or loss	$147,476	$184,476

(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 2019:

Items	Beginning balance as at 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Disposal of subsidiary	Exchange differences	Ending balance as at 31 December
Temporary difference						
Allowance to reduce inventories to market value	$58,252	$(4,106)	$-	$2,725	$1,343	$58,290
Non-current liability – Defined benefit Liability	44,463	24,158	(797)	5,110	(1,869)	17,861
Unused tax losses	1,269	-	-	1,269	-	-
Unrealized intragroup profits and losses	86,821	(7,169)	-	-	2,129	91,861
Accrued expense	(2,008)	4,800	-	-	(165)	(6,643)
Allowance for sales discounts	30,178	1,017	-	-	98	29,063
Bad debt loss	8,685	1,137	-	50	160	7,338
Unrealized impairment loss	(59)	(53)	-	-	1	(7)
Unrealized exchange gain or loss	(10,179)	(8,673)	-	272	(1)	(1,777)
Revaluations of financial assets and liabilities at fair value through profit or loss	(1,934)	(283)	-	25	-	(1,676)
Depreciation	(20,430)	(11,174)	-	-	(493)	(8,763)
Deferred tax expense/ (income)		$(346)	$(797)	$9,451	$1,203	
Net deferred tax assets/ (liabilities)	$195,058					$185,547
Reflected in balance sheet as follows:						
Deferred tax assets	$232,286					$215,181
Deferred tax liabilities	$(37,228)					$(29,634)

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

(b) For the year ended 31 December 2018:

Items	Beginning balance as at 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance as at 31 December
Temporary difference					
Allowance to reduce inventories to market value	$55,188	$(1,402)	$-	$(1,662)	$58,252
Non-current liability – Defined benefit Liability	55,487	5,112	6,979	(1,067)	44,463
Unused tax losses	5,589	4,368	-	(48)	1,269
Unrealized intragroup profits and losses	77,304	(9,517)	-	-	86,821
Accrued expense	16,378	18,412	-	(26)	(2,008)
Allowance for sales discounts	34,460	9,436	-	(5,154)	30,178
Bad debt loss	7,879	(595)	-	(211)	8,685
Unrealized impairment loss	(136)	(75)	-	(2)	(59)
Unrealized exchange gain or loss	4,250	15,178	-	(749)	(10,179)
Revaluations of financial assets and liabilities at fair value through profit or loss	(471)	1,380	-	83	(1,934)
Depreciation	(18,926)	703	-	801	(20,430)
Deferred tax expense/ (income)		$43,000	$6,979	$(8,035)	
Net deferred tax assets/ (liabilities)	$237,002				$195,058
Reflected in balance sheet as follows:					
Deferred tax assets	$260,459				$232,286
Deferred tax liabilities	$(23,457)				$(37,228)

(c) Unrecognized deferred tax assets

As at 31 December 2019 and 2018, deferred tax assets that have not been recognized amount to $217,322 and $357,168 respectively.

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

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

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As at 31 December 2019 and 2018, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregate to $3,235,185 and $3,794,066, respectively.

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

		Balance of unused investment tax credits as at		
Occurrence Year	Accumulated losses	31 December 2019	31 December 2018	Expiration Year
2011	6,298	-	5,437	2021
2012	3,607	-	3,607	2022
2013	4,337	-	4,337	2023
2014	-	-	-	2024
2015	5,153	-	5,153	2025
2016	6,230	-	6,230	2026
2017	4,848	-	4,848	2027

(g) The assessment of income tax returns

As at 31 December 2019, the assessment of the income tax returns of the Company is as follows:

	The assessment of income tax returns
Globe Union Industrial Corp.	Assessed and approved up to 2017

As at 31 December 2019, all foreign subsidiaries governed by foreign tax authorities have filed income tax returns up to 2018.

(29) 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	
	2019	2018
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands of NT$)	$335,173	$618,220
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	354,782	365,195
Basic earnings per share (NT$)	$0.94	$1.69
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands of NT$)	$335,173	$618,220
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$335,173	$618,220
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	354,782	365,195
Employee compensation－stock (in thousands)	775	1,398
Employee stock options (in thousands)	1,453	1,628
Restricted stock for employees (in thousands)	-	806
Weighted average number of ordinary shares outstanding after dilution (in thousands)	357,010	369,027
Diluted earnings per share (NT$)	$0.94	$1.68

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

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

(30) Disposal of subsidiary

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

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

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

(2) Gain on disposal of investments

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

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

(3) Net cash outflow from disposal of subsidiaries

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

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

The board of directors approved the sale of 35,162,689 shares of Home Boutique International Co., Ltd. to Singular Point Ltd. on 2 August 2019, and the transaction of 27,422,937 shares was completed on 23 September, 2019. Therefore, the percentage of ownership that Globe Union Industrial Corp. held in Home Boutique International Co., Ltd. decreased from 86.319% to 19%. Due to the loss of control, Home Boutique International Co., Ltd. is no longer a subsidiary of the Company.

(a) Analysis of assets and liabilities that are out of control

	Disposal of Home Boutique International Co., Ltd.
Current assets	
Cash	$118,030
Financial assets measured at amortized cost - current	65,382
Notes receivables	29,134
Accounts receivables	78,743
Inventories	339,122
Prepayments	16,499
Other current assets	2,170
Non-current assets	
Property, plant and equipment	225,543

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

	Disposal of Home Boutique International Co., Ltd.
Right of use assets	71,942
Goodwill	9,229
Deferred tax assets	10,867
Refundable deposits	7,196
Deferred expenses	1,086
Other non-current assets - others	35,004
Current liabilities	
Financial assets held for trading	(145)
Contract liabilities - current	(264,117)
Notes payables	(3,812)
Accounts payables	(56,495)
Other payables	(3,053)
Accrued expenses	(69,947)
Lease liabilities - current	(26,085)
Long tern loans due within one year	(5,393)
Other current liabilities - others	(5,927)
Non-current liabilities	
Long term bank loans	(81,481)
Deferred tax liabilities - non-current	(1,416)
Lease liabilities - non-current	(45,872)
Accrued pension liabilities	(25,581)
Minority interest	(57,546)
Disposal of net assets	$363,077

(b) Gain on disposal of subsidiary

	2019.1.1~2019.12.31
Consideration received	$335,352
Additional paid-in capital - share of changes in net assets of associates and joint ventures accounted for using the equity method	3,122
Disposal of goodwill	(61,321)
Stocks of Home Boutique International Co., Ltd. (19%) (Note)	94,648
Disposal of net assets	(363,077)
Gain on disposal	$8,724

Note: Due to the sales of ownership and subsequent loss of control over the subsidiary, the remaining ownership was reclassified to financial assets at fair value through profit or loss. Please refer to 6(2) for details.

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

(c) Net cash outflow from disposal of subsidiaries

	2019.1.1~ 2019.12.31
The consideration in cash	$335,352
Less: Disposition of cash and cash equivalents balances	(118,030)
Net cash outflow from disposal of subsidiaries	$217,322

7. RELATED PARTY TRANSACTIONS

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

Name and nature of relationship of the related parties

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

Significant transactions with related parties

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

	As at 31 December	
	2019	2018
Chengxinzhao (Zhangzhou)	$1,692	$1,692

(b) Key management personnel compensation

	For the years ended 31 December	
	2019	2018
Short-term employee benefits	$185,755	$180,975
Post-employment benefits	3,226	6,786
Total	$188,981	$187,761

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

8. ASSETS PLEDGED AS SECURITY

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

Assets pledged for security	Carrying amount as at 31 December 2019	2018	Secured liabilities
Accounts receivable	$655,900	$651,389	Security for loans
Financial assets measured at amortized cost	103,543	155,544	Security for loans
Land	-	139,340	Security for loans
Buildings	-	42,908	Security for loans
Total	$759,443	$989,181	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

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

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

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

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

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

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As at 31 December	
	2019	2018
Financial assets at fair value through profit or loss:		
Mandatorily measured at Fair value through profit or loss	$113,507	$10,492
Financial assets measured at amortized cost (Note 1)	5,751,950	5,985,196

Financial liabilities

	As at 31 December	
	2019	2018
Financial liabilities at amortized cost:		
Short-term borrowings	$1,560,566	$1,280,137
Notes and accounts payable	2,073,946	2,164,087
Long-term loans (including current portion with maturity less than 1 year)	2,601,172	1,486,633
Leases liabilities (including current portion with maturity less than 1 year)	2,056,591	(Note 2)
Financial liabilities at fair value through profit or loss:		
Held for trading	793	375

Note 1: Including cash and cash equivalents (exclude cash on hand), financial assets measured at amortized cost, notes receivable, trade receivables.

Note 2: The Group has adopted IFRS16 since 1 January 2019 and has chosen not to reedit the comparing period in accordance with the transition provision in IFRS 16.

(2) Financial risk management objectives and policies

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

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

(3)Market risk

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

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

a. Foreign currency risk

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

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

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

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

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

	Increase (decrease) in equity	Decrease (increase) in profit or loss
For the year ended 31 December 2019	$-	$8,202
For the year ended 31 December 2018	$-	$10,208

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

	Increase (decrease) in equity	Decrease (increase) in profit or loss
For the year ended 31 December 2019	$-	$2,218
For the year ended 31 December 2018	$-	$(4,473)

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

b. Equity price risk

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

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

c. Interest rate risk

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

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December 2019 and 2018 to decrease/increase by $4,162 and $2,767, respectively.

(4) Credit risk management

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

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

As at 31 December 2019 and 31 December 2018, amounts receivables from top ten customers represented 46.54% and 45.57% of the total trade receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

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

The Group adopted IFRS 9 to assess the expected credit losses. The Group makes an assessment at each reporting date as to whether the debt instrument investments are still considered low credit risk, and then further determines the method of measuring the loss allowance and the loss rates.

The Group used simplified approach (Note) to assess the expected credit losses of accounts receivables.As at 31 December 2019 and 2018, the Group's note receivables are not overdue, and the loss allowances was measured at $0 with the Group's expected credit loss estimated at 0%.

Note: By using simplified approach (loss allowance is measured at lifetime expected credit losses), including accounts and notes receivables.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

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

(5) Liquidity risk management

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

Non-derivative financial liabilities

	Less than 1year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 Dec. 2019					
Short-term borrowings	$1,563,390	$-	$-	$-	$1,563,390
Notes and accounts payable	2,073,946	-	-	-	2,073,946
Long-term borrowings (including current portion with maturity less than 1 year)	171,423	1,771,498	756,739	-	2,699,660
Other payables	125,816	-	-	-	125,816
Leases liabilities	356,772	600,825	477,696	1,898,460	3,333,753
As at 31 Dec. 2018					
Short-term borrowings	$1,282,025	$-	$-	$-	$1,282,025
Notes and accounts payable	2,164,087	-	-	-	2,164,087
Long-term borrowings (including current portion with maturity less than 1 year)	85,178	688,864	726,846	68,513	1,569,401
Other payables	135,997	-	-	-	135,997

Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 Dec. 2019					
Inflows	$40,707	$-	$-	$-	$40,707
Outflows	(41,500)	-	-	-	(41,500)
Net	$(793)	$-	$-	$-	$(793)

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

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

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2019:

	Short-term borrowings	Long-term borrowings	Leases liabilities	Total liabilities from financing activities
As at 1 Jan. 2019	$1,280,137	$1,486,633	$1,561,951	$4,328,721
Cash flows	280,429	1,201,413	(270,239)	1,211,603
Non-cash flows (Note)	-	(86,874)	764,879	678,005
As at 31 Dec. 2019	$1,560,566	$2,601,172	$2,056,591	$6,218,329

Note: The Group’s right-of-use assets increased by $836,836, while long term loans and lease liabilities decreased by $86,874 and $71,957, respectively, due to loss of control.

