

Stock Code : 2636



台驊國際投資控股股份有限公司
T3EX Global Holdings Corp.



2018 Annual Report

Notice to readers

Printed on 05 21, 2019

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System: <http://mops.twse.com.tw>

T3EX Annual Report is available at : <http://www.t3ex-group.com/Investor Relations>

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Overseas Securities Exchange: None**Corporate Website**

<http://www.t3ec-group.com>

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Letter to Shareholders

Now, I hereby thanks to every shareholders on behalf of T3EX group for your cares and supports. The Company still keeps the strong business foundation and sensitive market insight to expand the business scale and increase global operating locations including Taiwan, Hong Kong, China, Japan, Korea, Vietnam, Thailand, Cambodia, Singapore, Malaysia, and Indonesia. By effective group resource integration, the Company not only provide an international logistics services but also provide comprehensive logistics such as customs declaration, warehousing, delivering, and supply-chain management. Via deep local culture cultivation and more potential markets development, the Company anticipates that the brand will step to a level of global market leader.

2018 Review

Expressed in thousands of New Taiwan Dollars	2018	2017	YoY
Revenue	11,536,269	10,537,008	9.48%
Gross Profit	1,963,236	1,924,035	2.04%
Gross Margin	17.02%	18.26%	-1.24%
Profit after tax	366,598	252,737	45.05%
EPS(Dollars)	3.07	2.07	48.31%

In 2018, our revenue has made a new record, reaching NT\$11.536 billion, increasing 9.48% from 2017, and the revenue exceeded NT\$10 billion for the second consecutive year. As for our profit, the net profit after tax reached NT\$366 million, and the after-tax earnings per share reached NT\$3.07, which is our best achievement since listing.

As for products, since the trade war between the United States and China started in the second half of 2018, manufacturers shipped goods in large quantities in the second half of 2018 in order to avoid tariffs. The freight and volume for ocean and air freight market skyrocketed during the second half of the year, the 2018 revenue for shipments by ocean reached NT\$6.5 billion, increasing 10% from the same period of last year; gross profit reached NT\$1.1 billion, which is about equivalent to the same period of last year. The volume of ocean shipment increased by 12% compared with the same period of last year. The revenue of air freight operations reached NT\$3.46 billion, increasing 15% from the same period last year. The gross profit reached NT\$470 million, increasing 10% from the same period last year. The volume of air shipment increased 6% compared with the same period last year.

In 2018, the revenue of logistics business was NT\$1.56 billion, a slight decrease of 4% compared with the same period of last year. The gross profit reached NT\$380 million, a slight increase of 3% compared with the same period of last year. Although the revenue of logistics business decreased slightly, profit grew. This was mainly due to the downsizing of logistics business in the subsidiary in Shanghai, which significantly reduced losses.

2019 Outlook

1. The outlook of ocean freight market:

As the implementation date for 2020 low-sulphur fuel compliance by the International Maritime Organization (IMO) is approaching, shipping companies are

speeding up the dismantling of old ships and retrofitting on existing ships to install exhaust scrubbers; according to Alphaliner survey, a little more than 30 container ships each month will be removed from service to retrofit them with scrubbers in the second half of this year. The container ship capacity continues to decline, and it is expected that supply and demand can be balanced this year.

In order to reduce the impact of the trade war between the United States and China on the ocean business, the Company continued to develop non-US routes such as Europe, Africa, the Middle East, New Zealand and Australia, and continue to invest in the Southeast Asian market. As the trade war between the United States and China continues to affect the global economic and trade environment, the global supply chain structure is transferring to different regions. Southeast Asia with its demographic dividend and land resource is benefiting the most. The company has been developing the Southeast Asian market for more than 10 years. Currently, it has established more than 10 branches in Vietnam, Thailand, Singapore, Malaysia, Cambodia and Indonesia. The overall revenue from the East Asia region for the first quarter of the year (including Southeast Asia, Japan and South Korea) increased 113% compared with the same period last year. The group will also set up a new company in the Philippines this year, and continue to develop the ASEAN market in the future.

2. The outlook of China-Europe Railway:

According to the statistics of China Railway, in 2018, there were 6,300 China-Europe train, an increase of 72% each year and approximately the sum of all the China-Europe railways heading from 2011-2017, 80% of the goods are concentrated in Chengdu, Chongqing, Xi'an, Wuhan and Zhengzhou; the 2nd Belt and Road Forum for International Cooperation was held in Beijing on 25th of April in 2019. The 2019 goals for China-Europe railway set by the Chinese government are to promote the utilization of information technology and create digital railways and to strengthen the integration of China-Europe railways and local industries. Therefore, promoting the China-Europe railway business is one of the main objectives of the local government of China.

The company started China-Europe railway business in 2014. In 2019, we founded a railway division and mainly focus on the China-Europe railway business and established teams in 17 cities including Zhengzhou, Dalian, Chengdu, Chongqing, Xi'an and Wuhan. For the first quarter of 2019, the gross profit of China-Europe railway business increased 24% compared with the same period of last year and in April 2019, we booked an entire train from Zhengzhou to Hamburg, German for the first time and the revenue from a single train is nearly \$RMB 1 million. We will continue to strive for the business opportunities of booking entire trains by expanding our collaboration with overseas agencies in Russia and Europe in the future to actively promote the China-Europe railway business.

3. The outlook of air freight market:

There has been a slowdown in this year's demand for electronic consumer products and the trade war between the United States and China has caused tension in the global trade environment. Our customers have responded by reducing inventory, thus it is expected that momentum for global trade will slow down this year. However, the Company still facilitates growth in its air cargo business by its own sales abilities, such as attracting orders from the international enterprise customer through our

investments in the Singaporean logistics and warehouse company ATP in the fourth quarter of 2018, increase orders by striving for agency opportunities in Europe, China and Middle Eastern markets, and continue to increase volume of logistics services to cross-border e-commerce.

4. The outlook of China domestic logistics:

In 2018, China held its first China International Import Expo in Shanghai. The president of China, Xi Jinping said in his opening speech that China would lower tariffs and reduce the cost of the importing procedures. He announced that China will import goods worth \$USD 24 trillion in the next 15 years, and China will be transformed from a “major exporting country” to a “major importing country” and transformed from “world’s factory” to “world’s market.” With the promotion of the Chinese government, logistics importing service will be urgently needed. China is currently the country with the biggest demand for logistics services in the world, but most of the resources are scattered and divided, resulting in high logistics costs. Therefore, providing customers with efficient logistics supply chain will be the key to success.

Future operating strategy and development plan

With globalization, global procurement, global production, global circulation, and global consumption have become the growing trend, and the logistics industry is also facing a critical period of transition toward intelligent logistics. The T3EX group supply chain platform expanded its service from business-to-business to business-to-business-to-consumer through its many services such as multimodal transport, warehousing and distribution, e-commerce platform, cross-border e-commerce logistics, customs declaration and supply chain finance. At the same time, integrated logistics, product flow, data and cash flow through big data analysis to gain higher added value. This year, the T3EX group will continue to integrate internal resources and operate on an asset-light strategy. The main priorities are:

1. Develop various route and market through multimodal transport.
2. Build smart warehouse of B2B2C.
3. Develop cross border e-commerce logistics including Inter-Asia, USA and Europe area.
4. Develop supply chain finance service.

We will continue to strengthen our expertise and create greater values for our shareholders.

Chairman: David Yen
General Manager: Echo Wan
Accounting Management: Allen Hou

I. Company Profile

2.1 Date of Incorporation: 02 04, 1987

The date of foundation : T.H.I. Group was set up on 02 04, 1987. In August 2012, the Company changed its name- T3EX Global Holdings Corp.