Reconciliation of liabilities for the year ended 31 December 2018:

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

(7) Fair values of financial instruments

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

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

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

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

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

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

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

b. Fair value of financial instruments measured at amortized cost

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

c. Fair value measurement hierarchy for financial instruments

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

(8) Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at 31 December 2019 and 2018 is as follows:

<u>Forward currency contracts</u>

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

Items (by contract)	Notional Amount (in thousands)	Contract Period
As at 31 Dec. 2019		
Forward currency contract	Sell USD 39,500	From Jan. 2020 to Mar. 2020
Forward currency contract	Sell GBP 1,263	From Dec. 2019 to Feb. 2020

Items (by contract)	Notional Amount (in thousands)	Contract Period
As at 31 Dec. 2018		
Forward currency contract	Sell USD 39,500	From Jan. 2019 to Mar. 2019
Forward currency contract	Buy USD 490	From Jan. 2019 to Mar. 2019
Forward currency contract	Buy EUR 85	Jan. 2019
Forward currency contract	Sell GBP 1,579	From Jan. 2019 to Mar. 2019

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

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

(9) Fair value measurement hierarchy

a. Fair value measurement hierarchy

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

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

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

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

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

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

As at 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	$10,081	$-	$-	$10,081
Forward foreign exchange contracts	-	8,778	-	8,778
Stocks	-	-	94,648	94,648
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	793	-	793

As at 31 December 2018

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

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

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

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

None.

(10) Significant assets and liabilities denominated in foreign currencies

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

Unit: Thousands

	As at 31 December 2019			As at 31 December 2018		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary items:						
USD	$36,897	30.08	$1,109,862	$45,054	30.72	$1,384,059
CNY	320,793	4.32	1,385,826	207,886	4.46	928,003
EUR	7,840	33.74	264,522	4,873	35.19	171,481
CAD	5,673	23.07	130,876	7,662	22.58	173,008
GBP	20,003	39.54	790,919	17,678	38.88	687,321
Financial liabilities						
Monetary items:						
USD	$9,629	30.08	$289,640	$11,826	30.72	$363,295
CNY	269,447	4.32	1,164,011	308,090	4.46	1,375,314
EUR	2,161	33.74	72,912	1,171	35.19	41,207
CAD	1,780	23.07	41,065	1,099	22.58	24,815
GBP	24,820	39.54	981,383	17,788	38.88	691,597

The Group is unable to disclose foreign exchange gains or losses on significant assets and liabilities denominated in foreign currencies because the Group entities have too many functional currencies. The exchange gains (losses) for the years ended 31 December 2019 and 2018 were $(15,048) and $89,566, respectively.

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

(11) Capital management

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

(12) Financial asset transfer information

The group entered into assignment agreements with recourse with financial institutions regarding some of its accounts receivable. Although the group transfers the contract rights of the cash flow from such accounts receivable, the group still has to bear the credit risk in accordance with the agreement in the event the accounts receivable are not recoverable. The transaction information is as follows:

2019.12.31

Lenders	Amount assigned	Prepaid amount (note)
HSBC UK BANK PLC	$655,900	$325,566

2018.12.31

Lenders	Amount assigned	Prepaid amount (note)
HSBC UK BANK PLC	$651,389	$282,137

Note: Reported on short-term loans.

13. OTHER DISCLOSURE

(1) Information at significant transactions

(a) Financing provided to others for the year ended 31 December 2019: All transactions below were between consolidated entities and have been eliminated in consolidation.

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

No	Lender	Counterparty	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Amount drawn	Interest rate	Nature of financing (Note 4)	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 Industrial (BVI) Corp.	Globe Union (UK) Ltd.	Other receivable	Yes	$81,700 GBP 2,000,000	$-	$-	-	2	$-	For operating	$-	-	$-	$520,554 (Note 2)	$1,388,145 (Note 1)
1	Globe Union Industrial (BVI) Corp	Globe Union Cayman Corp.	Other receivable	Yes	$40,850 GBP 1,000,000	$-	$-	-	2	$-	For operating	$-	-	$-	$520,554 (Note 2)	$1,388,145 (Note 1)
1	Globe Union Industrial (BVI) Corp	Globe Union Industrial Corp.	Other receivable	Yes	$257,656 RMB 56,000,000	$-	$-	-	2	$-	For operating	$-	-	$-	$520,554 (Note 2)	$1,388,145 (Note 1)

Note 1: Total financing was limited to 40% of net equity of the lender as at 31 December 2019.

Note 2: Financing to individual counterparty was limited to 15% of the net equity of the lender as at 31 December 2019.

Note 3: Financing to individual counterparty was limited to 20% of the net equity of the lender as at 31 December 2019.

Note 4: Code 1 represents an intercompany transaction calls for a loan arrangement; code 2 represents short-term financing

(b) Endorsement/Guarantee provided to others for the year ended 31 December 2019: None

(c) Securities held as at 31 December 2019 (excluding subsidiaries, associates and joint venture):

Company Name	Securities Held	Relationship between Issuer and the Company (Note 1)	Account Stated	As at 31 December 2019			
				Number of shares	Book Value	Ratio%	Fair Value
Globe Union Industrial Corp.	Stocks Home Boutique International Co., Ltd.	-	Financial assets at fair value through profit or loss	7,739,752	$94,648	19%	$94,648
Globe Union Industrial Corp.	Fund beneficiary certificates Fuh Hwa Yu Li money market fund	-	Financial assets at fair value through profit or loss	745,292	$10,081	-	$10,081
				Total	$104,729		$104,729

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

(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 2019:

Company Name	Securities	Account Stated (Note 1)	Counter-party	Relationship	As at 1 January 2019		Puchases		Sales				As at 30 September 2019 (Note 2)	
					Shares	Amount	Shares	Amount	Shares	Selling Price	Book Cost	Profit or Loss on Disposal	Shares	Amount
Globe Union Industrial Corp.	Stocks Home Boutique International Co., Ltd.	Investment accounted for using equity method	Singular Point Ltd.	Non-related party	62,150,000	$548,315	-	$-	27,422,937	$335,352	$326,628	$8,724	7,739,752	$94,648

Note 1: The percentage of ownership that Globe Union Industrial Corp. held in Home Boutique International Co., Ltd. decreased from 86.319% to 19%. Since the Company no longer has control over Home Boutique International Co., Ltd., the stated account of stocks held in the period end should be revised to financial assets at fair value through profit or loss.

Note 2: During the year, Home Boutique International Co., Ltd. reduced capital to return capital to shareholders and offset its accumulated loss.

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

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2019: 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 2019: 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 2019:

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	$3,725,202	30.47%	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	$(1,781,285)	(85.89%)	-
Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	Investee company	Purchase	$2,109,534	17.26%	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	$(9,085)	(0.44%)	-
Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	Investee company	Sales	$(2,961,823)	(17.40%)	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	$-	-%	-
Globe Union Industrial Corp.	Globe Union (Canada) Inc.	Investee company	Sales	$(237,637)	(1.40%)	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	$53,736	2.35%	-

(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)	
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	$(3,725,202)	(21.88%)	180 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	$1,781,285	77.86%	-
Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	Group direct parent company	Purchase	$2,961,823	24.23%	7 days after invoice date	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	$-	-%	-
Globe Union (Canada) Inc.	Globe Union Industrial Corp.	Group direct parent company	Purchase	$237,637	1.94%	90 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	$(53,736)	(2.59%)	
Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	$(2,109,534)	(12.39%)	30 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	$9,085	0.40%	-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co.KG	Associate	Sales	$(295,217)	(1.73%)	120 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	$85,152	3.72%	-
Globe Union Germany GmbH & Co.KG	Shenzhen Globe Union Enterprise Co., Ltd.	Associate	Purchase	$295,217	2.41%	120 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	$(85,152)	(4.11%)	-

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

(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as at 31 December 2019:

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for bad debts
					Amount	collection status		
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	$1,781,285 RMB 415,101,896	1.81 times	$-	-	$505,809 RMB 415,101,896	$-

(i) Financial instruments and derivative transactions:

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

No (Note1)	Company Name	Counter Party	Nature of Relationship (Note2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note 3)
0	Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd	1	Purchases	$3,725,202	Note 4 (1)	21.88%
0	Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd	1	Accounts payable	(1,781,285)	Note 4 (3)	(11.24%)
0	Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	1	Purchases	2,109,534	Note 4 (1)	12.39%
0	Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	1	Sales	(2,961,823)	Note 4 (2)	(17.40%)
0	Globe Union Industrial Corp.	Globe Union (Canada) Inc.	1	Sales	(237,637)	Note 4 (2)	(1.40%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Sales	(3,725,202) RMB (831,474,652)	Note 4(2)	(21.88%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Accounts receivable	1,781,285 RMB 415,101,896	Note 4 (3)	11.24%
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co.KG	3	Sales	(295,217) RMB (65,541,181)	Note 4 (2)	(1.73%)
2	Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	2	Purchases	2,961,823 USD 95,815,805	Note 4 (1)	17.40%
3	Globe Union (Canada) Inc.	Globe Union Industrial Corp.	2	Purchases	237,637 CAD 10,240,510	Note 4 (1)	1.40%

No (Note1)	Company Name	Counter Party	Nature of Relationship (Note2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note3)
4	Milim G&G Ceramics Co., Ltd	Globe Union Industrial Corp.	2	Sales	(2,109,534) RMB (468,972,244)	Note 4 (2)	(12.39%)
5	Globe Union Germany GmbH & Co.KG	Shenzhen Globe Union Enterprise Co., Ltd	3	Purchases	295,217 EUR 8,503,701	Note 4 (1)	1.73%

Note 1: The Company and its subsidiaries are coded as follows:
(1) The Company is coded "0".
(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: (1) represents the transactions from the parent company to a subsidiary.
(2) represents the transactions from a subsidiary to the parent company.
(3) represents the transaction between subsidiaries.

Note 3: The ratio of transaction amount to the consolidated income or assets is recognized as follows: for assets or liability, the ratio is accounted as the ending balance to consolidated total assets; however, for income or loss accounts, the ratio is based on mid-term accumulated amount to consolidated income.

Note 4: (1) A small portion of the purchase prices were different from the general purchase price due to technical and quality differences. The other products were purchased solely from related parties and thus the purchase price can’t be compared with other goods purchased from the third parities.
(2) A small portion of the selling prices between related parties were the same as the general selling price. For the other selling prices, there were no comparable goods sold to the third parties.
(3) Assets and liabilities were offset against each other.

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

(2) Information on investees:

(a) Names, locations, main businesses and products, original investment amount, investment as at 31 December 2019, net income (loss) of investee company and investment income (loss) recognized as at 31 December 2019 (excluding investees in Mainland China):

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment Amount		Investment as at 31 December 2019			Net income (loss) of investee company	Investment income (loss) recognized	Note
				31 December 2019	31 December 2018	Number of shares	Percentage of ownership (%)	Book value			
Globe Union Industrial Corp.	Globe Union Industrial (B.V.I.)Corp.	P.O. Box 3340, Road Town, Tortola, British Virgin Islands	Holding company	$1,434,538	$1,434,538	44,427,680	100%	$3,456,308	$59,957	$78,048	Note1
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%	$3,444,385	$78,757	$52,180	Note1
Globe Union Industrial Corp.	Globe Union Cayman Corp.	Scotia Center, 4th Floor ,P.O. Box 2804, GerogeTown, Grand Cayman, Cayman Islands	Holding company	$2,590,324	$3,066,924	81,555,901	100%	$1,182,817	$167,093	$167,093	
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	-	-%	$-	$6,442	$5,560	Note2
Globe Union Industrial Cor	GU PLUMBING de MEXICO S.A. de C.V.	Blvd. Isidro López Zertuche No. 3745 La Salle, Saltillo, Coahuila, 25240 Mexico	Manufacturing and selling sanitary ceramic wares	$1,516,798	$-	941,942,420	100%	$1,358,817	$(127,549)	$(127,549)	Note3

Note1: Current investment income from investees recognized by the Company included investment gain/loss recognized by these investees from upstream/downstream transactions.

Note2: The board of directors approved the sale of 35,162,689 shares of Home Boutique International Co., Ltd. to Singular Point Ltd. on 2 August 2019, and the transaction of 27,422,937 shares was completed on 23 September, 2019. Therefore, the percentage of ownership that Globe Union Industrial Corp. held in Home Boutique International Co., Ltd. decreased from 86.319% to 19% and the Company thus lost control over it. For the period from January 1 to September 23, 2019, the amount of profit and loss recorded by Home Boutique International Co., Ltd. was $6,442.

Note3: The Company established a subsidiary, GU PLUMBING de MEXICO S.A. de C.V., in Mexico in August 2019.

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

(3) Information on investments in mainland China

(a) Information on investments in mainland China from the Company through Globe Union Industrial (B.V.I) Corp. and Globe Union (Bermuda) Ltd. as at 31 December 2019:

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 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as at 31 December 2019 (Note 3)	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as at 31 December 2019	Accumulated Inward Remittance of Earnings as at 31 December 2019
					Outflow	Inflow						
Shenzhen Globe Union Enterprise Co., Ltd.	Manufacturing and selling plumbing products	$1,643,587 (RMB 380,459,896)	Investment in Mainland China companies through a company invested and established in a third region	$-	$-	$-	$-	$96,322	100%	$96,322 (Note 1)	$2,750,115	$188,508
Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	$966,873 (RMB 223,813,280)	Investment in Mainland China companies through a company invested and established in a third region	$504,870 (USD 16,784,252)	$-	$-	$504,870 (USD 16,784,252)	$65,461	100%	$65,461 (Note 1)	$1,295,286	$-

Accumulated Investment in Mainland China as at 31 Dec. 2019 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$504,870 (USD 16,784,252)	$1,668,968 (USD 55,484,324)	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.

Note 3: The accumulated investment amount in Mainland China as at 31 December 2019 was USD16,784,252. the information of the existing investee companies is as follows:

i. The accumulated investment in Mainland China subsidiaries that were disposed of by the Company (Shenzhen Globe Union Industrial Corp., Qingdao Lin Hong Precision Industrial Corp., and Qingdao Globe Union Technology Industrial Corp.) in the amount of USD 22,441,000 has not been included.

ii. The accumulated amount of dividends repatriated by mainland subsidiaries was not included: Shenzhen Globe Union Industrial Corp.: USD 2,666,816; Shenzhen Globe Union Enterprise Co., Ltd.: USD 5,374,001.

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

14. SEGMENT INFORMATION

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

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

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

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

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

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

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

(a) For the year ended 31 December 2019

	Segment A	Segment B	Adjustment and elimination	Consolidated
Revenue				
External customer	$16,877,386	$146,040	$-	$17,023,426
Inter-segment	3,286,250	6,150,783	(9,437,033)	-
Total revenue	$20,163,636	$6,296,823	$(9,437,033)	$17,023,426
Interest expenses	$135,813	$6,252	$-	$142,065
Depreciation and amortization	375,596	238,833	(8,503)	605,926
Investment incomes (losses)	39,520	161,816	(201,303)	33
Segment profit	$497,926	$181,477	$(195,872)	$483,531
Assets				
Investments accounted for using the equity method	$8,125,011	$1,317,316	$(9,420,297)	$22,030
Capital expenditure of non-current assets	1,343,282	192,903	-	1,536,185
Segment assets	$21,739,866	$6,322,449	$(12,212,471)	$15,849,844
Segment liabilities	$11,023,895	$1,597,753	$(2,345,414)	$10,276,234

(b) For the year ended 31 December 2018

	Segment A	Segment B	Adjustment and elimination	Consolidated
Revenue				
External customer	$17,643,452	$235,668	$-	$17,879,120
Inter-segment	3,642,644	7,463,174	(11,105,818)	-
Total revenue	$21,286,096	$7,698,842	$(11,105,818)	$17,879,120
Interest expenses	$48,560	$-	$-	$48,560
Depreciation and amortization	95,543	191,869	(8,281)	279,131
Investment incomes (losses)	261,649	264,120	(526,319)	(550)
Segment profit	$935,658	$395,804	$(528,070)	$803,392
Assets				
Investments accounted for using the equity method	$5,095,475	$4,040,211	$(9,112,988)	$22,698
Capital expenditure of non-current assets	292,848	110,318	-	403,166
Segment assets	$18,380,970	$7,124,860	$(12,692,649)	$12,813,181
Segment liabilities	$8,195,119	$1,786,557	$(3,143,310)	$6,838,366

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

(2) Geographic information

(a) Revenue from external customers

	For the years ended 31 December	
	2019	2018
United States	$8,123,853	$9,055,332
Britain	5,478,657	5,138,455
Canada	1,069,773	1,026,383
China	138,733	292,196
Other countries	2,212,410	2,366,754
Total	$17,023,426	$17,879,120

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

(b) Non-current assets

	As at 31 December	
	2019	2018
Mexico	$2,374,324	$-
Mainland China	1,362,604	1,321,096
Britain	1,094,733	703,908
Taiwan	90,122	435,594
United States	1,050,594	103,010
Germany	35,645	15,026
Canada	15,089	3,819
Total	$6,023,111	$2,582,453

(3) Information about major customers

The customer to that the Company's sales exceeded 10% of its net consolidated sales in 2019 and 2018 is as follows:

	2019		2018	
Client name	Sales amount	%	Sales amount	%
Customer A	$2,490,828	14.63	$2,379,839	13.31

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 2019 and 2018, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2019 and 2018, 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 2019 and 2018, and its parent company only financial performance and cash flows for the years ended 31 December 2019 and 2018, 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 2019 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$9,442,327 thousand, accounting for 80% 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 4 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 $3,049,800 thousand, accounting for 26% 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 requiring significant management judgement; calculation of inventory cost, including direct labor, direct raw material and allocation of manufacturing cost being 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 allowance for damaged or obsolete inventory valuation loss. We also assessed the adequacy of the disclosures related to inventories in Notes 4, 5 and 6.

Emphasis of Matter – Application of New Accounting Standards

As described in Note 3 of the consolidated financial statements, the Company applied the International Financial Reporting Standard 16, "Lease" starting 1 January 2019, and elected not to restate the financial statements for prior periods. Our conclusion is not modified in respect of this matter.

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 2019 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 Yu Ting
Huang Tzu Ping
Ernst & Young, Taiwan
5 March 2020

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 2019 and 31 December 2018
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As at 31 Dec 2019	As at 31 Dec 2018
Current assets			
Cash and cash equivalents	4, 6(1)	$666,101	$478,236
Financial assets at fair value through profit or loss, current	4, 6(2)	113,097	9,798
Accounts receivable, net	4, 6(3)	910,693	1,222,957
Accounts receivable, net - Related parties	4, 6(3),7	53,757	129,992
Other receivables	7	138,155	19,343
Inventories, net	4, 5, 6(4)	255,192	292,018
Prepayment		54,006	61,673
Other current assets		21,405	28,053
Total current assets		2,212,406	2,242,070
Non-current assets			
Investments accounted for under the equity method	4, 5, 6(5)	9,442,327	9,135,686
Property, plant and equipment	4, 6(6)	76,923	84,413
Right-of-use assets	6(18)	3,123	-
Intangible assets	4, 6(7)	19,667	31,244
Deferred tax assets	4, 6(22)	38,086	36,625
Other non-current assets	6(8)	3,095	3,795
Total non-current assets		9,583,221	9,291,763
Total assets		$11,795,627	$11,533,833

(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 2019 and 31 December 2018
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As at 31 Dec 2019	31 Dec 2018
Current liabilities			
Short-term loans	4, 6(9)	$1,235,000	$998,000
Contract liabilities, current	6(16)	124,270	15,191
Accounts payable		80,469	169,759
Accounts payable - Related parties	7	1,790,370	2,387,056
Other payables	6(10),7	100,424	318,473
Accrued expenses	6(11),7	258,341	274,525
Current tax liabilities	4, 6(22)	63,448	41,870
Lease liabilities, current	6(18)	822	-
Current portion of long-term loans	4, 6(12)	100,000	55,769
Other current liabilities		7,173	10,017
Total current liabilities		3,760,317	4,270,660
Non-current liabilities			
Long-term loans	4, 6(12)	2,430,000	1,340,000
Deferred tax liabilities	4, 6(22)	12,854	21,888
Lease liabilities, non-current	6(18)	2,325	-
Other non-current liabilities		128	128
Net defined benefit obligation, noncurrent	4, 6(13)	16,393	3,527
Total non-current liabilities		2,461,700	1,365,543
Total liabilities		6,222,017	5,636,203
Equity attributable to the parent company	4, 6(14)		
Capital			
Common stock		3,562,130	3,681,600
Advance receipts for common stock		3,847	635
Total capital		3,565,977	3,682,235
Additional paid-in capital		995,214	1,032,019
Retained earnings			
Legal reserve		830,341	768,519
Special reserve		522,707	470,533
Retained earnings		387,585	656,738
Total retained earnings		1,740,633	1,895,790
Other components of equity			
Exchange differences on translation of foreign operations		(728,214)	(522,707)
Unearned employee salary		-	(3,500)
Total other components of equity		(728,214)	(526,207)
Treasury stock		-	(186,207)
Total equity		5,573,610	5,897,630
Total liabilities and equity		$11,795,627	$11,533,833