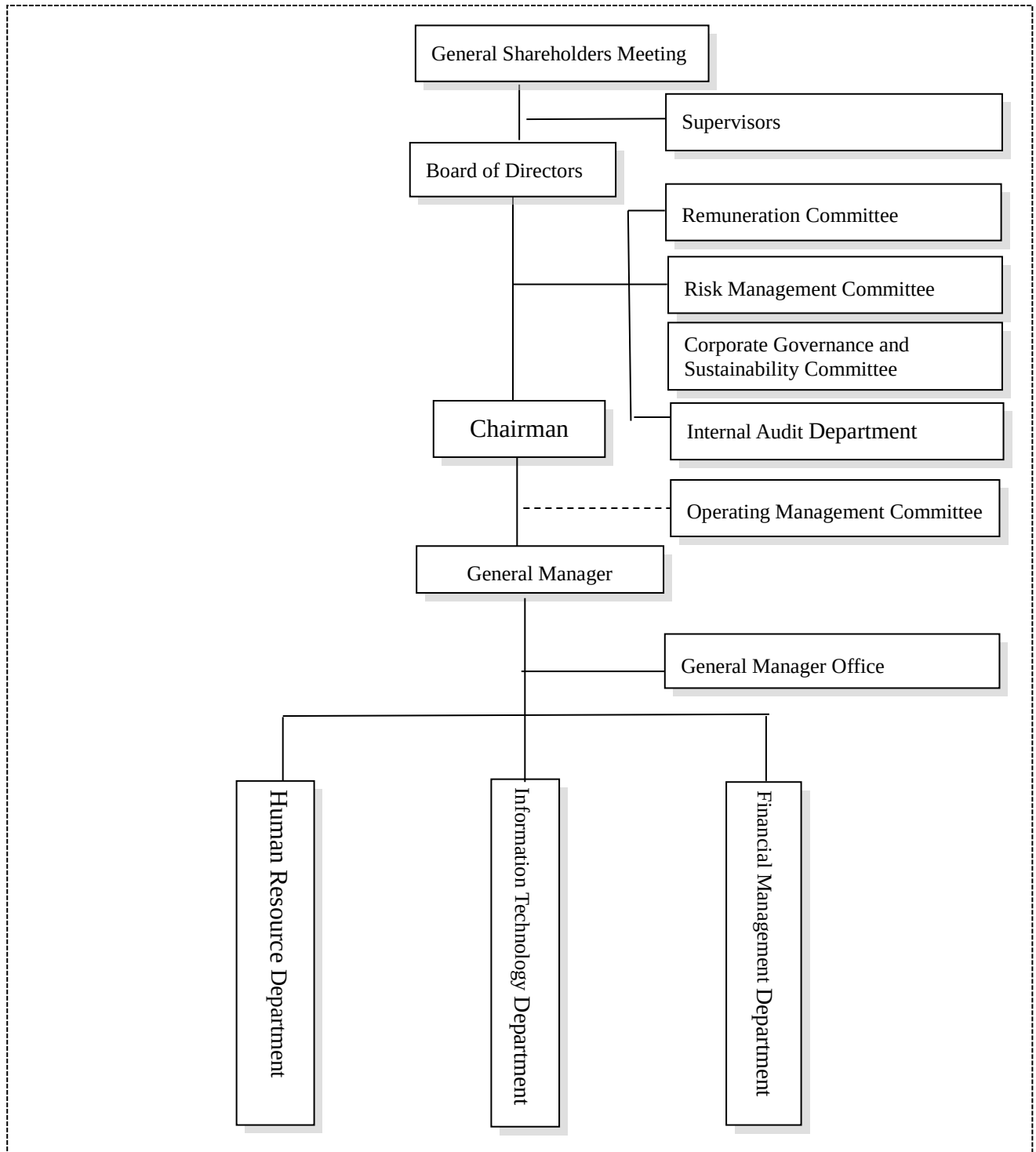
2.2 Company History

MM, Year	Milestones
08, 2012	The Company transformed into holdings company and changed its company name- T3EX Global Holdings Corp through Special Shareholders' Meeting.
02, 2013	The Company invested 30% shares of Joint venture in Indonesia-PT. Dexter Eurekatama.
10, 2013	The Company set up T.H.I. Online, entering into e-commerce business.
01, 2014	The logistics e-commerce platform T.H.I. Online was built by adopting an O2O logistics business model.
01, 2014	The Company issued NTD 300,000,000 convertible bond to reimburse debts.
03,2014	The Company finished par value NTD 100,000,000 fundraising to increase operating capital.
01,2015	The company established T.H.I. GROUP SINGAPORE PTE LTD, the operating headquarters in Southeast Asia.
03,2015	The company raised our shareholdings in THI & Maruzen Inc. to 51%.
08,2015	To reinforce ASEAN plus three regional deployment, the company acquired a 30% stake in Korean logistics company- LOGI International Co., Ltd.
11,2015	To step into e-commerce logistics, the Company acquired 68% shares of Shanghai EXer Logistics Co.,Ltd.
12,2015	To deeply develop warehousing and transportation services in China, we acquired 60% shares of T-Cube Global Logistics Co., Ltd.
04,2016	The company established THI Logistics (Malaysia) SDN BHD, the operating headquarters in Southeast Asia.
12,2016	The company changed its listing from GreTai Securities Market to the Taiwan Stock Exchange.
6,2017	To expand New Zealand and Australia business, the company invested Shanghai Moorluk International Shipping Co.,Ltd.
10,2018	To expand Air cargos and cross border e-commerce business in Southern Asia market , the company invested AIRTROPOLIS EXPRESS(S) PTE LTD. (ATP) in Singapore
1,2019	To develop supply chain finance business, the company established subsidiary - T-SC Factoring Co., Ltd.

II. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Major Corporate Functions

Department	Functions
Remuneration Committee	To make recommendations to the Board on the Company's policy and structure for all Directors, and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.
Risk Management Committee	The company entire risk management structure covers the board of directors, the audit committee, upper management, risk management units and other business units. The board of directors holds ultimate responsibility. Its major goal is promoting and implementing the company's overall risk management.
Corporate Governance and Sustainability Committee	To assist the board to supervises the progress of corporate governance and CSR and to report regularly.
Operating Management Committee	The board of directors holds ultimate responsibility. It major goal is assisting group to deal with the big issue and reporting to president and the Board.
Internal Audit Department	To identify deficiencies in the internal control system, assess the effectiveness and efficiency of operations, and provide appropriate improvement suggestions to ensure the effectiveness of the internal control system as well as for continuous improvement.
Financial Management Department	Responsible for the summarization and supply of accounting information, management and operation of finance and investment, annual budgeting, credit control.
Human Resource Department	Responsible for the planning and execution of human resource management, and planning and execution of general affairs.
Information Technology Department	Responsible for the planning, controlling, design, and implementation of the data processing.
General Manager Office	Responsible for holding the board of meetings, shareholders meetings and others functional meeting, maintaining the public relations, investor relations, company branding and stock affairs, and executing the corporate governance and CSR.

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

05 21, 2019

Title	Nationality/ Country of Origin	Name	Sex	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	R.O.C.	David Yen	Male	05.31. 2016	3	01.16 1993	1,225,197	1.05	796,490	0.68	0	0	0	0	➤ The founder of T3EX group ➤ Shipping & Transportation Management in NTOU	➤ Group chairman of T3EX ➤ Board director: Dynamic Ocean Group, T-Cube logistics, T.H.I. & Mauzen, Hope Ocean, Greatline international, Taiwan Express, EXer logistics, Moorluk International Shipping, T-SC Factoring Co., Ltd. ➤ Chairman: THI Logistics, THI group (Shanghai), and YHI International, THI logistics.	None	None	None

Director	R.O.C.	Jack Lai	Male	05.31.2016	3	05.31.2016	1,865,566	1.60	1,917,552	1.64	491,154	0.42	0	0	➤ The associate vice president of T3EX ➤ DBA in National Taipei University.	➤ The CEO of THI Group ocean business. ➤ Board director: PT. Dexter Eurekatama, THI group (Shanghai), THI Logistics, YHI International, THI Malaysia, T.H.I. Singapore, LOGI International, THI HK, EXer logistics, T-SC Factoring Co., Ltd. AIRTROPOLIS EXPRESS(S) PTE LTD. (ATP), Eastern Union Holdings, Fresh Beauty enterprises. ➤ Chairman : T-Cube logistics, Mooduk International Shipping ➤ General Manager: T.H.I. Vietnam, T.H.I. CAMBODIA, T.H.I. Bangkok	None	None	None
Director	R.O.C.	Tony Lin	Male	05.31.2016	3	05.31.2016	1,258,116	1.08	1,290,728	1.10	0	0	0	-	➤ EMBA in NUS ➤ DBA in TIAS ➤ The GM of DIMERCO	➤ The CEO of THI Group Air business. ➤ The Chairman of T-SC Factoring Co., Ltd. ➤ Board director: T-Cube logistics, T.H.I. & Maruzen, LOGI International, THI Singapore, THI Group (Shanghai), Taiwan Express, EXer Logistics, THI Logistics, YHI International, Fresh beauty enterprise	None	None	None
Director	BVI	Hope Ocean International Ltd		06.17.2013	3	05.31.2016	2,849,003	3.92	3,273,798	2.85	0	0	0	0	-	-	None	None	None

	R.O.C.	Representative: Ji-Zhi Hsieh	Male				0	0	0	0	0	0	0	0	Major in CCU Natural Resource.	➤ The GM and board of director of Mei-Ton Rubber. ➤ The president of CHIEF OVERSEA Trading ➤ The board of director of Cambodia Asia Flour Mill Corp. ➤ THI Logistics board director	None	None	None
Director	Samoa	Dynamic Ocean Group Limited		05.31. 2016	3	06.20 2007	5,086,865	4.37	3,912,398	3.34	0	0	0	0	-	-	None	None	None
	R.O.C.	Representative: Carl Wei	Male				143,484	0.12	143,347	0.12	0	0	0	0	➤ DBA in Fu Jen Catholic University ➤ The CEO of THI Logistics Sea business. ➤ Manager of JI YE Shipping ➤ Manager of Taiming Shipping Agent ➤ The vice president of Kuang Ming Shipping Corp. ➤ The senior vice president of YANG MING MARINE TRANSPORT CORP.	The director of Moorluk International Shipping.	None	None	None

Director	R.O.C.	Benison Hsu	Male	05.31. 2016	3	06.28 2011	1,153,734	0.99	1,191,762	1.02	0	0	0	0	➤ MBA in Tulane University. ➤ The founder of Taiwan Express	➤ Chairman: Taiwan Express, TEC logistics. ➤ Board director: THI logistics, TEC logistics (Shenzhen), TEC logistics (Hong Kong), TEC logistics (USA), Taiwan Express (USA), Hiview Logistics, Central Taiwan Science Park Logistics, INMAX SDN. BHD, AIRTROPOLIS EXPRESS(S) PTE LTD. (ATP). ➤ The supervisor: Orient Air General Sales Agent, GGA Corp. ➤ The independent director of San Far Property Ltd.	None	None	None
Director	R.O.C.	Li-Chiu Chang	Male	05.31. 2016	3	06.17. 2013	0	0	0	0	0	0	0	0	➤ Master of insurance in NCU. ➤ Financial Supervisory Commission ➤ The president of Yuanta Securities. ➤ The GM of Dahwa Securities. ➤ The auditor, chief, and leader of Financial Supervisory Commission ➤ The auditor of National Taxation Bureau of Taipei	➤ Chairman: FOCI Fiber Optic Communications, Panion & BF Biotech Inc., Herbiotek Co., Ltd, ➤ Independent Director: TAYAELECTRIC WIRE & CABLE, ACME Electronics, Tarvex BioPharma, Inc. ➤ The CEO of Sun Ten Group. ➤ Director of SHIDING Venture Capital.	None	None	None

Director	R.O.C.	Ming-Hsu Tsai	Male	05.31. 2016	3	05.31. 2016	0	0	0	0	0	0	0	0	➤ Master of Public Administration in NCU. ➤ The senior vice president of YANG MING MARINE TRANSPORT CORP. ➤ The chairman of Kuang Ming Shipping Corp. ➤ The highest consultant of Yuanta Securities ➤ Sun Ten International, director	The independent director of YANG MING MARINE TRANSPORT CORP.	None	None	None
Supervisor	R.O.C.	YI-WEI INVESTMENT		05.31.	3		411,192	0.57	1,296,889	1.11	0	0	0	0			None	None	None
	R.O.C.	Representative: Chin-Chou Hsu	Male				63,256	0.05	64,518	0.05	20,000	0.01	0	0	➤ Master of Economics in NTU. ➤ Master of Economic in United States John Hopkins University. ➤ The director of Department of International Affairs of FSC. ➤ The deputy chief of Insurance Bureau of FSC. ➤ The chairman of SinoPac Venture Capital.	➤ The independent director of ALLIED CIRCUIT Co, Ltd. ➤ The independent director of Polaris Pharma Co, Ltd.	None	None	None

Supervisor	R.O.C.	Shen-Li Liao	Male	05.31. 2016	2	06.04 2014	0	0	0	0	0	0	0	0	➤ MBA in NCU. ➤ The supervisor of Amazing Microelectronic Corp.	➤ The partner of Candor Taiwan CPAs ➤ The supervisor of Taiwan Express. ➤ The supervisor of SolidPro Technology.	None	None	None
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Major shareholders of the institutional shareholders

05, 21, 2019

Name of Institutional Shareholders	Major Shareholders
DYNAMIC OCEAN GROUP LIMITED	David Yen (33.43%), Mark Richard Laufer (66.57%)
Hope Ocean International Ltd	David Yen (100%)
YI-WEI INVESTMENT Ltd	JIN-CIN YANG (31.70%), HUA-MEI HUNG HSU (23.05%) SHU- HUA YANG (6.92%), JIN-YI YANG (6.92%), SHU-HUEI PEN (6.92%), SHU- FEN YAN (6.92%), YONG-CHANG LI (6.92%), CHUN- CHIEH CHANG (10.66%)

Major shareholders of the Company's major institutional shareholders: None

Professional qualifications and independence analysis of directors and supervisors