(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 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		For the Years Ended 31 December	
	Notes	2019	2018
Net sales	4,6(16),7	$8,045,768	$9,330,271
Cost of sales	6(4),7	(7,102,626)	(8,411,860)
Gross profit		943,142	918,411
Unrealized intercompany profit		(19,583)	(38,144)
Gross profit		923,559	880,267
Operating expenses			
Selling and marketing	6(19),7	(431,214)	(468,211)
General and administrative	6(19),7	(305,342)	(267,564)
Research and development	6(19)	(52,463)	(51,340)
Total operating expenses		(789,019)	(787,115)
Operating income		134,540	93,152
Non-operating income and expenses	6(20)		
Other revenue		16,306	18,974
Other gains and losses		71,282	82,567
Financial costs		(37,712)	(31,916)
Share of profit of subsidiaries, associates and joint ventures	6(5)	201,335	525,769
Subtotal		251,211	595,394
Income from continuing operations before income tax		385,751	688,546
Income tax expense	6(22)	(50,578)	(70,326)
Income from continuing operations, net of Tax		335,173	618,220
Other comprehensive income (loss)	6(21)		
Items that may not to be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		(12,390)	19,248
Share of other comprehensive income/(loss) accounted for using the equity method-remeasurements of defined benefit plans		15,493	19,079
Income tax related to items that may not to be reclassified subsequently to profit or loss		2,478	(2,519)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(205,507)	(60,341)
Total other comprehensive income (loss), net of tax		(199,926)	(24,533)
Total comprehensive income (loss)		$135,247	$593,687
Earnings per share (NTD)	6(23)		
Earnings per share-basic		$0.94	$1.69
Earnings per share-diluted		$0.94	$1.68

(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 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Notes	Capital		Additional Paid-in Capital	Retained Earnings			Other components of equity		Treasury stock	Total
		Common Stock	Advance Receipts for Common Stock		Legal Reserve	Special reserve	Unappropriated Earnings	Unearned employee salary	Exchange Differences on Translation of Foreign Operations		
Balance as at 1 Jan 2018	6(14)	$3,668,560	$7,329	$1,026,759	$698,685	$285,914	$806,937	$(462,366)	$(8,167)	$ -	$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(14)	$3,681,600	$635	$1,032,019	$768,519	$470,533	$656,738	$(522,707)	$(3,500)	$(186,207)	$5,897,630
Balance as at 1 Jan 2019	6(14)	$3,681,600	$635	$1,032,019	$768,519	$470,533	$656,738	$(522,707)	$(3,500)	$(186,207)	$5,897,630
Appropriations of earnings, 2018:											
Legal reserve					61,822		(61,822)				-
Special reserve						52,174	(52,174)				-
Cash dividends							(461,808)				(461,808)
Net income in 2019							335,173				335,173
Other comprehensive income, net of tax in 2019							5,581	(205,507)			(199,926)
Total comprehensive income		-	-	-	-	-	340,754	(205,507)	-	-	135,247
Retirement of treasury stock		(120,000)		(32,104)			(34,103)			186,207	-
Decrease in non-controlling interests	Note 3			(3,122)							(3,122)
Share-based payment transactions-Exercise of employee stock option	Note 1		16,163								16,163
Share-based payment transactions-Conversion of advance receipts for common stock	Note 2	10,530	(12,951)	2,421							-
Share-based payment transactions-Share-based payment expense									3,500		3,500
Retirement of Share options plan		(10,000)		(4,000)							(14,000)
Balance as at 31 Dec 2019	6(14)	$3,562,130	$3,847	$995,214	$830,341	$522,707	$387,585	$(728,214)	$ -	$ -	$5,573,610

(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. During the year of 2019, employees converted their options into 533,000 shares at NT$12.7 per share, and 796,000 shares at NT$11.8 per share, respectively. Total consideration received was $16,163 thousand.

Note 2:As at 31 December 2018, 1,304,000 shares under capital collected in advance in the amount of $17,300 thousand have completed the registration process, and thus increased the common stock and the additional paid-in capital by $13,040 thousand and $4,260 thousand respectively.
As at 31 December 2019, 1,053,000 shares under capital collected in advance in the amount of $12,951 thousand have completed the registration process, and thus increased the common stock and the additional paid-in capital by $10,530 thousand and $2,421 thousand respectively.

Note 3: The board of directors approved the sale of 35,162,689 shares of Home Boutique International Co., Ltd. to Singular Point Ltd. on 2 August 2019, and the transaction of 27,422,937 shares was completed on 23 September 2019. Therefore, the percentage of ownership that the Company held in Home Boutique International Co., Ltd. decreased from 86.319% to 19%. Since the Company lost control over it, the additional paid-in capital and non-controlling interest decreased by $3,122 thousand and $57,546 thousand respectively.

GLOBE UNION INDUSTRIAL CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the Years Ended 31 December 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

		For the Years Ended 31 December	
	Notes	2019	2018
Cash flows from operating activities:			
Net income before tax		$385,751	$688,546
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		13,181	14,235
Amortization		12,680	16,988
Net gain of financial assets/liabilities at fair value through profit or loss		(38,922)	(7,976)
Interest expense		37,712	31,916
Interest revenue		(8,470)	(10,078)
Share-based payment expense		3,500	5,475
Gain on disposal of financial assets measured at fair value through profit or loss		(8,903)	(38)
Retirement of Share options plan		(14,000)	-
Share of profit of subsidiaries, associates and joint ventures		(201,335)	(525,769)
Loss of unrealized intercompany profit		19,583	38,144
Changes in operating assets and liabilities:			
Financial assets and liabilities at fair value through profit or loss		-	944
Accounts receivable		388,499	(111,005)
Other receivables		(118,812)	(4,925)
Inventories, net		43,243	(4,590)
Prepayments		7,667	(14,218)
Other current assets		6,648	(7,648)
Other assets-others		901	581
Accounts payable		(685,976)	641,829
Accrued expenses		(16,206)	(7,419)
Other payables		(218,049)	(14,257)
Contract liabilities, current		109,079	13,010
Other current liabilities		(2,756)	2,602
Defined benefit obligation		388	(42,101)
Other liabilities-others		-	128
Cash generated from operations		(284,597)	704,374
Interest received		8,470	10,078
Dividend received		641,600	44,980
Interest paid		(37,689)	(31,768)
Income tax paid		(37,017)	(35,449)
Net cash generated from operating activities		290,767	692,215

(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 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Notes	For the Years Ended 31 December 2019	2018
(Continued)			
Cash flows from investing activities:			
Acquisition of financial assets measured at fair value through profit or loss		(363,000)	(50,000)
Disposal of financial assets measured at fair value through profit or loss		393,451	50,038
Acquisition of property, plant and equipment		(4,858)	(12,234)
Acquisition of intangible assets		(1,104)	(2,194)
Acquisition of investments accounted for under the equity method		(1,516,798)	-
Disposal of investments accounted for under the equity method		335,352	-
Proceeds from return of capital by investees		129,478	-
Increase in deposits-out		(200)	-
Net cash used in investing activities		(1,027,679)	(14,390)
Cash flows from financing activities:			
Increase in short-term loans		1,351,583	998,000
Decrease in short-term loans		(1,114,583)	(851,000)
Increase in long-term loans		1,390,000	1,000,000
Decrease in long-term loans		(255,769)	(1,075,769)
Cash dividends		(461,808)	(549,774)
Decrease in lease liabilities		(809)	-
Exercise of employee stock option		16,163	10,606
Increase in treasury stock		-	(186,207)
Net cash used in financing activities		924,777	(654,144)
Net increase in cash and cash equivalents		187,865	23,681
Cash and cash equivalents at beginning of period	6(1)	478,236	454,555
Cash and cash equivalents at end of period		$666,101	$478,236

(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 2019 and 2018
(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 2019 and 2018 were authorized for issue by the Company's board of directors (the Board) on 5 March 2020.

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 2019. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

(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 Company followed the transition provision in IFRS 16 and the date of initial application was 1 January 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

A. Please refer to Note 4 for the accounting policies before or after 1 January 2019.

B. For the definition of a lease, The Company elected not to reassess whether a contract was, or contained, a lease on 1 January 2019. The Company was 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. That is, for contracts entered into (or changed) on or after 1 January 2019, The Company needs to assess whether contacts are, or contain, leases applying IFRS 16. When compared with IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assessed most of the contracts are, or contain, leases and no significant impact arose.

C. The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, The Company recognized 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.

(a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, The Company measured and recognized 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 chose, 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.

On 1 January 2019, The Company's right-of-use asset and lease liability increased by NT$3,956 and NT$3,956, respectively.

In accordance with the transition provision in IFRS 16, The Company used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
ii. Rely on its assessment of whether leases are onerous immediately before 1 January 2019 as an alternative to performing an impairment review.
iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of 1 January 2019
iv. Exclude initial direct costs from the measurement of the right-of-use asset on 1 January 2019.
v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

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

(b) Please refer to Note 4 and Note 6 for additional disclosure of lessee and lessor which required by IFRS 16.

(c) As at 1 January 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

i. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on 1 January 2019 was 1.53%.

ii. Operating lease commitments disclosed applying IAS 17 as at 31 December 2018, discounted using the incremental borrowing rate on 1 January 2019; and lease liabilities recognized in the balance sheet as at 1 January 2019 is summarized as follows: :

Operating lease commitments disclosed applying IAS 17 as at 31 December 2018	$4,104
Discounted using the incremental borrowing rate on 1 January 2019	$3,956
Add/(less): adjustments to the options to extend or terminate the lease that is reasonably certain to exercise (if any)	-
The carrying value of lease liabilities recognized as at 1 January 2019	$3,956

D. The Company is a lessor and has not made any adjustments. Please refer to Notes 4 and 6 for the information relating to the lessor.

(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	Definition of a Business - Amendments to IFRS 3	1 January 2020
b	Definition of Material - Amendments to IAS 1 and 8	1 January 2020
c	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020

(a) 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.

(b) Definition of a 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 amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

(c) Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

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

The amendments include:

(1) highly probable requirement
When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

(2) prospective assessments
When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

(3) IAS 39 retrospective assessment
An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80–125%) for hedging relationships directly affected by the interest rate benchmark reform.

(4) separately identifiable risk components
For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

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 2020. The standards and interpretations have no material impact on the Company.

(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	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2022

(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. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(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 Company 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; and
(3) a risk adjustment for non-financial risk.

The carrying amount of a Company 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 (Premium Allocation Approach) mainly for short-duration contracts.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

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. As the Company is still currently determining the potential impact of the standards and interpretations listed under (c), it is not practicable to estimate their impact on the Company at this point in time. The remaining new or amended 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 2019 and 2018 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 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 financial statements in foreign currency

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

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

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

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

(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 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 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.

(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.

(2) Impairment of financial assets

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.

D. For lease receivables arising from transactions within the scope of IFRS 16 (before 1 January 2019: IAS 17), 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.

(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

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

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.

<u>Equity instruments</u>

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

Compound instruments

The 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.

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 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.

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting of financial instruments

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

(8) Derivative instrument

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

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

When the host contracts are either non-financial assets or liabilities, 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 designated at fair value though profit or loss.

(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:

Merchandise – Purchase cost on weighted average method.

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.

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. 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.

(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	5～55 years
Machinery and equipment	4～10 years
Transportation equipment	5 years
Furniture, fixtures and equipment	2～5 years
Right-of-use assets/leased assets (note)	5 years
Other equipment	2～6 years

Note: The Company reclassified the lease assets to right-of-use assets after the adoption of IFRS 16 on 1 January 2019.

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

<u>The accounting policy adopted on 1 January 2019 is as follows:</u>

For contracts entered on or after 1 January 2019, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

(a) The right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

The Company elected not to reassess whether a contract is, or contains, a lease on 1 January 2019. 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.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) Fixed payments (including in-substance fixed payments), less any lease incentives receivable.
(b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
(c) Amounts expected to be payable by the lessee under residual value guarantees.
(d) The exercise price of a purchase option if the Company is reasonably certain to exercise that option.
(e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

The accounting policy adopted before 1 January 2019 is as follows:

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.

(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 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.

Some rendering of services contracts of the Company, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

(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) Share-based payment transactions

The cost of equity-settled transactions between the Company 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.

(22) Income Tax

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

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions

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

(a) Fair value of financial instruments

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

(b) Impairment of Non-financial Assets

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

(c) Pension benefits

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

(d) Share-based payment transactions

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

(e) Revenue recognition – sales returns and allowance

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.

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

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

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.

(h) Inventories valuation

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.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As at 31 December	
	2019	2018
Cash on hand	$326	$330
Demand deposits	602,245	403,188
Time deposits	63,530	74,718
Total	$666,101	$478,236

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

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

	As at 31 December	
	2019	2018
Mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments		
Fund beneficiary certificate	$10,081	$-
Unlisted company stocks	94,648	-
Forward foreign exchange contracts	8,368	$9,798
Total	$113,097	$9,798

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.

(3) Trade receivables and trade receivables-related parties

	As at 31 December	
	2019	2018
Trade receivables - non related parties	$1,041,639	$1,358,993
Less: allowance for sales returns and discounts	(130,946)	(136,036)
Less: allowance for doubtful debts	-	-
Subtotal	$910,693	$1,222,957
Accounts receivable - related parties	53,757	129,992
Accounts receivable, net	$964,450	$1,352,949

Trade receivables are generally on 7-150 day terms. The total carrying amount as at 31 December 2019 and 2018 were $1,095,396 and $1,488,985, respectively. Please refer to Note 6 (17) for more details on loss allowance of trade receivables for the years ended 31 December 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

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	
	2019	2018
Merchandise, net	$255,192	$292,018

(b) For the years ended 31 December 2019 and 2018, the Company recognized $7,102,626 and $8,411,860 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			
	2019		2018	
Investees	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in subsidiaries:				
Globe Union Industrial (B.V.I.) Corp.	$3,456,308	100%	$4,116,980	100%
Globe Union (Bermuda) Ltd.	3,444,385	100%	3,484,764	100%
Globe Union Cayman Corp.	1,182,817	100%	985,627	100%
Home Boutique International Co., Ltd. (HBI Co., Ltd)	-	-	548,315	86.319%
GU PLUMBING de MEXICO S.A. de C.V.	1,358,817	100%	-	-
Total	$9,442,327		$9,135,686	

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

On 31 December 2019, 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)

The board of directors approved the sale of 35,162,689 shares of Home Boutique International Co., Ltd. to Singular Point Ltd. on 2 August 2019, and the transaction of 27,422,937 shares was completed on 23 September 2019. Therefore, the percentage of ownership that the Company held in Home Boutique International Co., Ltd. decreased from 86.319% to 19%. Due to the loss of control, Home Boutique International Co., Ltd. is no longer a subsidiary of the Company.

The Company established a subsidiary, GU PLUMBING de MEXICO S.A. de C.V., in Mexico in August 2019.

(b) For the years ended 31 December 2019 and 2018, 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 2019:

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.	$78,183	$(83,647)	$(8,912)	$-
Globe Union Cayman Corp.	167,093	4,860	25,237	-
Globe Union Industrial (B.V.I.) Corp.	78,048	(97,120)	-	-
Home Boutique International Co., Ltd.	5,560	-	-	-
GU PLUMBING de MEXICO S.A. de C.V.	(127,549)	(29,600)	(832)	-
Total	$201,335	$(205,507)	$15,493	$-

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

b. 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	$-

(6) Property, plant and equipment

	31 Dec. 2019 (Note)	31 Dec. 2018
Owner occupied property, plant and equipment	$76,923	
Property, plant and equipment leased out under operating leases	-	
Total	$76,923	

Note: The Company adopted IFRS 16 on 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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

(1) Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
Cost:						
As at 1 Jan. 2019	$133,425	$19,006	$4,650	$68,070	$12,103	$237,254
Additions	-	-	-	1,844	3,014	4,858
Disposals	(581)	(1,472)	-	(85)	-	(2,138)
As at 31 Dec. 2019	$132,844	$17,534	$4,650	$69,829	$15,117	$239,974
Depreciation and impairment:						
As at 1 Jan. 2019	$63,330	$18,595	$4,650	$57,000	$9,266	$152,841
Depreciation	4,525	297	-	4,867	2,659	12,348
Disposals	(581)	(1,472)	-	(85)	-	(2,138)
As at 31 Dec. 2019	$67,274	$17,420	$4,650	$61,782	$11,925	$163,051
Net carrying amount:						
31 Dec. 2019	$65,570	$114	$-	$8,047	$3,192	$76,923

(2) Property, plant and equipment leased under operating leases (prior to the application of IFRS 16)

	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
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
Net carrying amount:						
31 Dec. 2018	$70,095	$411	$-	$11,070	$2,837	$84,413

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

(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 2019 and 2018.

(7) Intangible assets

	Computer software	Trademarks	Total
Cost:			
As at 1 Jan. 2019	$75,078	$90,421	$165,499
Addition-acquired separately	1,103	-	1,103
As at 31 Dec. 2019	$76,181	$90,421	$166,602
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
Amortization and impairment:			
As at 1 Jan. 2019	$70,207	$64,048	$134,255
Amortization	3,638	9,042	12,680
As at 31 Dec. 2019	$73,845	$73,090	$146,935
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
Net carrying amount:			
As at 31 Dec. 2019	$2,336	$17,331	$19,667
As at 31 Dec. 2018	$4,871	$26,373	$31,244

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

	2019	2018
Operating costs	$-	$-
Operating expenses	$12,680	$16,988

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

(8) Other non-current assets

	As at 31 December	
	2019	2018
Deposits-out	$362	$162
Others	2,733	3,633
Total	$3,095	$3,795

(9) Short-term loans

		As at 31 December	
	Interest Rates (%)	2019	2018
Unsecured bank loans	0.88%-0.93%	$1,235,000	$998,000

The Company's unused short-term lines of credits amounted to $1,071,400 and $1,051,360 as at 31 December 2019 and 2018, respectively.

(10) Other payables

	As at 31 December	
	2019	2018
Other payables – related parties	$98,152	$315,132
Others	2,272	3,341
Total	$100,424	$318,473

(11) Accrued expenses

	As at 31 December	
	2019	2018
Accrued payroll and bonus	$60,291	$73,756
Accrued pension	26,602	-
Accrued freight	20,781	29,254
Others	150,667	171,515
Total	$258,341	$274,525

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

(12) Long-term loans

Details of long-term loans as at 31 December 2019 and 2018 are as follows:

(a) As at 31 Dec. 2019

Lenders	Type	As at 31 Dec. 2019	Maturity date and terms of repayment
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.
CTBC Bank (Leading Bank of Syndicated Loan)	Syndicated bank loans	350,000	2019/10-2023/07 Interest is paid monthly.
Yuanta Bank	Credit	300,000	2019/04-2022/03 Interest is paid monthly.
CTBC Bank	Credit	200,000	2019/10-2021/12 Interest is paid monthly.
KGI Bank	Credit	180,000	2019/09-2021/09 Interest is paid monthly.
The Shanghai Commercial & Savings Bank, Ltd.	Credit	100,000	2019/06-2021/06 Interest is paid monthly.
Taishin International Bank	Credit	100,000	2019/11-2021/11 Interest is paid monthly.
Bank SinoPac	Credit	100,000	2019/10-2022/05 Interest is paid monthly.
Taipei Fubon Commercial Bank	Credit	100,000	2019/12-2022/11 Interest is paid monthly.
O-Bank	Credit	100,000	2019/09-2021/09 Interest is paid monthly.
Subtotal		$2,530,000	
Less: current portion		(100,000)	
Total		$2,430,000	
Interest rate		1.230%-1.797%	

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

(b) As at 31 Dec. 2018

Lenders	Type	As at 31 Dec. 2018	Maturity date and terms of repayment
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.
KGI Bank	Credit	140,000	2018/10-2020/10 Interest is paid monthly.
CTBC Bank	Credit	100,000	2018/12-2020/12 Interest is paid monthly.
Far Eastern International Bank	Credit	100,000	2018/12-2020/12 Interest is paid monthly.
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.
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.
Subtotal		$1,395,769	
Less: current portion		(55,769)	
Total		$1,340,000	
Interest rate		1.263%-1.797%	

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

(13) 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 2019 and 2018 were $7,561 and $7,331 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 $0 to its defined benefit plan in the next year starting from 31 December 2019.

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

The average duration of the defined benefits plan obligation as at 31 December 2019 and 2018, were 15 years and 14 years.

Pension costs recognized in profit or loss for the years ended 31 December 2019 and 2018:

	For the years ended 31 December	
	2019	2018
Current period service costs	$437	$2,781
Interest income or expense	39	903
Total	$476	$3,684

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

	As at		
	31 December 2019	31 December 2018	1 January 2018
Defined benefit obligation	$97,686	$81,350	$135,765
Plan assets at fair value	(81,293)	(77,735)	(70,801)
Defined benefit obligation	$16,393	$3,615	$64,964
Other non-current liabilities	-	-	(3,188)
Other non-current liabilities - the Company expects to contribute in the coming year	-	(88)	(1,320)
Other non-current liabilities - defined benefit obligation	$16,393	$3,527	$60,456

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 2018	$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

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

	As at		
	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
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
Current period service costs	437	-	437
Net interest expense (income)	876	(837)	39
Subtotal	82,663	(78,572)	4,091
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	731	-	731
Actuarial gains and losses arising from changes in financial assumptions	16,068	-	16,068
Experience adjustments	(1,776)	(2,633)	(4,409)
Subtotal	15,023	(2,633)	12,390
Payments from the plan	-	-	-
Contributions by employer	-	(88)	(88)
As at 31 December 2019	$97,686	$(81,293)	$16,393

(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	
	2019	2018
Discount rate	0.80%	1.08%
Expected rate of salary increases	3.00%	2.00%

A sensitivity analysis for significant assumption as at 31 December 2019 and 2018 is, as shown below:

	Effect on the defined benefit obligation			
	2019		2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$-	$6,792	$-	$5,136
Discount rate decrease by 0.5%	7,414	-	6,384	-
Future salary increase by 0.5%	7,212	-	6,292	-
Future salary decrease by 0.5%	-	6,684	-	5,120

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.

(14) Equities

(a) Common stock

The Company’s authorized capital was $6,000,000 on 1 January 2018, divided into 600,000,000 shares with par value of NT$10 each. The paid-in capital amounted to $3,668,560, with 367,390,962 shares issued. Among the issued and outstanding shares, 535,000 shares have not completed the registration process and were booked as collection in advance in the amount of $7,329. Each share has one voting right and a right to receive dividends.