05 21, 2019

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas 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	
David Yen	-	-	✓		-	-	-	✓	-	✓	✓	✓	✓	✓	None
Jack Lai	-	-	✓					✓	✓	✓	✓	✓	✓	✓	None
Hope Ocean International Ltd Representative: Ji-Zhi Hsieh	-	-	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	-	None
Dynamic Ocean Group Limited Representative: Carl Wei	-	-	✓				✓	✓	✓	✓	✓	✓	✓	-	None
Tony Lin	-	-	✓					✓	✓	✓	✓	✓	✓	✓	None
Benison Hsu	-	-	✓					✓		✓	✓	✓	✓	✓	1
Li-Chiu Chang	-	-	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Ming-Hsu Tsai	-	-	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
YI-WEI INVESTMENT	-	-	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	-	None
Representative: Chin-Chou Hsu	-	-	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	-	2
Shen-Li Liao	-	-	✓					✓	✓	✓	✓	✓	✓	✓	None

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team

05,21,2019 Unit:shares

Title	Nationality/ Country of Origin	Name	Sex	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager & Spokesman	R.O.C.	Echo Wan	Female	05,31 2016	92,000	0.08	576	0	0	0	➤ The CAO of T3EX. ➤ Senior manager of SinoPac securities underwriting department. ➤ MBA of NCU ➤ Major Accounting in Fu Jen Catholic	None	None	None	None	
Vice President	R.O.C.	Allen Hou	Male	03,26, 2013	14,790	0.01	0	0	0	0	➤ The CFO of massage chairs group of Johnson Health Tech. ➤ The CFO of GRAND HALL ENTERPRISE. ➤ The CFO of Avalue Technology. ➤ Major in NTU Economics. ➤ MBA in CUNY	➤ The CFO of T3EX Global Holdings and Taiwan Express. ➤ The board of directors of THL logistics, Taiwan Express, and T.H.L. & Maruzen Co., Ltd.	None	None	None	None
Vice President	R.O.C.	Melonie Lin	Female	03,14, 2016	144,145	0.12	0	0	0	0	➤ National Taipei University of Business ➤ Manager of Operator Department of THL Logistics. ➤ Manager of Administrative Department of THL	➤ The supervisor of Hiview Logistics. ➤ Manager of Internal IT Department	None	None	None	None
Audit Manager	R.O.C.	Anya Chang Chien	Female	03,26, 2019	974	0	0	0	0	0	➤ University of Bristol Master of science in Accounting Finance and Management ➤ KPMG Accounting Firm Team Leader	None	None	None	None	None

3.2.3 Remuneration of Directors, Supervisors, President, and Vice President

Remuneration of Directors

Year 2018 Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
President	David Yen	0	0	0	0	7,552	7,552	1,170	1,170	2.46	2.46	0	29,958	0	2,618	600	0	600	0	2.63	11.80	0
Directors	Tony Lin																					
Directors	Jack Lai																					
Director	Hope Ocean International Ltd Representative: Ji-Zhi Hsieh																					
Director	Dynamic Ocean Group Limited Representative: Carl Wei																					
Director	PCL TRANSASIA INTERNATIONAL LTD Representative: Eric Lin (Note)																					
Director	Li-Chiu Chang																					
Director	Ming-Hsu Tsai																					
Director	Benison Hsu																					

Note: Resignation on 2018/03/16.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	David Yen, Jack Lai, Benison Hsu, Tony Lin, Li-Chiu Chang, Ming-Hsu Tsai, PCL TRANSASIA INTERNATIONAL Representative : Erick Lin, DYNAMIC OCEAN GROUP Representative : Carl Wei, Hope Ocean International Ltd Representative Ji-Zhi Hsieh	David Yen, Jack Lai, Benison Hsu, Tony Lin, Li-Chiu Chang, Ming-Hsu Tsai, PCL TRANSASIA INTERNATIONAL Representative : Erick Lin, DYNAMIC OCEAN GROUP Representative : Carl Wei, Hope Ocean International Ltd Representative Ji-Zhi Hsieh	David Yen, Jack Lai, Benison Hsu, Tony Lin, Li-Chiu Chang, Ming-Hsu Tsai, PCL TRANSASIA INTERNATIONAL LTD Representative : Erick Lin, DYNAMIC OCEAN GROUP Representative : Carl Wei, Hope Ocean International Ltd Representative Ji-Zhi Hsieh	Li-Chiu Chang, Ming-Hsu Tsai, PCL TRANSASIA INTERNATIONAL LTD Representative : Erick Lin, DYNAMIC OCEAN GROUP Representative : Carl Wei, Hope Ocean International Ltd Representative Ji-Zhi Hsieh
NT\$2,000,001 ~ NT\$5,000,000	0	0	0	0
NT\$5,000,001 ~ NT\$10,000,000	0	0	0	Jack Lai, Tony Lin
NT\$10,000,001 ~ NT\$15,000,000	0	0	0	Benison Hsu, David Yen
NT\$15,000,001 ~ NT\$30,000,000	0	0	0	0
NT\$30,000,001 ~ NT\$50,000,000	0	0	0	0
NT\$50,000,001 ~ NT\$100,000,000	0	0	0	0
Over NT\$100,000,000	0	0	0	0
Total	9	9	9	9

Remuneration of Supervisors

Year 2018 Unit: NT\$ thousands

Title	Name	Remuneration						Ratio of Total Remuneration (A+B+C) to Net Income (%)		Compensation Paid to Supervisors from an Invested Company Other than the Company’s Subsidiary
		Base Compensation (A)		Bonus to Supervisors (B)		Allowances (C)				
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
Supervisors	YI-WEI INVESTMENT Representative: Chin-Chou Hsu	-	-	839	839	120	120	0.27	0.27	None
Supervisors	Shen-Li Liao	-	-	0	0	80	80	0.02	0.02	None
Supervisors	BAO-JYUE INVESTMENT Representative: Mao-Jen Chen (Note)	-	-	839	839	120	120	0.27	0.27	None

Note: Resignation on 2018/8/24.

Range of Remuneration	Name of Supervisors	
	Total of (A+B+C)	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Shen-Li Liao, YI-WEI INVESTMENT Representative: Chin-Chou Hsu BAO-JYUE INVESTMENT Representative: Mao-Jen Chen	Shen-Li Liao, YI-WEI INVESTMENT Representative: Chin-Chou Hsu BAO-JYUE INVESTMENT Representative: Mao-Jen Chen

NT\$2,000,001 ~ NT\$5,000,000	0	0
NT\$5,000,001 ~ NT\$10,000,000	0	0
NT\$10,000,001 ~ NT\$15,000,000	0	0
NT\$15,000,001 ~ NT\$30,000,000	0	0
NT\$30,000,001 ~ NT\$50,000,000	0	0
NT\$50,000,001 ~ NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	3	3

Remuneration of the President and Vice President

Year 2018 Unit: NT\$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manager	Echo Wan	6,301	6,301	301	301	1,303	1,303	550	0	550	0	2.38	2.38	None
Senior Vice President	Allen Hou													
Senior Vice President	Melonie Lin													

Range of Remuneration	President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	-	-
NT\$2,000,001 ~ NT\$5,000,000	Echo Wan, Allen Hou, Melonie Lin	Echo Wan, Allen Hou, Melonie Lin
NT\$5,000,001 ~ NT\$10,000,000		-
NT\$10,000,001 ~ NT\$15,000,000	-	-
NT\$15,000,001 ~ NT\$30,000,000	-	-
NT\$30,000,001 ~ NT\$50,000,000	-	-
NT\$50,000,001 ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	3	3

Unit: NT\$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	General Manager	Echo Wan	0	550	550	0.15
	Senior Vice President	Allen Hou				
	Senior Vice President	Melonie Lin				

3.2.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income.

Year	2018		2017	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Total remuneration paid to directors and supervisors.	11,320	43,896	9,683	39,706
Ratio of total remuneration paid to directors and supervisors to net income (%).	3.19	12.37	4.03	16.54
Total remuneration paid to presidents and vice presidents.	8,455	8,455	6,569	9,161
Ratio of total remuneration paid to presidents and vice presidents to net income (%).	2.38	2.38	2.74	3.82

- A. Comparing to 2017, the decline of the ratio of total remuneration paid to directors, supervisors, president, and vice president to net income in 2018 was caused by of increasing income profit of 2018 and resignations of part of directors and supervisors.
- B. According to the Company's Article of Incorporation, more than 0.5% of profit of the current year distributable as employees' compensation and less than 0.3% of the current year distributable as directors and supervisors' compensation shall be definitely specified in the Articles of Incorporation. However, the company's accumulated losses shall have been covered.
- C. The remuneration of presidents and vice presidents shall be propose by the Remuneration Committee which evaluated and determined in accordance with the individual performance, achievements and the market trends, and submitted to Board of Directors for discussion before sent to the shareholders' meeting for resolution.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 8(A) meetings of the Board of Directors were held in 2018/1/1 to 2019/5/21.

The attendance of directors were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	David Yen	8	0	100.00	None
Director	Hope Ocean International Ltd Representative: Ji-Zhi Hsieh	8	0	100.00	None
Director	Benison Hsu	8	0	100.00	None

Director	Dynamic Ocean Group Limited Representative: Carl Wei	8	0	100.00	None
Director	Jack Lai	7	1	87.50	None
Director	Tony Lin	6	2	75.00	None
Director	PCL TRANSASIA INTERNATIONAL LTD Representative: Eric Lin	0	0	None	2017.2.10 on board 2018.3.16 resignation
Independent director	Li-Chiu Chang	7	1	87.50	None
Chairman	Ming-Hsu Tsai	8	0	100.00	None

Other mentionable items:

1. If there are circumstances referred to in Article 14-3 of the Securities and Exchange Act and resolutions of the directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

Board Meeting Date	Contents of Motion	Independent director's opinions and company's response	Resolution	Article 14-3 of Securities
2018/3/26 (First Meeting in 2018)	Amendment to the Operational procedures for Acquisition and Disposal of Assets.	No opinion	Pass	V
	Amendment to the Operational Procedures for Endorsements and Guarantees.	No opinion	Pass	V
	Evaluation of 2018 the Company's audit fee and independence.	No opinion	Pass	V
	Approval of endorsement and guarantee to the bank loan contracts for the Company's subsidiary-T-Cube logistics.	No opinion	Pass	V
2018/5/7 (Second Meeting in 2018)	Approval of loaning funds to the Company's subsidiary-EXer Logistics from the Company's subsidiary- THI (Shanghai) group.	No opinion	Pass	V
	Approval of the assignment of CPA.	No opinion	Pass	V
	Approval of loaning funds to the Company's subsidiary-Taiwan Express.	No opinion	Pass	V
	Approval of endorsement and guarantee to the bank loan	No opinion	Pass	V

	contracts for the Company's subsidiary.			
	Approval of the contract of Forward Exchange Agreement	No opinion	Pass	V
2018/8/9 (Third Meeting in 2018)	Approval of loaning funds to the Company's subsidiary-TEC logistics (Hong Kong) from THI Group (Hong Kong)	No opinion	Pass	V
	Approval of endorsement and guarantee to the bank loan contracts for the Company's subsidiary.	No opinion	Pass	V
2018/9/13 (Forth Meeting in 2018)	Approval of investment of AIRTROPOLIS EXPRESS(S) PTE LTD. (ATP) from TEC logistics (Hong Kong).	After the Company replied conditions of contract and the background of management to independent directors, the board agreed.	Pass	V
	Approval of endorsement and guarantee to the bank loan contracts for the Company's subsidiary- TEC logistics (Hong Kong).	No opinion	Pass	V
2018/11/6 (Fifth Meeting in 2018)	Approval of endorsement and guarantee to the bank loan contracts for the Company's subsidiary-THI Group (Shanghai).	No opinion	Pass	V
2018/12/7 (Sixth Meeting in 2018)	Approval of loaning funds to the Company's subsidiary-Taiwan Express.	No opinion	Pass	V
2019/3/26 (First Meeting in 2019)	Approval of the assignment of audit manager	No opinion	Pass	V
	Amendment to the Operational procedures for Acquisition and Disposal of Assets.	No opinion	Pass	V
	Amendment to the Operational Procedures for Loaning of Company Funds	No opinion	Pass	V
	Amendment to the "Operational Procedures for Endorsements and Guarantees".	No opinion	Pass	V
	Amendment to the "Internal Control System" and the "Implementation Rules of Internal Control.	No opinion	Pass	V
	Evaluation of 2019 the Company's audit fee and	No opinion	Pass	V

	independence.			
	Approval of loaning funds to the Company's subsidiary-Shanghai Moorluk from THI Group (shanghai).	No opinion	Pass	V
	Approval for the T-SC Factoring Co., Ltd. Fundraising CNY30million from T.H.I. Group (shanghai).	The company will follow the suggestion from independent directors to set a serious risk control system	Pass	V
2019/5/7 (Second Meeting in 2019)	Approval of endorsement and guarantee to the bank loan contracts for the Company's subsidiary.	No opinion	Pass	V
	Approval of the auditor's assignment.	No opinion	Pass	V
	Approval of loaning funds to the Company's subsidiary-Taiwan Express.	No opinion	Pass	V
	Approval of the contract of Forward Exchange Agreement	No opinion	Pass	V

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Board Meeting Date	Director's Name	Contents of Motion	Causes for avoidance and voting should be specified
2018/3/26	Jack Lai Tony Lin	The assignment of director of the Company' subsidiaries.	The issue is related to the director.
2018/5/7	David Yen Carl Wei	The assignment of director of Shanghai Moorluk International.	The issue is related to the director.
2018/9/13	Benison Hsu	TEC logistics (Hong Kong) invested ATP in Singapore.	The issue is related to the director.
2018/11/6	Benison Hsu Jack Lai	The assignment of director of ATP.	The issue is related to the director.
2018/12/7	David Yen Tony Lin Jack Lai	The assignment of director of T-SC Factoring Co., Ltd.	The issue is related to the director.
	Benison Hsu	The assignment of supervisor of Orient Air General Sales Agent, GGA Corp.	The issue is related to the director.
2019/3/26	David Yen Tony Lin Jack Lai	The assignment of director of the subsidiary of T-Cube logistics.	The issue is related to the director.

3. Measures taken to strengthen the functionality of the board: The Company has followed the“ Rules and Procedures of Board of Directors ” , disclosed the related information at website and established the IR Contact institute to maintain shareholders’ relations. Besides, the Board of Directors also has established Remuneration Committee and Audit Committee to assist the board in carrying out its various duties.

3.3.2 Attendance of Supervisors at Board Meetings

A total of 8 (A) meetings of the Board of Directors were held in 2018/1/1 to 2019/5/21.

The attendance of directors were as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) 【 B / A 】	Remarks
Supervisor	YI-WEI INVESTMENT Representative: Chin-Chou Hsu	5	62.50	None
Supervisor	BAO-JYUE INVESTMENT Representative: Mao-Jen Chen	3	37.50	2018.8.24 resignation
Supervisor	Shen-Li Liao	6	75.00	None

Other mentionable items:

1. Composition and responsibilities of supervisors:

- (1) Communications between supervisors and the Company's employees and shareholders (e.g. communication channels and methods, etc.): The Company has set up a supervisor’s mailbox: supervisor@t3ex-group.com.tw, so that employees and shareholders have adequate access to the supervisors for communications.
- (2) Communications between supervisors and the Company's chief internal auditor and CPA (e.g. items, methods and results of the audits of corporate finance or operations, etc.):
 - A. Communications with the chief internal auditor: Supervisors hold the supervisors meeting each quarter and maintain minutes of the meetings. The directors, president and the Company's top management are then notified of important discussions and resolutions. All supervisors had attended on each occasion, and the chief internal auditor was also present at the meetings to report on audit operations and major internal auditing matters, including execution, reporting, and monitoring of the supervisors’ instructions. In addition, supervisors obtained audit reports on a monthly basis, which were submitted by the chief internal auditor.
 - B. Communications with the CPA: Supervisors have held supervisors examination meeting and have obtained the examined reports. All supervisors attended on each occasion, and the CFO, chief internal auditor and CPAs were also present at the meetings to discuss related subjects, including execution, reporting and monitoring of the supervisors’ instructions.

2. If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of the meetings, sessions, contents of motion, resolutions of the directors’

meetings and the company's response to the supervisor's opinion should be specified:
The board of directors have followed the supervisor's suggestion to execute the related issues.

Board Meeting Date	Contents of Motion	Resolution	The company's response
2018/9/13	TEC logistics (Hong Kong) invested ATP in Singapore.	Pass	Supervisor asked missions of original management and the appointment of chairman after investing. The company instructed in detail to supervisor, and acquired the support from supervisor.

3.3.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”. The information has been disclosed on the Company’s website.	None
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		In addition to the existing hotline and email channels, the Company has established an internal operating procedure, and has designated appropriate departments, such as Investor Relations, Public Relations, and stock affairs to handle shareholders’ suggestions, doubts, disputes and litigation.	None
(2) Does the company possess the list of its major shareholders as well as the ultimate	V		The CEO office is responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares.	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
owners of those shares? (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the company establish internal rules against insiders trading with undisclosed information?	V V		Rules are made to strictly regulate the activities of trading, endorsement and loans between the Company and its affiliates. In addition, the “Criteria of Internal Control Mechanism for a Public Company”, outlined by the Financial Supervisory Commission when drafting the guidelines for the “Supervision and Governance of Subsidiaries”, was followed in order to implement total risk control with respect to subsidiaries. To protect shareholders’ rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information. The Company has also strongly advocated these rules in order to prevent any violations.	
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	V		Member diversification is considered by the Board members. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? (3) Does the company establish a standard to measure the performance of the Board, and implement it annually?	V		and terms of service. The Board objectively chooses candidates to meet the goal of member diversification. In order for the sound supervision and reinforcement of management, the Company established the Nomination and Risk Management Committee in addition to the Remuneration Committee. These functional committees shall be responsibilities for the Board of Directors. The board of directors shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities: 1. Ability to make operational judgments. 2. Ability to perform accounting and financial analysis. 3. Ability to conduct management administration. 4. Ability to conduct crisis management. 5. Knowledge of the industry. 6. An international market perspective.	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the independence of CPAs?	V		7. Ability to lead. 8. Ability to make policy decisions. The directors measure their performance in board annually. In this year, the score of board performance was 99.6% (full mark is 100%), and the score of personal performance in board was 100%. The Company evaluates the independence of CPAs annually, ensuring that that they are not stakeholders such as a Board member, supervisor, shareholder or person paid by the Company. In this year, the directors evaluated the independence of CPAs annually in board meeting on March 26, 2019.	
4. Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders’ meetings according	V		The Chairman appointed Echo Wan, the general manager of T3EX holding, as the Company’s Board secretariat. The board secretariat is in charge of assisting in related affairs, including furnishing information required for business decisions by Directors, handling matters relating to Board meetings, Committees meetings and Shareholders’ meetings and recording minutes of relevant meetings, handling corporate registration and amendment registration, communicating with investors, handling	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
to laws, handle corporate registration and amendment registration, record minutes of board meetings and shareholders meetings, etc.)?			shareholders meetings, and executing the missions on the company’s corporate governance and sustainability committee etc.	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company provides detailed contact information, including telephone numbers and email addresses in the “IR Relations” section of the corporate website. In addition, personnel are in place to exclusively deal with issues of social responsibility, ensuring that various interested parties have channels to communicate with the Company.	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates CAPITAL SECURITIES CORP. to deal with shareholder affairs.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	V		The Company has set up a Chinese/English website (www.t3ex-group.com.tw) to disclose information regarding the Company’s financials, business and corporate governance status. The Company has assigned an appropriate person to handle information	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		collection and disclosure. Contact person: Linda Hsu, TEL: +886-2-2753-2093 The Company has established a spokesman system. Investor conference information is disclosed on the corporate website.	
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies,	V		Employee rights and wellness are stated in internal policies as required by relevant laws and regulations. The Company maintains good relationship with customers and suppliers and fulfills its duties as a responsible corporate citizen. Internal control, auditing and self-evaluation procedures are in place, while the Company also purchases insurance coverage for its directors.	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
and purchasing insurance for directors and supervisors)?				
9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange. The Company was ranked in top 6%~20% in Corporate Governance Evaluation in 2018. The implementation status is improving.				

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and executives' compensation.

The Chairman of the Remuneration Committee convened four regular meetings in 2015. The Remuneration Committee Charter is available on the Company's corporate website.

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor 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 areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent director	Li-Chiu Chang			V	V	V	V	V	V	V	V	V	2	
Independent director	Ming-Hsu Tsai			V	V	V	V	V	V	V	V	V	1	
Other	Guo-Yuan Chen			V	V	V	V	V	V	V	V	V	None	

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third

degree of kinship, of any of the persons in the preceding three sub-paragraphs.

5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the Company Law.

B. Attendance of Members at Remuneration Committee Meetings

There are 3 members in the Remuneration Committee.