The Company issued employee share option in 2015. As of 1 January 2018, the employees converted their options into 2,502,000 shares at NT$13.7 per share. The above share options executed amounted to 535,000 shares which have completed the registration process in the first quarter of 2018 and have converted into common stock.

For the year ended 31 December 2018, the employees converted their options into 205,000 shares at NT$13.7 per share and 614,000 shares at NT$12.7 per share, a total of 819,000 shares were converted. As at 31 December 2018, the above share options executed amounted to 3,321,000 shares, among them, 3,271,000 shares have completed the registration process while 50,000 shares have not and were booked as collection in advance.

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 paid-in capital amounted to $3,681,600, with 368,209,962 shares issued. Among the issued and outstanding shares, 50,000 shares have not completed the registration process and were booked as collection in advance in the amount of $635. Each share has one voting right and a right to receive dividends. The above share options executed was 50,000 shares have completed the registration process in the first quarter of 2019 and have converted into common stock.

The Company resolved at its board meeting held on 11 March 2019 to retire 12,000,000 shares of treasury stock. The record date of capital decrease was 14 March 2019. The abovementioned transaction was approved by the competent authority on 22 March 2019.

The Company resolved at its board meeting held on 8 November 2019 to retire 1,000,000 shares of share options plan in the amount of $10,000. The record date of capital decrease was 27 November 2019. The abovementioned transaction was approved by the competent authority on 27 November 2019.

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

For the year ended 31 December 2019, the employees converted their options into 533,000 shares at NT$12.7 per share and 796,000 shares at NT$11.8 per share, with a total of 1,329,000 shares were converted. The above share options executed amounted to 4,650,000 shares, among them, 4,324,000 shares have completed the registration process while 326,000 shares have not and were booked as collection in advance.

As at 31 December 2019, the Company's authorized capital was $6,000,000, divided into 600,000,000 shares with par value of NT$10 each. The paid-in capital amounted to $3,562,130, divided into 356,538,962 shares. Among the issued and outstanding shares, 326,000 shares have not completed the registration process and were booked as collection in advance in the amount of $3,847. Each share has one voting right and a right to receive dividends.

(b) Capital surplus

	As at 31 December	
	2019	2018
Additional paid-in capital	$954,933	$984,616
Share of changes in net assets of associates and joint ventures accounted for using the equity method	6,005	9,127
Premium from merger	1,895	1,895
Share-based payment transactions	32,381	32,381
Restricted stocks for employees	-	4,000
Total	$995,214	$1,032,019

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. 2019	12,000	$186,207
Decrease	(12,000)	(186,207)
31 Dec. 2019	-	$-

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 2018 and 2017 earnings distribution and dividends per share as resolved by the shareholders' meeting on 31 May 2019 and 25 May 2018, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT$)	
	2018	2017	2018	2017
Legal reserve	$61,822	$69,834		
Special reserve	52,174	184,619		
Common stock -cash dividend	461,808	549,774	$1.30	$1.50

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

Please refer to Note 6(19) for further details on employees' compensation and remuneration to directors and supervisors.

(e) Unearned employee salary

	2019	2018
Beginning balance	$(3,500)	$(8,167)
Recognized shared-based payment expense	3,500	4,667
Ending balance	$-	$(3,500)

The shareholder's meeting resolved to issue restricted stocks for employees. Please refer to Note 6 (15) for details.

(15) 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.

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

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

As at 31 December 2019, 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	3,055	3,055	$11.80

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

	As at 31 December			
	2019		2018	
	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	4,534	$12.70	5,753	$13.70
Converted	(1,329)	12.16	(819)	12.95
Forfeited	(150)	11.80	(400)	12.70
Outstanding at end of period	3,055	$11.80	4,534	$12.70
Weighted average fair value of share options (NT$)	$-		$-	

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

d. The following table contains further details on the aforementioned share-based payment plan as at 31 December 2019:

		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	$11.80	450	2020/10/28	0.83	$11.80	450	$11.80
2015/10/29 Share options plan -8,700 units secondly issued	11.80	2,605	2020/10/28	0.83	11.80	2,605	11.80

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 $0 and $808 in 2019 and 2018. 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

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

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:

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.

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

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.

In November 2019, the Company withdrew 1,000,000 shares of restricted stock for employees for those who did not meet the established conditions, and reduced the capital reserve of restricted stock for employees by $ 4,000 and reversed salary in the amount of $ 14,000.

(16) Operating revenue

	For the years ended 31 December	
	2019	2018
Revenue from contracts with customers		
Sale of goods	$8,261,344	$9,700,524
Less: Sales returns, discounts and allowances	(215,576)	(370,253)
Total	$8,045,768	$9,330,271

(a) Disaggregation of revenue

2019.1.1~2019.12.31

	Vitreous china	Faucets and showerheads	Total
Sale of goods	$3,541,132	$4,504,636	$8,045,768

2018.1.1~2018.12.31

	Vitreous china	Faucets and showerheads	Total
Sale of goods	$3,642,812	$5,687,459	$9,330,271

The Company recognizes revenue when transferring the goods to customers, so the contract performance obligation is satisfied at a point in time.

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

(b) Contract balances

Contract liabilities - current

	2019.12.31	2018.12.31	2018.01.01
Sales of goods	$124,270	$15,191	$2,181

The significant changes in the Company's balances of contract liabilities for the years ended 31 December 2019 and 2018 are as follows:

	For the years ended 31 December	
	2019	2018
The opening balance transferred to revenue	$(15,095)	$(2,088)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	124,174	15,098

(17) Expected credit losses/ (gains)

	For the years ended 31 December	
	2019	2018
Operating expenses – Expected credit losses/(gains)		
Notes receivables	$-	$-
Accounts receivables	-	-
Total	$-	$-

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

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 2019 is as follows:

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

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:

2019.12.31

	Not yet due (note)	Overdue				
		1-90 days	90-180 days	181-365 days	Upon 366 days	Total
Gross carrying amount	$908,525	$55,925	$-	$-	$-	$964,450
Loss ratio	0.00%	0.00%	0.00%	0.00%	0.00%	
Lifetime Expected credit losses	-	-	-	-	-	-
Carrying amount	$908,525	$55,925	$-	$-	$-	$964,450

2018.12.31

	Not yet due (note)	Overdue				
		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

The Group measures the loss allowance of its trade receivables at an amount equal to lifetime expected credit losses. The trade receivables as at 31 December 2019 and 2018 were not overdue. Therefore, the assessment of the Group's loss allowance as at 31 December 2019 and 2018 was measured at 0%, the amount equal to $0.

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

(18) Leases

(1) Company as a lessee (applicable to the disclosure requirement under IFRS 16)

The Company leases various properties, including real estate such as land and buildings, machinery and equipment, transportation equipment and other equipment. The lease terms range from 2 to 10 years. There are no restrictions placed upon the Company by entering into these leases.

The Company's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	As at 31 December	
	2019	2018 (Note)
Land	$3,123	

Statement of Right-of-use assets

	Land
Cost:	
2019.1.1	$3,956
Additions	-
2019.12.31	$3,956
Depreciation:	
2019.1.1	$-
Depreciation	833
2019.12.31	$833
Net carrying amount:	$3,123

Note: The Company adopted IFRS 16 on 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

The Company's additions to right-of-use assets amounted to NT$0 thousand.

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

(b) Lease liabilities

	As at 31 December	
	2019	2018 (Note)
Lease liabilities	$3,147	
Current	$822	
Non-current	$2,325	

Statement of Lease liabilities

Item	Period	Discount rates	As at 31 December 2019
Land	2013/10/1-2023/9/30	1.53%	$3,147

Please refer to Note 6 (20)(c) for the interest on lease liabilities recognized during the year ended 31 December 2019 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 December 2019.

Note: The Company adopted IFRS 16 on 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	As at 31 December	
	2019	2018 (Note)
Land	$833	

Note: The Company adopted IFRS 16 since 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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

C. Income and costs relating to leasing activities

	As at 31 December	
	2019	2018 (Note)
The expenses relating to short-term leases	$1,511	

Note: The Company adopted IFRS 16 on 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

D. Cash outflow relating to leasing activities

The Company's total cash outflows for leases amounted to NT$2,320 thousand.

(2) Operating lease commitments – Company as lessee (applicable to the disclosure requirement in IAS17)

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

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2019 and 2018 are as follows:

	As at 31 December	
	2019 (Note)	2018
Not later than one year		$864
Later than one year but not later than five years		2,592
Later than five years		648
Total		$4,104

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

Operating lease expenses recognized are as follows:

	2019	2018
Minimum lease payments	(Note)	$1,984

Note: The Company adopted IFRS 16 on 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(19) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended 31 December 2019 and 2018:

Function / Nature	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$-	$213,324	$213,324	$-	$213,061	$213,061
Labor and health insurance	-	15,637	15,637	-	14,705	14,705
Pension	-	8,037	8,037	-	11,015	11,015
Directors' remuneration	-	9,343	9,343	-	9,197	9,197
Other employee benefits expense	-	6,097	6,097	-	5,095	5,095
Depreciation	-	13,181	13,181	-	14,235	14,235
Amortization	-	12,680	12,680	-	16,988	16,988

The number of employees of the Company for the years ended 31 December 2019 and 2018 were 197 and 184, respectively. There were 7 and 6 non-employee directors for both years.

The average employee benefits expense for the year ended 31 December 2019 and 2018 were $1,279 and $1,370, respectively.

The average salary and bonus for the year ended 31 December 2019 and 2018 were $1,123and $1,197, respectively. The average salary and bonus decreased by -6% year over year.

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 2019, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2019 to be 3.37% and 0.63% 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 2019 amount to $13,528 and $2,542, respectively. 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. The employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2018 amount to $22,925 and $4,045, respectively, recognized as salary expense.

A resolution was passed at a board meeting held on 5 March 2020 to distribute $13,459 and $2,530 in cash as 2019 employees' compensation and remuneration to directors and supervisors, respectively. The difference of $(81) between the actual employee bonuses and the estimated amount of $16,070 was recognized as an adjustment to current income in 2020.

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.