A total of 3 (A) meetings of the Remuneration Committee were held in 2018/1/1 to 2019/5/21. The attendance of directors were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Li-Chiu Chang	3	0	100	None
Committee Member	Ming-Hsu Tsai	3	0	100	None
Committee Member	Guo-Yuan Chen	3	0	100	None

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified):

Meeting Date of Remuneration committee	Content of Motion	Resolution	Company's response
2018.03.26 (First meeting in 2018)	Approval of the distribution of 2017 compensation of directors and supervisors and employee bonus.	Pass	Pass
	Approval of the distribution of 2017 employee bonus to employees of the company's subsidiary.		
2018.12.07	The policy of remuneration	Pass	Pass

(Second meeting in 2018)	and recruitment in 2019.		
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2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

3.3.5 Corporate Social Responsibility

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
1. Corporate Governance Implementation				
(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	V		CSR management system has been established to oversee the Company’s corporate social responsibility, environmental and occupational health, and implementation of safety measures. Based on the management system, CSR, environmental, safety, and health issues can be monitored and addressed. The Company not only sets up CSR objectives and targets, but also performs internal & external audits. After each audit, proposals containing corrective and preventive actions are reviewed by the management to ensure compliance.	None
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	V		The Company carries out regular trainings sessions and propaganda on corporate social responsibility with its employees every year. For new employees, training on personnel rules, management systems, business ethics, morals, and all other CSR-related subjects are carried out on their first working day to clarify their due responsibilities and obligations.	None
(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in	V		Under the hands-on leadership of our company Chairman and first-line managers, we have designated dedicated personnel, striven to internalize CSR as part of T3EX group employees'	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
charge of proposing the corporate social responsibility policies and reporting to the board?			DNA, and embraced international standards in an effort to become model international corporate citizens.	
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	V		For 2014, the salary remuneration policy has been instituted. In order to focus our employees on improving their performance and enhancing the value of T3EX Group, the objective of the remuneration policy is to ensure that a competitive remuneration package is maintained and benchmarked with others. In addition, T3EX Group recently established a new reward and disciplinary system based on the employee performance appraisal system which includes our corporate social responsibility policy as one of the most important criteria for evaluation.	None
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		The major business of the company is international logistics forwarding which has low impact on environment. At the same time, the company still focus on enhancing the utilization of resource and increasing the efficient of trucks and warehouses through developing smart logistics.	None
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		The company has utilized the smart technology to develop smart logistics. In order to increase the efficient of the trucks and warehouses and reduce the emission of the CO2.	None
(3) Does the company monitor the impact of	V		The company is the logistics services industry so the impact of	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?			climate change would not have important impact on it. The company still has strictly controlled the electricity and water utilization and energy conservation.	
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		T3EX group not only complies with local regulations but also upholds the internationally-recognized human rights of workers and respects the United Nations Universal Declaration on Human Rights, and the International Labor Organization’s fundamental conventions on core labor standards. T3EX group hires all employees equally based on his or her job qualifications regardless of gender, religion, race, nationality or political affiliation.	None
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	V		T3EX Group offers an Employee Relations Hotline on website that provides a channel for employees to express their opinions regarding their work and the overall work environment. The employee relations team ensures all cases are handled with care under the supervision of the first-line managers.	None
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		The company has provided a healthy and safe working environment and organize training on health and safety for employees. The subsidiary also award the AEO certification which stands for the quality of working environment.	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	V		T3EX Group values two-way communications and is committed to keeping the communication channels between the management level and their subordinates, as well as among peers, open and transparent. To ensure that employees’ opinions and voices are heard, and their issues are addressed effectively, impartial submission mechanisms, including quarterly labor-management communication meetings, are in place to provide timely support. Continuous efforts are made to reinforce mutual and timely employee communications, based on multiple channels and platforms, which, in turn, fosters harmonious labor relations and creates a win-win situation for the Company and its employees. At the same time, efforts are made to ensure that employees are informed of current policies.	None
(5) Does the company provide its employees with career development and training sessions?	V		T3EX Group not only assesses and provides feedback on employees’ skills and interests, but also offers training and development activities that match their career development objectives and job needs.	None
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	V		The company set up the stakeholder area on www.t3ex-group.com which can provide the appealing channel for the customers. At the same time, the company also build an online service team, THI ONLINE platform to serve customers.	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		When labeling and advertising its products worldwide, T3EX Group consistently honors regional and national regulations without misleading its customers by exaggerating the information provided.	None
(8) Does the company evaluate the records of suppliers’ impact on the environment and society before taking on business partnerships?	V		The Company has hundreds of suppliers in different regions, and engages in mutual learning for common progress in the areas of social and environmental matters, such as hazardous substance control, environmental protection, labor safety and health, human rights, conflict metals, and carbon footprint. At the same time, suppliers are required to voluntarily inform the Company of any violations against the corporate social responsibility policy.	None
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	V		The employees will follow the supplier management policy of the company when signing contracts with suppliers. If suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society, T3EX Group may terminate any agreements depend on the supplier management policy.	none
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its	V		The company set up the stakeholder area on www.t3ex-group.com which disclosed the relevant and reliable information regarding the corporate social responsibility.	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
website and the Market Observation Post System (MOPS)?				
5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: None				
6. Other important information to facilitate better understanding of the company’s corporate social responsibility practices :				
A. Since 2013, T3EX Group has been committed to joining the social contributions through cnYES for the disadvantage group.				
B. The colleagues of T3EX Group helped the intellectually disabled children to sell cookies in one day for showing their caring.				
C. The subsidiary, Taiwan Express, donated the funds for making angel cakes with Sunny Hills. The funds will help the disadvantage children to finish their study.				
D. The company sponsored YANG MING CULTURAL FOUNDATION to hold the 2017&2018 Keelung Child Artist Festival.				
E. THI logistics Zhengzhou branch donated 50% of reward to Zhengzhou Orphanage in year 2015 to 2016.				

7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: None.

3.3.6 Ethical Corporate Management

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs				None
(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	V		The Company’s Ethical Corporate Management Best-Practice Principles is a guideline to provide high ethical standards for all employees. The principles are disclosed in the annual report and on the company website. The Board of Directors and the management place the greatest importance in adopting the highest standards of integrity and ethics in corporate management and employee work conduct. Bribery, corruption, deception, and all other forms of improper conduct are prohibited.	
(2) Does the company establish policies to prevent unethical conduct with clear statements	V		The Company’s Ethical Corporate Management Best-Practice Principles have established	

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies? (3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate			preventive measures against the following: (a) offering and accepting bribes; (b) illegal political donations; (c) improper charitable donations or sponsorship; (d) Offering or accepting unreasonable gifts or hospitality, or other inappropriate benefits. The aforementioned principles and related regulations were announced and disseminated to employees, managers and Board of Directors to enhance integrity and self-discipline. In order to prevent any unethical conduct, all employees must disclose any matters that have or may have the appearance of undermining the Principle, such as any actual or potential conflict	

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
Management Best-Practice Principles for TWSE/TPEX Listed Companies?			of interest.	
2. Fulfill operations integrity policy				None
(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	V		The Company holds annual business meetings, conveying our integrity requirements to all our business partners. In addition, an ethic-related clause is included in every business contract. If there is any breach of the clause, the Company may terminate the partnership at any time without any further obligation or compensation.	
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	V		The Company assigned CEO office under the Board’s supervision and submits reports to the Board of Directors.	

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		The Company follows the Company Act, the Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Law Against Accepting Bribes Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest and other relevant regulations for listed companies. The Company also conducts due diligence before trading with upstream and downstream companies to minimize the risks. At the same time, the Company has made a hotline available for submissions of regarding conflicts of interest.	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are	V		The Company has established accounting and internal control systems to ensure integrity in our operations. After internal auditors have analyzed	

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
they audited by either internal auditors or CPAs on a regular basis? (5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		and reviewed the annual audit program according to the risk evaluation results, the Company will compile them into an audit report. The Company carries out regular training for employees every quarter. For new employees, training on ethical rules, conflicts of interest, business morals, and all other related subjects are carried out during their first week of work. All employees are required to receive integrity training for at least two hours each year.	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an	V		The Company establishes various reporting channels so that employees and relevant people can report improper business behaviors through	None

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
appropriate person for follow-up?			the system. After a confidential investigation, anyone who violates the regulations on operational integrity will be punished according to the Company’s regulations on reward and punishment. In cases of illegal conduct, legal actions will be taken as well.	
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	V		The Company has in place SOPs authorized by the Board which could be applied on any confidential investigations on such cases.	
(3) Does the company provide proper whistleblower protection?	V		The Company takes whistleblower protection seriously since the core purpose is protection from unlawful reprisal for diligent employees who step forward to identify potential wrongdoing. The	

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			Company has a dedicated hotline for whistleblower protection whether first-line managers and the Board if necessary, can directly review and determine appropriate actions against reprisal of complaints.	
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	V		The Company’s Ethical Corporate Management Best-Practice Principles and the results of our implementation have been posted on the Company’s Chinese / English website and MOPS.	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies).None.				

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

3.3.7 Corporate Governance Guidelines and Regulations:

Please refer to the Company's website at [www. t3ex-group.com](http://www.t3ex-group.com).

3.3.8 Other Important Information Regarding Corporate Governance

1. The company set Corporate Governance and Sustainability Committee on March 26, 2018.

(1)The structure of Corporate Governance and Sustainability Committee:



(2)The Institution of Corporate Governance and Sustainability Committee:

Main Duties:

- a. To assist board to supervise the execution of corporate governance, ethical corporate management, and corporate social responsibility.
- b. To regularly report to board for important corporate social responsibility issues and stakeholders communication outcome.
- c. The execution of Corporate Governance and Sustainability Committee:

Work Plan	Actual Execution
Institute Corporate Governance and Sustainability Committee and the year 2017 work plan of Corporate Social Responsibility.	Approved by BOD meeting on March 26, 2018.
Edit the Year 2017 CSR report- main scope of CSR report	Approved by BOD meeting on May 7, 2018.
Edit the final version of Year 2017 CSR report	Filed in public to MOPS website and the company's website on June 28, 2018.
Institute the year 2018 work plan of Corporate Social Responsibility.	Approved by BOD meeting on August 9, 2018.
Edit the Year 2018 CSR report- the chapter of main scope.	Approved by BOD meeting on November 6, 2018.
Edit the Year 2018 CSR report- the chapter of	Approved by BOD meeting on

stakeholder communications.	March 26, 2019.
Edit the Year 2018 CSR report- the chapter of management letter and corporate governance.	Approved by BOD meeting on May 7, 2019.

2. The Company instituted the Procedures for Handling Material Inside Information.

3.3.9 Internal Control Systems

- Statement of Internal Control System:

T3EX Global Holdings Corp
Statement of Internal Control System

Date: March 26, 2019

Based on the findings of self-assessment, T3EX Global Holding Corp states the following with regard to its internal control system in 2018:

1. T3EX is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. The aim of the internal control system is to provide reasonable assurance to operating effectiveness and efficiency (including profitability, performance and safeguarding of assets), reliability of financial reporting and compliance of applicable laws and regulations.

2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the aforementioned three objectives. Moreover, the effectiveness of an internal control system may be subject to changes of environmental or circumstances. Nevertheless, the internal control system of T3EX contains self-monitoring mechanism and T3EX takes corrective actions whenever a deficiency is identified.

3. T3EX evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control System by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.

4. T3EX has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

5. Based on the findings of the evaluation mentioned in the preceding paragraph, T3EX believes that, as of December 31, 2018, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational effectiveness and efficiency, reliability of financial reporting, and compliance with the applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.

6. This Statement will be integral part of T3EX’s Annual Report for the year 2018, and will be

made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.