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

(20) Non-operating income and expenses

(a) Other income

	For the years ended 31 December	
	2019	2018
Interest income		
Financial assets measured at amortized cost	$8,470	$10,078
Others	7,836	8,896
Total	$16,306	$18,974

(b) Other gains and losses

	For the years ended 31 December	
	2019	2018
Foreign exchange gains (losses), net	$23,457	$106,713
Gains on financial assets and liabilities at fair value through profit or loss	38,922	7,976
Others	8,903	(32,122)
Total	$71,282	$82,567

(c) Finance costs

	For the years ended 31 December	
	2019	2018
Interest on loans from bank	$37,657	$31,916
Interest on lease liabilities	55	(Note)
Total	$37,712	$31,916

Note: The Company adopted IFRS 16 on 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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

(21) Components of other comprehensive income

For the year ended 31 December 2019:

	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	$(12,390)	$-	$(12,390)	$2,478	$(9,912)
Share of other comprehensive income/loss of subsidiaries using equity method - remeasurements of defined benefit plans	15,493	-	15,493	-	15,493
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(205,507)	-	(205,507)	-	(205,507)
Total of other comprehensive income	$(202,404)	$-	$(202,404)	$2,478	$(199,926)

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)

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

(22) Income tax

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

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	
	2019	2018
Current income tax expense:		
Current income tax charge	$58,595	$24,072
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	(8,017)	32,601
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	-	(6,347)
Total income tax expense	$50,578	$70,326

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

	For the years ended 31 December	
	2019	2018
Deferred tax expense (income):		
Remeasurements of defined benefit plans	$(2,478)	$2,519
Income tax relating to components of other comprehensive income	$(2,478)	$2,519

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

(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	
	2019	2018
Accounting profit before tax from continuing operations	$385,751	$688,546
Tax at the domestic rates applicable to profits in the country concerned	77,150	$137,709
Tax effect of revenues exempt from taxation	(34,636)	(105,161)
Tax effect of expenses not deductible for tax purposes	4,153	24,125
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
Additional income tax on unappropriated earnings	3,911	-
Total income tax expenses recorded in profit or loss	$50,578	$70,326

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

(a) For the year ended 31 December 2019:

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	$(59)	$(78)	$(2,478)	$-	$2,497
Allowance for sales discounts	27,207	1,018	-	-	26,189
Unrealized exchange gain or loss	(10,451)	(8,673)	-	-	(1,778)
Revaluations of financial assets and liabilities at fair value through profit or loss	(1,960)	(284)	-	-	(1,676)
Deferred tax expense/ (income)		$(8,017)	$(2,478)	$-	
Net deferred tax assets/ (liabilities)	$14,737				$25,232
Reflected in balance sheet as follows:					
Deferred tax assets	$36,625				$38,086
Deferred tax liabilities	$(21,888)				$(12,854)

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

(b) 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 assets and liabilities at fair value through profit or loss	(482)	1,478	-	-	(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)

(c) Unrecognized deferred tax assets

As at 31 December 2019 and 2018, deferred tax assets that have not been recognized amount to $217,322 and $353,292 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 2019 and 2018, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregate to $3,235,185 and $3,794,066 respectively.

(e) The assessment of income tax returns

As at 31 December 2019, 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 2017

(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	
	2019	2018
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$335,173	$618,220
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	354,782	365,195
Basic earnings per share (NT$)	$0.94	$1.69
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands of NT$)	$335,173	$618,220
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$335,173	$618,220
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	354,782	365,195

	For the years ended 31 December	
	2019	2018
Effect of dilution:		
Employee compensation－stock (in thousands)	775	1,398
Employee stock options (in thousands)	1,453	1,628
Restricted stock for employees (in thousands)	-	806
Weighted average number of ordinary shares outstanding after dilution (in thousands)	357,010	369,027
Diluted earnings per share (NT$)	$0.94	$1.68

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.

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

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

(1) Significant transactions with related parties

(a) Sales

	For the years ended 31 December	
	2019	2018
Gerber Plumbing Fixture LLC	$2,961,823	$3,309,305
Globe Union (Canada) Inc.	237,637	289,191
Danze Inc.	19,759	17,550
Total	$3,219,219	$3,616,046

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.

(b) Purchases

	For the years ended 31 December	
	2019	2018
Shenzhen Globe Union Enterprise Co., Ltd.	$3,725,202	$5,010,545
Milim G&G Ceramics Co., Ltd.	2,109,534	2,106,489
Total	$5,834,736	$7,117,034

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	
	2019	2018
Globe Union (Canada) Inc.	$53,736	$78,546
Danze Inc.	21	-
Gerber Plumbing Fixture LLC	-	51,446
Total	$53,757	$129,992

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

(d) Other receivables – related parties

	As at 31 December	
	2019	2018
GU Plumbing de Mexico SA de CV	$60,278	$-
Gerber Plumbing Fixtures LLC	13,128	17,439
Chengxinzhao (Zhangzhou)	1,692	1,692
Globe Union Canada Inc.	54	3
Danze Inc.	28	-
Total	$75,180	$19,134

(e) Accounts payable, net – related parties

	As at 31 December	
	2019	2018
Shenzhen Globe Union Enterprise Co., Ltd.	$1,781,285	$2,234,544
Milim G&G Ceramics Co., Ltd.	9,085	152,512
Total	$1,790,370	$2,387,056

(f) Other payables – related parties

	As at 31 December	
	2019	2018
Globe Union (Bermuda) Ltd.	$45,121	$46,080
Globe Union Canada, Inc.	34,163	4,498
Shenzhen Globe Union Enterprise Co., Ltd.	10,140	3,294
Globe Union Services, Inc.	5,526	6,828
Danze Inc.	1,946	2,978
Gerber Plumbing Fixtures LLC	1,256	384
Globe Union Industrial (BVI) Corp.	-	249,984
Milim G&G Ceramics Co., Ltd.	-	1,029
PJH Group Ltd.	-	57
Total	$98,152	$315,132

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

(g) Accrued expenses

	As at 31 December	
	2019	2018
Globe Union Canada, Inc.	$11,547	$11,068
Globe Union Services, Inc.	9,337	13,134
Danze Inc.	445	2,165
Gerber Plumbing Fixtures LLC	103	201
PJH Group Ltd.	57	56
Total	$21,489	$26,624

(h) Management service expenses

	For the years ended 31 December	
	2019	2018
Globe Union Services, Inc.	$117,072	$107,625
Globe Union Canada, Inc.	74,446	78,791
Total	$191,518	$186,596

(i) Key management personnel compensation

	For the years ended 31 December	
	2019	2018
Short-term employee benefits	$15,519	$38,246
Post-Employment Benefits	429	2,590
Total	$15,948	$40,836

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) 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

None

12. OTHERS

(1) Financial instruments

(a) Categories of financial instruments

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

Financial assets	As at 31 December	
	2019	2018
Financial assets at fair value through profit or loss:		
Held for trading		
Mandatorily measured at Fair value through profit or loss	$113,097	$9,798
Financial assets measured at amortized cost (Note 1)	1,630,225	1,850,198

Financial liabilities		
Financial liabilities at amortized cost:		
Short-term borrowings	$1,235,000	$998,000
Notes and accounts payable	1,870,839	2,556,815
Long-term loans (including current portion with maturity less than 1 year)	2,530,000	1,395,769
Leases liabilities (including current portion with maturity less than 1 year)	3,147	(Note 2)

Note 1: Including cash and cash equivalents (exclude cash on hand), financial assets measured at amortized cost, notes receivable, trade receivables.

Note 2: The Group has adopted IFRS16 since 1 January 2019 and has chosen not to reedit the comparing period in accordance with the transition provision in IFRS 16.

(b) Financial risk management objectives and policies

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

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

(c) Market risk

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

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

a. Foreign currency risk

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

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

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

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

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

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

	Increase (decrease) in equity	Decrease (increase) in profit or loss
For the year ended 31 December 2019	$-	$10,827
For the year ended 31 December 2018	$-	$12,196

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

	Increase (decrease) in equity	Decrease (increase) in profit or loss
For the year ended 31 December 2019	$-	$(14,317)
For the year ended 31 December 2018	$-	$(23,518)

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 2019 and 2018 to decrease/increase by $3,765 and $2,394, 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 2019 and 31 December 2018, amounts receivables from top ten customers represented 46.54% and 45.57% 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.

The Company adopted IFRS 9 to assess the expected credit losses. The Company makes an assessment at each reporting date as to whether the debt instrument investments are still considered low credit risk, and then further determines the method of measuring the loss allowance and the loss rates.

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

The Company used simplified approach (Note) to assess the expected credit losses of accounts receivables. As at 31 December 2019 and 2018, the Company's note receivables are not overdue, and the loss allowances was measured at $0 with the Company's expected credit loss estimated at 0%.

Note: By using simplified approach (loss allowance is measured at lifetime expected credit losses), including accounts and notes receivables.

Financial assets are written off when there is no realistic prospect of future recovery (such as when the issuer or the debtor is in financial difficulties or bankruptcy).

(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.

Non-derivative financial liabilities

	Less than 1year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 Dec. 2019					
Short-term borrowings	$1,237,824	$-	$-	$-	$1,237,824
Notes and accounts payable	1,870,839	-	-	-	1,870,839
Long-term borrowings (including current portion with maturity less than 1 year)	138,516	1,731,365	756,739	-	2,626,620
Other payables	100,424	-	-	-	100,424
Leases liabilities	864	1,728	648		3,240
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

(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 2019:

	Short-term borrowings	Long-term borrowings	Leases liabilities	Total liabilities from financing activities
As at 1 Jan. 2019	$998,000	$1,395,769	$3,956	$2,397,725
Cash flows	237,000	1,134,231	(809)	1,370,422
As at 31 December. 2019	$1,235,000	$2,530,000	$3,147	$3,768,147

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

(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

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:

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

As at 31 Dec. 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	$10,081	$-	$-	$10,081
Forward foreign exchange contracts	-	8,368	-	8,368
Stocks	-		94,648	94,648

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

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2019 and 2018, 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 2019 and 2018 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. 2019		
Forward currency contract	Sell USD 28,900	From Jan. 2020 to Mar. 2020
As at 31 Dec. 2018		
Forward currency contract	Sell USD 39,500	From Jan. 2019 to Mar. 2019

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.

(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. 2019			As at 31 Dec. 2018		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary items:						
USD	$54,663	30.08	$1,644,263	$58,233	30.72	$1,788,928
CNY	43,921	4.32	189,739	26,616	4.46	118,812
CAD	2,605	23.07	60,097	3,676	22.58	83,010
Financial liabilities						
Monetary items:						
USD	$18,670	30.08	$561,594	$18,532	30.72	$569,299
CNY	375,339	4.32	1,621,464	553,454	4.46	2,470,617
GBP	658	39.54	26,017	-	38.88	-

The Company is unable to disclose foreign exchange gains or losses on significant assets and liabilities denominated in foreign currencies because the Company entities have too many functional currencies. The exchange gains (losses) for the years ended 31 December 2019 and 2018 were $23,457 and $106,713, respectively

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

(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 2019: None.

(b) Endorsement/Guarantee provided to others for the year ended 31 December 2019: None

(c) Securities held as at 31 December 2019 (excluding subsidiaries, associates and joint venture):

Company Name	Securities Held	Relationship between Issuer and the Company (Note 1)	Account Stated	As at 31 December 2019			
				Number of shares	Book Value	Ratio%	Fair Value
Globe Union Industrial Corp.	Stocks Home Boutique International Co., Ltd.	-	Financial assets at fair value through profit or loss	7,739,752	$94,648	19%	$94,648
Globe Union Industrial Corp.	Fund beneficiary certificates Fuh Hwa Yu Li money market fund	-	Financial assets at fair value through profit or loss	745,292	$10,081	-	$10,081
				Total	$104,729		$104,729

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

(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 2019:

Company Name	Securities	Account Stated (Note 1)	Counter-party	Relationship	As at 1 January 2019		Puchases		Sales				As at 30 September 2019 (Note 2)	
					Shares	Amount	Shares	Amount	Shares	Selling Price	Book Cost	Profit or Loss on Disposal	Shares	Amount
Globe Union Industrial Corp.	Stocks Home Boutique International Co., Ltd.	Investment accounted for using equity method	Singular Point Ltd.	Non-related party	62,150,000	$548,315	-	$-	27,422,937	$335,352	$326,628	$8,724	7,739,752	$94,648

Note 1: The percentage of ownership that Globe Union Industrial Corp. held in Home Boutique International Co., Ltd. decreased from 86.319% to 19%. Since the Company no longer has control over Home Boutique International Co., Ltd., the stated account of stocks held in the period end should be revised to financial assets at fair value through profit or loss.