7. This Statement has been passed by the Board of Directors in their meeting held on March 26, 2019 with zero of eight attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

T3EX Global Holdings Corp.

David Yen

Chairman

Echo Wan

General Manager



- If the Company is requested by the SEC to retain CPA's service for examining internal control system, the Independent Auditor's Report must be disclosed:
None

3.3.10 Major Resolutions of Shareholders' Meeting and Board Meetings

- Shareholders' meeting:

Date	Major resolutions	Implementation of Resolutions
06,26,2017	1. Approval of the 2017 business report and financial statements. 2. Approval of the proposal for distribution of 2017 profits. 3. Proposal for cash distribution out of capital surplus. 4. Approval of the amendment of the Operational procedures for Acquisition and Disposal of Assets. 5. Amendment to the Operational Procedures for Endorsements and Guarantees. 6. Proposal of Release the Prohibition on Directors from Participation in Competitive Business.	All resolutions of the Shareholders' Meeting have been implemented in accordance with the resolutions.

- Board meeting:

Date:	Major resolutions
03,26,2018	1. Approval of the distribution of 2017 compensation of directors and supervisors and employee bonus. 2. Approval of the distribution of 2017 employee bonus to employees of the company's subsidiary. 3. Approval of 2017 financial statements. 4. Approval of 2017 audited financial statements. 5. Approval of the distribution of 2017 retained earnings. 6. Approval for cash distribution out of capital surplus 7. Approval of the distribution of 2017 subsidiaries' retained earnings. 8. Proposal for 0 payout ratio of major subsidiaries' 2017 earnings. 9. Approval of the Company's "Statement of Internal Control System". 10. Amendment to the Operational procedures for Acquisition and

	Disposal of Assets 11. Amendment to the “Procedures for Ethical Management and Guidelines for Conduct” 12. Amendment to the “Operational Procedures for Endorsements and Guarantees”. 13. Approval of evaluation of directors, supervisors and manager’s performance. . 14. Approved the scheduling of 2018 annual general shareholders’ meeting. 15. Evaluation of 2018 audit fee and independence. 16. Approval of the assignment of subsidiary’s directors. 17. Instituted the Corporate Governance and Sustainability Committee and approved the 2017 CSR report project. 18. Approval of bank financial contracts. 19. Approval of endorsement and guarantee to the bank loan contracts for the Company’s subsidiary-T-Cube logistics.
05,07,2018	1. Approval for the EXer logistics fundraising from THI shanghai logistics. 2. Approval of the assignment of Shanghai Moorluk International Shipping Co.,Ltd board of directors. 3. Approval of the auditor’s assignment. 4. Approval of the scope and outline of 2017 CSR report. 5. Approval of loaning funds to the Company’s subsidiary- Taiwan Express. 6. Approval of bank financial contracts. 7. Approval of the Company’s endorsement and guarantee. 8. Approval of the contract of Forward Exchange Agreement.
08,09,2018	1. Proposal of the cancellation of forth share buyback. 2. Amendment to the Articles of Incorporation of the company’s subsidiary-Taiwan Express Logistics Co., Ltd. 3. Establishment to the subsidiary-Shanghai Moorluk International Shipping Co.,Ltd ’s Operational Procedures for Acquisition and Disposal of Assets, Operational Procedures for Loaning of Company Funds, and Operational Procedures for Endorsements and Guarantees. 4. Approval of Functions of Directors’ and Officers’ (D & O) Liability Insurance. 5. Approval of the year 2018 work plan of Corporate Social Responsibility institution.

	6. Approval of loaning funds to the Company's subsidiary- TEC logistics (Hong Kong) from THI Group (Hong Kong) 7. Approval of bank financial contracts. 8. Approval of endorsement and guarantee to the bank loan contracts for the Company's subsidiary.
09,13,2018	1. Approval of TEC logistics (Hong Kong)'s bank financial contract. 2. Approval of endorsement and guarantee to the bank loan contracts for the Company's subsidiary- TEC logistics (Hong Kong).
11,06,2018	1. The assignment of directors of the company's subsidiary-ATP. 2. Approval of the scope and outline of 2018 CSR report. 3. Approval of bank financial contracts. 4. Approval of endorsement and guarantee to the bank loan contracts for the Company's subsidiary- THI Group (Shanghai).
12,07,2018	1. Approval of the Year 2019 business plan and financial budget. 2. Approval of the Year 2019 internal audit plan. 3. Approval of the assignment of directors of the company's subsidiary- T-SC Factoring Co., Ltd. 4. Approval of the assignment of supervisor of the company's joint venture company- Orient Air General Sales Agent, GGA Corp. 5. Approval of evaluation of directors, supervisors and manager's performance. 6. Proposal of the cancellation of fifth share buyback. 7. Approval of loaning funds to the Company's subsidiary- Taiwan Express. 8. Approval of bank financial contract of the company's subsidiary-Taiwan Express Logistics Co., Ltd.
03,26,2019	1. Approval of the 2018 financial statements. 2. Approval of the 2018 audited financial statements. 3. Approval of the distribution of 2018 compensation of directors and supervisors and employee bonus. 4. Approval of the distribution of 2018 employee bonus to employees of the company's subsidiary. 5. Approval of the distribution of 2018 retained earnings. 6. Proposal of the distribution of 2018 subsidiaries' retained earnings. 7. Proposal for 0 payout ratio of major subsidiaries' 2018 earnings. 8. Proposal of the distribution of 2015-2016 retained earnings of subsidiary-T-cube logistics. 9. Approval of the Company's "Statement of Internal Control System".

	10. Approval of the assignment of the company's audit manager. 11. Establishment to the company's audit committee and the chapter of Audit Committee. 12. Amendment to the Company's Articles of Incorporation. 13. Amendment to the Rules of Procedure for Shareholder Meetings. 14. Amendment to the Procedures for Election of Directors and Supervisors. 15. Amendment to the Operational procedures for Acquisition and Disposal of Assets 16. Amendment to the Operational Procedures for Loaning of Company Funds. 17. Amendment to the Operational Procedures for Endorsements and Guarantees. 18. Amendment to the "Procedures for Ethical Management and Guidelines for Conduct" 19. Amendment to the "Guidelines for the Adoption of Codes of Ethical Conduct". 20. Amendment to the "Rules of Procedure for Board of Directors Meetings". 21. Amendment to the "Internal Control System" and the "Implementation of Internal Control System". 22. Amendment to the " Corporate Governance Best Practice Principles". 23. Amendment to the "Rules Governing the Scope of Powers of Independent Directors". 24. Amendment to the Chapter of Remuneration Committee. 25. Establishment to the compliance with the Establishment of Board of Directors. 26. The election of directors. 27. Proposal the nomination list of directors and independent directors. 28. Proposal of Release the Prohibition on Directors from Participation in Competitive Business. 29. Approved the scheduling of 2019 annual general shareholders' meeting. 30. Approval of the proposal by shareholders who have owned over 1% shares. 31. Approval of the nomination of directors and independent directors by shareholders who have owned over 1% shares.
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	32. Evaluation of 2019 audit fee and independence. 33. Approval of the edition of stakeholder communications chapter of 2019 CSR report. 34. Approval of evaluation of directors, supervisors and manager's performance. 35. The assignment of directors of the company's subsidiary- T-Cube logistics (Suzhou). 36. Approval of bank financial contracts. 37. Approval of loaning funds to the Company's subsidiary- Shanghai Moorluk International Shipping from THI Group (Shanghai). 38. Establishment to the subsidiary-ATP's Operational Procedures for Acquisition and Disposal of Assets, Operational Procedures for Loaning of Company Funds, and Operational Procedures for Endorsements and Guarantees.
05,07,2019	1. Adjustment to the nomination list of independent directors. 2. Amendment to the Company's Articles of Incorporation. 3. Approval of edition of management letter and corporate governance chapter of 2019 CSR report. 4. Amendment to the subsidiary's Operational Procedures for Acquisition and Disposal of Assets. 5. Amendment to the subsidiary's Operational Procedures for Loaning of Company Funds. 6. Amendment to the subsidiary's Operational Procedures for Endorsements and Guarantees. 7. Approval of the cancellation of the endorsements and guarantees for T-Cube logistics. 8. Approval of loaning funds to the Company's subsidiary- Taiwan Express. 9. Approval of bank financial contracts. 10. Approval of the contract of Forward Exchange Agreement.

3.3.11 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors:
None.

1.3.12 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D: None

3.4 Information Regarding the Company's Audit Fee and Independence

3.4.1 Audit Fee

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
KPMG Accounting Firm	Peggy Chen & HENG- SHENG LIN	2018.01.01~2018.05.06	Internal Rotation
KPMG Accounting Firm	CHI-LUNG YU & MEI-PIN WU	2018.05.07~2018.12.31	

Note: If the Company has changed CPA or Accounting Firm during the current fiscal year, the company shall report the information regarding the audit period covered by each CPA and the replacement reason.

Unit: NT\$ thousands

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000			594	594
2	NT\$2,000,001 ~ NT\$4,000,000				
3	NT\$4,000,001 ~ NT\$6,000,000		3,240		3,240
4	NT\$6,000,001 ~ NT\$8,000,000				
5	NT\$8,000,001 ~ NT\$10,000,000				
6	Over NT\$100,000,000				

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
KPMG Accounting Firm	Peggy Chen	3,240	-	-	-	594	594	2018/1/1~2018/05/06	None-Audit Fee Others: TP Fee, Audit report translation.
	HENG-SHENG LIN								
	CHI-LUNG YU							2018/05/07~2018/12/31	
	MEI-PIN WU								

3.4.2 Replacement of CPA:

A. Regarding the former CPA

Replacement Date	May 7, 2018
Replacement reasons and explanations	KPMG Accounting Firm internal rotation.

Describe whether the Company terminated or the CPA did not accept the appointment	Parties		CPA	The Company
	Status			
	Termination of appointment		None	None
	No longer accepted (continued) appointment		None	None
Other issues (except for unqualified issues) in the audit reports within the last two years	None			
Differences with the company	Yes	-	Accounting principles or practices	
		-	Disclosure of Financial Statements	
		-	Audit scope or steps	
		-	Others	
	None	✓		
	Remarks/specify details:			
Other Revealed Matters	None			

B. Regarding the successor CPA

Name of accounting firm	KPMG Accounting Firm
Name of CPA	WistonYu and MeganWu
Date of appointment	May 07, 2018
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

3.4.3 Audit Independence

The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2018.

3.5 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2018		As of May.21, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	David Yen	-	-	-	-
Director	Tony Lin	-	-	-	-
Director	Jack Lai	-	-	-	-
Director	Hope Ocean International Ltd	-	-	-	-
	Representative: Ji-Zhi Hsieh	-	-	-	-
Director	Dynamic Ocean Group Limited	-	-	-	-
	Representative: Carl Wei	-	-	-	-
Independent Director	Li-Chiu Chang	-	-	-	-
Independent Director	Ming-Hsu Tsai	-	-	-	-
Director	Benison Hsu	-	-	-	-
Director	PCL TRANSASIA INTERNATIONAL LTD(03,16,2018 dismissed)	-	-	None	
	Representative: Eric Lin (03,16,2018 dismissed)	-	-	None	
Supervisor	YI-WEI INVESTMENT	-	1,290,000	678,000	(890,000)
	Representative: Chin-Chou Hsu	-	-	-	-
Supervisor	BAO-JYUE INVESTMENT (08,24,2018 dismissed)	-	-	None	
	Representative: Mao-Jen Chen (08,24,2018 dismissed)	-	-		
Supervisor	Shen-Li Liao	-	-	-	-
Vice President	Allen Hou	-	-	-	-
General Manager	Echo Wan	-	-	-	-
Manager of The Internal Audit Department	Melonie Lin	-	-	-	-

3.5.1 Shares Trading with Related Parties: None.

3.5.2 Shares Pledge with Related Parties: None.

3.6 Relationship among the Top Ten Shareholders

As of 04/23/2019 Unit: shares/ %

Name	Current Shareholding		Spouse's/min or's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	Shares	Shares	%	Shares	%	Name	Relationship	
YOU-YI Ltd	4,108,000	3.51	-	-	-	-	GUO-YAN LIAO	The person himself	
Representative: GUO-YAN LIAO	3,097,000	2.64	-	-	-	-			
Dynamic Ocean Group Limited	3,912,398	3.34	-	-	-	-	Hope Ocean International Ltd and Jin-Hua Investment Ltd	Same Representative	-
Representative: David Yen	796,490	0.68							-
Hope Ocean International Ltd	3,339,143	2.85	-	-	-	-	Dynamic Ocean Group Limited and Jin-Hua Investment Ltd	Same Representative	-
Representative: David Yen	796,490	0.68	-	-	-	-			-
Yu-Lian Zeng Li	3,232,000	2.76	-	-	-	-	None	None	-
GUO-YAN LIAO	3,097,000	2.64	-	-	-	-	YOU-YI Ltd	Same Representative	-
Jin-Hua Investment Ltd	2,889,000	2.47	-	-	-	-	Hope Ocean International Ltd and Dynamic Ocean Group Limited	Same Representative	-
Representative: David Yen	796,490	0.68							
Custodian Bank of Taiwan Investment Account of Global Flexible International Partners	2,054,565	1.75	-	-	-	-	None	None	-
YI-WEI INVESTMENT	2,000,774	1.74	-	-	-	-	Hope Ocean International Ltd, Jin-Hua Investment Ltd and Dynamic Ocean Group Limited	The representative is relative within two degrees.	-
Representative: Jun- Zhu Yen	32,167	0.03	-	-	-	-			-
Bao Hung Investment Ltd	1,983,000	1.69	-	-	-	-	None		
Representative: Bao-Tang Zeng	-	-	-	-	-	-			
Long Ying investment Ltd	1,982,229	1.69	-	-	-	-	None	None	-
Representative: Hsiao-Hui Chiu	-	-	-	-	-	-			-

3.7 Ownership of Shares in Affiliated Enterprises

Unit: shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
T.H.I. Group Ltd(in BVI)	1,000,000	100	0	0	1,000,000	100
Greatline International Limited	4,050,000	100	0	0	4,050,000	100
T.H.I. GROUP VIETNAM CO.,LTD	4,950,000,000	99	0	0	4,950,000,000	99
T.H.I. GROUP (BANGKOK) CO., LTD.	0	49	0	0	0	49
THI & Maruzen Co., Ltd.	0	51	0	0	0	51
T.H.I. GROUP SINGAPORE PTE. LTD.	850,000	91.40	0	0	850,000	91.40
THI Logistics (Malaysia) SDN BHD	180,000	90	0	0	180,000	90
Fresh Beauty Enterprise Ltd.	66	66	0	0	66	66
Eastern union holdings limited	0	66	0	0	0	66
LOGI International Co., Ltd.	16,285	30	0	0	16,285	30
Taiwan Express Logistic Co., Ltd.	35,958,400	100	0	0	35,958,400	100
T.H.I. Logistics Ltd	13,000,000	100	0	0	13,000,000	100
T.H.I. GROUP (CAMBODIA) CO., LTD.	0	100	0	0	0	100
PT. Dexter Eurekatama	12,000	30	0	0	12,000	30
T.H.I. Group Ltd(in HK)	12,480,000	100	0	0	12,480,000	100
T.H.I. Group (Shanghai) Ltd.	0	100	0	0	0	100
Shanghai Yaohwa International Forwarder Co., Ltd.	0	100	0	0	0	100
Shanghai Moorluk International Shipping Co.,Ltd.	0	30	0	0	0	30
Taiwan Express (HK) Co., Ltd.	0	100	0	0	0	100
EXer Logistics Co.,Ltd.	0	93.51	0	0	0	93.51

T-Cube Global Logistics Co., Ltd	0	66	0	0	0	66
TEC Logistics Co., Ltd	1,000,000	100	0	0	1,000,000	100
Orient Air General Sales Agent Co.,	60,000	30	0	0	60,000	30
Hiview Logistics Co., Ltd	5,000,000	97.51	0	0	5,000,000	97.51
Taiwan Express (USA) INC.	100,000	100	0	0	100,000	100
TEC LOGISTICS(USA), INC	200	100	0	0	200	100
TEC Logistics (Shenzhen) Co., Ltd.	0	100	0	0	0	100
Air Tropolis Express (S) Pte Ltd.(ATP)	553	65	0	0	553	65
T-SC Factoring Co., Ltd.	0	100%	0	0	0	100%

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

As of 04/23/2019

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
04,2015	10	120,000	1,200,000	101,477	1,014,755	Issuing new shares for conversion of Convertible bond NT\$74,310 thousand and issuing employee stock option NT\$300thousand.	none	04/02/2015 Jin So Son Tzi No.10401056120
08,2015	10	120,000	1,200,000	111,478	1,114,776	Issuing new shares for capital fundraising NT\$100,000 thousand.	none	08/19/2015 Jin So Son Tzi No.10401172110
09,2015	10	120,000	1,200,000	115,107	1,151,067	Issuing new shares for earnings capitalization NT\$36,291 thousand.	none	09/25/2015 Jin So Son Tzi No.10401199780
12,2015	10	120,000	1,200,000	116,042	1,160,421	Issuing new shares for conversion of Convertible bond NT\$6,049 thousand and issuing employee stock option NT\$3,305thousand.	none	12/01/2015 NO.10401250280
08,2016	10	120,000	1,200,000	118,335	1,183,347	Issuing new shares for earnings capitalization NT\$22,927 thousand.	none	08/17/2016 Jin So Son Tz No.10501198620
11,2016	10	120,000	1,200,000	118,972	1,189,723	Issuing new shares for conversion of Convertible bond NT\$2,296 thousand and issuing employee stock	none	11/25/2016 Jin So Son Tz NO.10501272680

						option NT\$4,080thousand.		
04,2017	10	120,000	1,200,000	118,565	1,185,654	Issuing new shares for conversion of Convertible bond NT\$19,296 thousand, issuing employee stock option NT\$275thousand, and cancelling buy back shares NT\$23,640thousand.	none	04/17/2017 Jin So Son Tz No.10601043760
107.10	10	120,000	1,200,000	118,345	1,183,454	Cancelling buy back shares NT\$2,200thousand.	none	10/11/2018 Jin So Son Tz No.10701130560
108.03	10	120,000	1,200,000	117,157	1,171,574	Cancelling buy back shares NT\$11,880thousand.	none	03/05/2018 Jin So Son Tz No.10801022240

B. Type of Stock

As of 04/23/2019

11/01/2023/2023

Share Type	Authorized Capital				Remarks
	Issued Shares		Un-issued Shares	Total Shares	
	Public Shares	Private Shares Note1			
Common Share	117,157,402	0	2,842,598	120,000,000	

C. Information for Shelf Registration: None.

4.1.2 Status of Shareholders

As of 04/23/2019

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	2	217	21,913	67	22,199
Shareholding (shares)	0	437,000	24,391,807	72,206,467	20,122,128	117,157,402
Percentage (%)	0	0.37	20.82	61.63	17.18	100.00

4.1.3 Shareholding Distribution Status

A. Common Shares

As of 4/23/2019

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	15,590	515,053	0.44%
1,000 ~ 5,000	4,610	9,527,064	8.13%
5,001 ~ 10,000	926	6,877,060	5.87%
10,001 ~ 15,000	361	4,367,346	3.73%
15,001 ~ 20,000	167	3,016,842	2.58%
20,001 ~ 30,000	183	4,541,115	3.88%
30,001 ~ 40,000	78	2,723,483	2.32%

40,001~50,000	40	1,810,576	1.55%
50,001 ~ 100,000	119	8,258,765	7.05%
100,001 ~ 200,000	61	8,672,474	7.40%
200,001 ~ 400,000	19	5,604,156	4.78%
400,001 ~ 600,000	10	4,865,664	4.15%
600,001 ~ 800,000	9	6,748,005	5.76%
800,001 ~ 1,000,000	2	1,654,812	1.41%
1,000,001 or over	24	47,974,987	40.95%
Total	22,199	117,157,402	100.00%

B. Preferred Shares: The Company did not issue any preferred shares.

4.1.4 List of Major Shareholders

As of 4/23/2019

Shareholder's Name	Shareholding	
	Shares	Percentage
YOU-YI Ltd	4,108,000	3.51
Dynamic Ocean Group Limited	3,912,398	3.34
Hope Ocean International Ltd	3,339,143	2.85
Yu-Lian Zeng Li	3,232,000	2.76
GUO-YAN LIAO	3,097,000	2.64
Jin-Hua Investment Ltd	2,889,000	2.47
Custodian Bank of Taiwan Investment Account of Global Flexible International Partners	2,054,565	1.75
YI-WEI INVESTMENT	2,000,774	1.74
Bao Hung Investment Ltd	1,983,000	1.69
Long Ying investment Ltd	1,982,229	1.69

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items	2017	2018	01/01/2019-05/21/2019
Market Price per Share			
Highest Market Price	27.70	27.25	29.05
Lowest Market Price	20.10	21.50	23.95
Average Market Price	22.77	24.13	26.02
Net Worth per Share			
Before Distribution	19.23	20.98	21.85
After Distribution	17.20	—	—
Earnings per Share			

Weighted Average Shares (thousand shares)	115,867	120,954	115,796
Diluted Earnings Per Share	2.07	3.07	0.32
Adjusted Diluted Earnings Per Share	—	—	—
Dividends per Share			
Cash Dividends	1.4	2.2 (Note4)	—
Stock Dividends			
• Dividends from Retained Earnings	—	—	—
• Dividends from Capital Surplus	—	—	—
Accumulated Undistributed Dividends	—	—	—
Return on Investment			
Price / Earnings Ratio (Note 1)	11	7.86	—
Price / Dividend Ratio (Note 2)	16.26	10.97	—
Cash Dividend Yield Rate (Note 3)	6.15%	9.12%	—

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 4: Earning Distribution was already approved by the Company's board of director on 03/26/2019 but not be approved by shareholders' meeting.