Note 2: During the year, Home Boutique International Co., Ltd. reduced capital to return capital to shareholders and offset its accumulated loss .

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

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2019: 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 2019: 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 2019:

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	$3,725,202	30.47%	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	$(1,781,285)	(85.89%)	-
Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	Investee company	Purchase	$2,109,534	17.26%	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	$(9,085)	(0.44%)	-

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

Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	Investee company	Sales	$(2,961,823)	(17.40%)	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	$-	-%	-
Globe Union Industrial Corp.	Globe Union (Canada) Inc.	Investee company	Sales	$(237,637)	(1.40%)	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	$53,736	2.35%	-

(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 2019: None.

(i) Financial instruments and derivative transactions:

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

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

(j) Significant intercompany transactions between consolidated entities are as follows:

(amount exceeding the lower of NT$100 million or 20 percent of the capital stock)

No (Note1)	Company Name	Counter Party	Nature of Relationship (Note2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note 3)
0	Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd	1	Purchases	$3,725,202	Note 4 (1)	21.88%
0	Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd	1	Accounts payable	(1,781,285)	Note 4 (3)	(11.24%)
0	Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	1	Purchases	2,109,534	Note 4 (1)	12.39%
0	Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	1	Sales	(2,961,823)	Note 4 (2)	(17.40%)
0	Globe Union Industrial Corp.	Globe Union (Canada) Inc.	1	Sales	(237,637)	Note 4 (2)	(1.40%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Sales	(3,725,202) RMB (831,474,652)	Note 4(2)	(21.88%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Accounts receivable	1,781,285 RMB 415,101,896	Note 4 (3)	11.24%
2	Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	2	Purchases	2,961,823 USD 95,815,805	Note 4 (1)	17.40%
3	Globe Union (Canada) Inc.	Globe Union Industrial Corp.	2	Purchases	237,637 CAD 10,240,510	Note 4 (1)	1.40%
4	Milim G&G Ceramics Co., Ltd	Globe Union Industrial Corp.	2	Purchases	(2,109,534) RMB (468,972,244)	Note 4 (2)	(12.39%)

Note 1: The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: (1) represents the transactions from the parent company to a subsidiary.

(2) represents the transactions from a subsidiary to the parent company.

Note 3: The ratio of transaction amount to the consolidated income or assets is recognized as follows: for assets or liability, the ratio is accounted as the ending balance to consolidated total assets; however, for income or loss accounts, the ratio is based on mid-term accumulated amount to consolidated income.

Note 4: (1) A small portion of the purchase prices were different from the general purchase price due to technical and quality differences. The other products were purchased solely from related parties and thus the purchase price can’t be compared with other goods purchased from the third parities.

(2) A small portion of the selling prices between related parties were the same as the general selling price. For the other selling prices, there were no comparable goods sold to the third parties.

(3) Assets and liabilities were offset against each othe

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

(2) Information on investees

(a) Names, locations, main businesses and products, original investment amount, investment as at 31 December 2019, net income (loss) of investee company and investment income (loss) recognized as at 31 December 2019 (excluding investees in Mainland China):

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment Amount		Investment as at 31 December 2019			Net income (loss) of investee company	Investment income (loss) recognized	Note
				31 December 2019	31 December 2018	Number of shares	Percentage of ownership (%)	Book value			
Globe Union Industrial Corp.	Globe Union Industrial (B.V.I.)Corp.	P.O. Box 3340, Road Town, Tortola, British Virgin Islands	Holding company	$1,434,538	$1,434,538	44,427,680	100%	$3,456,308	$59,957	$78,048	Note1
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%	$3,444,385	$78,757	$52,180	Note1
Globe Union Industrial Corp.	Globe Union Cayman Corp.	Scotia Center, 4th Floor ,P.O. Box 2804, GerogeTown, Grand Cayman, Cayman Islands	Holding company	$2,590,324	$3,066,924	81,555,901	100%	$1,182,817	$167,093	$167,093	
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	-	-%	$-	$6,442	$5,560	Note2
Globe Union Industrial Cor	GU PLUMBING de MEXICO S.A. de C.V.	Blvd. Isidro López Zertuche No. 3745 La Salle, Saltillo, Coahuila, 25240 Mexico	Manufacturing and selling sanitary ceramic wares	$1,516,798	$-	941,942,420	100%	$1,358,817	$(127,549)	$(127,549)	Note3

Note1: Current investment income from investees recognized by the Company included investment gain/loss recognized by these investees from upstream/downstream transactions.

Note2: The board of directors approved the sale of 35,162,689 shares of Home Boutique International Co., Ltd. to Singular Point Ltd. on 2 August 2019, and the transaction of 27,422,937 shares was completed on 23 September, 2019. Therefore, the percentage of ownership that Globe Union Industrial Corp. held in Home Boutique International Co., Ltd. decreased from 86.319% to 19% and the Company thus lost control over it. For the period from 1 January to 23 September 2019, the amount of profit and loss recorded by Home Boutique International Co., Ltd. was $6,442.

Note3: The Company established a subsidiary, GU PLUMBING de MEXICO S.A. de C.V., in Mexico in August 2019.

(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	Counterparty	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Amount drawn	Interest rate	Nature of financing (Note 5)	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
1	Globe Union Industrial (BVI) Corp.	Globe Union (UK) Ltd.	Other receivable	Yes	$81,700 GBP 2,000,000	$-	$-	-	2	$-	For operating	$-	-	$-	$520,554 (Note 2)	$1,388,145 (Note 1)
1	Globe Union Industrial (BVI) Corp	Globe Union Cayman Corp.	Other receivable	Yes	$40,850 GBP 1,000,000	$-	$-	-	2	$-	For operating	$-	-	$-	$520,554 (Note 2)	$1,388,145 (Note 1)
1	Globe Union Industrial (BVI) Corp	Globe Union Industrial Corp.	Other receivable	Yes	$257,656 RMB 56,000,000	$-	$-	-	2	$-	For operating	$-	-	$-	$520,554 (Note 2)	$1,388,145 (Note 1)

Note 1: Total financing was limited to 40% of net equity of the lender as at 31 December 2019.

Note 2: Financing to individual counterparty was limited to 15% of the net equity of the lender as at 31 December 2019.

Note 3: Financing to individual counterparty was limited to 20% of the net equity of the lender as at 31 December 2019.

Note 4: Code 1 represents an intercompany transaction calls for a loan arrangement; code 2 represents short-term financing

b. Endorsement/Guarantee provided: None.

c. Securities held as at 31 December 2019 (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 2019: None.

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

e. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20 percent of the capital stock for the year ended 31 December 2019: 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 2019: 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 2019:

Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Sales (Purchases)	Amount	Percentage of total sales (purchases)	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	$3,725,202 RMB 831,474,652	(21.88%)	180 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	$1,781,285 RMB 415,101,896	77.86%	-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co.KG	Associate	Sales	$295,217 RMB 65,541,181	(1.73%)	120 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	$85,152 RMB 19,711,096	3.72%	-
Globe Union (Canada) Inc.	Globe Union Industrial Corp.	Group direct parent company	Purchase	$(237,637) CAD (10,240,510)	1.94%	90 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	$(53,736) CAD (2,329,245)	(2.59%)	

(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
			Sales (Purchases)	Amount	Percentage of total sales (purchases)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	Group direct parent company	Purchase	$(2,961,823) USD (95,815,805)	24.23%	7 days after invoice date	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	$- USD -	-%	-
Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	$2,109,534 RMB 468,972,244	(12.39%)	30 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	$9,085 RMB 2,103,089	0.40%	-
Globe Union Germany GmbH & Co.KG	Shenzhen Globe Union Enterprise Co., Ltd.	Associate	Purchase	$(295,217) EUR (8,503,701)	2.41%	120 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	$(85,152) EUR (2,529,534)	(4.11%)	-

h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as at 31 December 2019:

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for bad debts
					Amount	collection status		
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	$1,781,285 RMB 415,101,896	1.81 times	$-	-	$505,809 RMB 415,101,896	$-

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

i. Transactions of derivative financial instruments:

Company Name	Item	Transaction	Nominal Amount	Contract Period	Fair Value
PJH Group LTD	Forward currency contract	Sell	GBP 609 thousand	2019/11-2020/01	$(570)
	Forward currency contract	Sell	GBP 388 thousand	2019/12-2020/01	(193)
	Forward currency contract	Sell	GBP 130 thousand	2019/12-2020/02	56
	Forward currency contract	Sell	GBP 84 thousand	2019/12-2020/01	36
	Forward currency contract	Sell	GBP 43 thousand	2019/12-2020/02	(23)
	Forward currency contract	Sell	GBP 9 thousand	2019/10-2020/01	(7)
				Subtotal	$(701)
Shenzhen Globe Union Enterprise Co., Ltd.	Forward currency contract	Sell	USD 1,000 thousand	2020/01-2020/01	$202
	Forward currency contract	Sell	USD 1,000 thousand	2020/02-2020/02	115
				Subtotal	$317

(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 2019:

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 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as at 31 December 2019	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as at 31 December 2019	Accumulated Inward Remittance of Earnings as at 31 December 2019
					Outflow	Inflow						
Shenzhen Globe Union Enterprise Co., Ltd.	Manufacturing and selling plumbing products	$1,643,587 (RMB 380,459,896)	Investment in Mainland China companies through a company invested and established in a third region	$-	$-	$-	$-	$96,322	100%	$96,322 (Note 1)	$2,750,115	$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 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as at 31 December 2019	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as at 31 December 2019	Accumulated Inward Remittance of Earnings as at 31 December 2019
					Outflow	Inflow						
Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	$966,873 (RMB 223,813,280)	Investment in Mainland China companies through a company invested and established in a third region	$504,870 (USD 16,784,252)	$-	$-	$504,870 (USD 16,784,252)	$65,461	100%	$65,461 (Note 1)	$1,295,286	$-

Accumulated Investment in Mainland China as at 31 December 2019 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$504,870 (USD 16,784,252)	$1,668,968 (USD 55,484,324)	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.

Note 3: The accumulated investment amount in Mainland China as at 31 December 2019 was USD16,784,252. the information of the existing investee companies is as follows:

i. The accumulated investment in Mainland China subsidiaries that were disposed of by the Company (Shenzhen Globe Union Industrial Corp., Qingdao Lin Hong Precision Industrial Corp., and Qingdao Globe Union Technology Industrial Corp.) in the amount of USD 22,441,000 has not been included.

ii. The accumulated amount of dividends repatriated by mainland subsidiaries was not included: Shenzhen Globe Union Industrial Corp.: USD 2,666,816; Shenzhen Globe Union Enterprise Co., Ltd.: USD 5,374,001.

b. Please refer to Note 7 for more details on the significant transactions between the Company and investees in Mainland China in 2019.

Globe Union Industrial Corp.

Chairman：Hsien Ou Yang