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

The distribution of the dividends of the Company will coordinate with the surplus of that year based on the principle of stabilization. The board of directors shall propose the allocation ratio and propose it at the shareholders' meeting. The appropriated earnings shall more than 50% of the current year after tax profit. If the earnings available for appropriation less than the current year after tax profit, it shall be allocated in earnings available for appropriation. Cash dividends shall not be less 10% of total shareholder dividends.

B. Proposed Distribution of Dividend

The proposal for the distribution of 2018 profits was passed at the meeting of the board of directors on 03 26, 2019. The Company had a proposal for withdrawing NT\$254,752,084 from distributable earnings for cash dividends. It will be discussed at the annual shareholders' meeting.

4.1.7 The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate:

Pursuant to Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company don't disclose financial forecast. It does not apply.

4.1.8 Employee and Directors' and Supervisors' Remuneration :

A. Information Relating to Employee Bonus and Directors' and Supervisors' Remuneration in the Articles of Incorporation:

More than 0.5% of profit of the current year distributable as employees' compensation and less than 0.3% of the current year distributable as directors

and supervisors' compensation shall be definitely specified in the Articles of Incorporation. However, the company's accumulated losses shall have been covered.

B. The Estimated Basis for Calculating the Employee Bonus and Directors' and Supervisors' Remuneration

I. 0.5% of profit before tax for employees' compensation and 3% of profit before tax for directors and supervisors' compensation.

II. Shall there be any difference between the actual amount of dividend approved by Board of Directors Meeting and that of the estimation, it will be deemed as the changes in accounting estimates and will be recognized in the profit and loss account of the distributing year.

C. Profit Distribution for Employee and Directors' and Supervisors' Remuneration for 2018 Approved in Board of Directors Meeting:

I. Proposed distribution of cash dividend to employees and remuneration to directors.

The proposal for the distribution of 2018 remuneration was passed at the meeting of the board of directors on 03 26, 2019. Unit: NT\$

Item	Actual Distribution	Income Statement	Variation	Resolution
Employee Remuneration – in Cash	1,850,000	1,842,692	7,308	It will be deemed as the changes in accounting estimates and will be recognized in the profit and loss account of the distributing year.
Directors' and Supervisors' Remuneration	9,230,000	11,056,147	-1,826,147	

II. Proposed stock dividend to employees and its ratio to total net income and total dividend to employees: None.

4.1.8 The Actual Distribution of the Employee and Directors' and Supervisors' Remuneration in Last Year : Unit: NT\$

Item	Actual Distribution	2017 Income Statement	Variation	Resolution
Employee Remuneration – in Cash	1,253,737	1,253,737	0	None
Directors' and Supervisors' Remuneration	7,522,416	7,522,416	0	

4.1.9 Buyback of Treasury Stock

Treasury stocks: Batch Order	7 th Batch
Purpose of buy-back	Transfer to employee
Timeframe of buy-back	2017/01/23~ 2017/02/10
Price range	15.00~25.00 per share
Class, quantity of shares bought back	1,361,000 shares
Value of shares bought-back (in NT\$ thousands)	28,785,357
Shares sold/transferred	0
Accumulated number of company shares held	1,361,000 shares
Percentage of total company shares held (%)	1.16%

4.2 Bonds

4.2.1 Corporate Bonds: None.

4.2.2 Convertible Bonds: None.

4.2.3 Exchangeable Bonds: None.

4.2.4 Shelf Registration for Issuing Bonds: None.

4.2.5 Corporate Bonds with Warrants: None.

4.3 Global Depositary Receipts: None.

4.4 Employee Stock Options: None.

4.4.1 Issuance of Employee Stock Options: None.

4.4.2 List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options: None.

4.4.3 Issuance of New Restricted Employee Shares: None.

4.4.4 List of Executives Receiving New Restricted Employee Shares and the Top Ten Employees with New Restricted Employee Shares: None.

4.5 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.6 Financing Plans and Implementation: None.

I. Operational Highlights

5.1 Business Activities

With the fast pace of development, today the business scope of the Company and its subsidiaries includes ocean freight, air freight, customs declaration, warehousing, inland transportation, supply chain management, e-commerce, logistics, supply chain finance and other integrated logistics services. There are global operating locations throughout Taiwan, China, Northeast Asia, Southeast Asia and other areas. As a professional integrated logistics service provider, in addition to actively expand overseas strongholds, it works with strategic alliance partners both at home and abroad to enhance its competitive advantage. Internally the Company adopts professional information management and strictly requires the operation norm of staff and services to provide customers with a full range of logistic services.

5.1.1 Business Scope

(1)The main content of business:

A. International freight:

a. Ocean freight.

b. Air freight.

c. Cross Border China-Europe Rail Transport.

B. Domestic logistics:

a. Customs declaration.

b. Warehousing.

c. Inland transportation.

C. Supply chain management and customize services.

- D.E-commerce logistics.
- E. Supply chain finance.
- F. The design and plan of logistics
- G. The logistics related investments.

(2) Revenue distribution:

Unit : NT\$ thousands

Main Business	2015		2016		2017		2018Q1	
	Sales	%	Sales	%	Sales	%	Sales	%
International Ocean Freight	5,573,415	57.20	5,904,952	56.04	6,508,940	56.42	1,506,011	58.19
International Air Freight	2,524,980	25.91	3,003,392	28.50	3,464,954	30.04	740,704	28.62
Logistics	1,645,718	16.89	1,628,664	15.46	1,562,375	13.54	341,441	13.19
Total	9,744,113	100.00	10,537,008	100.00	11,536,269	100.00	2,588,156	100.00

(3) Main products:

A. International Freight Forwarder:

a. Ocean freight:

The Company and its subsidiaries have flexible price and cargo space abilities and decades of stable cooperation with shipping companies and agents with a NVOCC business certificate. The Company has cargo space contracts with 2M Alliance、Ocean Alliance and THE Alliance. The focus is mainly the Transpacific Coast lines, and it constantly opens up new lines in North Continental Port, Middle East, South America, Eastern Mediterranean and Southeast Asia. Based on its dense service locations in Greater China and the Asia Pacific region, combined with cooperative agencies throughout the world, the Company provides customers with Less than full container load (LCL) single container order services, Full container load (FCL) services, Special container transport, Door-to-door services, Sea-air transport service , and Sea-air-land transport services.

b. Air freight:

The Company and its subsidiaries provide transnational corporate service and customized cargo transportation planning capability, are issued Class I and II air accreditation certificates by Civil Aviation Administration of China. The Company's subsidiary-Taiwan Express acquired "Hala Certification" which issued by JAKIM. The Company's subsidiaries also received customer sales agents from major global airlines such as EVA(BR), China Airlines (CI), Cathay Pacific (CX), China Eastern Airlines (MU), Air China(CA), XIAMEN Airlines (MF), Hong Kong Aviation (HX), Air Canada(AC), ANA(NH), Turkish Airlines(TK),

Thai Airways(TG), British Airways(BA), LATAM Chile(LA), Air Asia(D7), Qatar Airways(QR), KLM Royal Dutch Airlines(KLM), Korean Air(KE), Vietnam Airlines(VN), Emirates(EY), LOT Polish Airlines(LO), Gulf Air(GF), Czech Airlines(OK), Asiana Airlines, etc., as well as the general sales agents in Taiwan area from Air New Zealand (NZ), Russian Aviation (RU), and Avianca Airlines (TA). The Company cooperates with global agents to provide global transportation arrangements, Less than full container load (LCL) services, combined land, sea and air multimodal transport, import transportation, bill of lading production and goods packaging services, special cargo export arrangements, commodity inspection, sanitation inspection and animal and plant quarantine service.

c. Cross Border China-Europe Rail Transport:

To provide export and import China-Europe and China-Russia railway services, the company established teams in 17 cities including Zhengzhou, Dalian, Chengdu, Chongqing, Xi'an and Wuhan, and the company collaborated with overseas agencies in Europe and Russia. In April 2019, we booked an entire train from Zhengzhou to Hamburg, Germany for the first time

B. Domestic logistics:

- a. Customs declaration: The Company is the top 5 customs broker in Taiwan and also an A grade customs broker in China with locations in major ports and airports. It has set up customs departments to provide enterprises of all types with inspection, customs clearance/declaration, customs inspection, checking and other services, and according to the customer's business nature customizes logistic solutions in special customs-supervised areas.
- b. Warehousing services: With the support of advanced WMS system, the Company's warehousing management team has advanced management and application equipment, is equipped with an upscale safety control system and obtained ISO9001 2008 international quality management system certification to provide versatile storage management services. The Company has its own warehouses in major locations, and cooperates with local warehousing and storage vendors in other service locations to provide customers with a base for transit.
- c. Inland transportation: The Company's customized delivery team is supported with a TMS system and full cargo transportation tracking mechanism (GPS), has formed vehicle fleets in the operations locations

in Taiwan, Hong Kong, Shenzhen, Guangzhou and Shanghai, and cooperates with local transportation vendors in other locations. The modes of transportation include roads and railways, and the distribution objects cover factories, dealers, shopping malls and supermarkets.

C. Cross-border e-commerce logistics:

The Company combines with completely locations in Asia and overseas agent networks in global to develop cross-border ecommerce logistics from Asia to USA /Europe or Intra-Asia trade.

D. Supply chain finance:

The Company provides funds to the upstream and downstream of the supply chain by taking its own credit as the guarantee in the bank. This may create more logistics businesses, and improve the market competitiveness. Moreover, it may break through the current situation of freight forwarding price competition and establish strategic partnership with the customer in the long term. The logistics plays the main role, while finance plays a supplementary role, so as to realize integration services of logistics, information flow, capital flow and business flow.

E. Supply chain management and customized services :

a. Supply chain management:

The Company uses the Group's sea, air and land resources and global cooperative agents to provide customers with services for procurement of raw materials, warehousing management of raw materials and finished products in the production process, packaging, sorting, labeling, inspection, transit and distribution, as well as helping customers in marketing channel establishment and maintenance. The Company provides a full range of logistics management services for customer relationship management and maintenance and information feedback.

b. Customized services :

(A) Multimodal transportation:

With the customized sea and air transport, sea and river transport, sea and railway transport and joint sea transport, the Company provides cross-border logistic services via sea, air, road and rail transport to connect Chinese inland with Southeast Asia, Central Asia and European inland.

(B) Reverse logistic services:

After delivering customer goods to the destination, the Company provides disposal, recycling and recovery related transport services for second-hand assets to save operating expenses for customers.

(C) Cold chain logistics:

The Company develops specialized logistic transport of chemicals, agricultural and marine products and biotechnological products to provide consumers, suppliers and retailers with a cold chain logistics model for integrated demands.

(D) Cargo insurance broker:

The Company is awarded a license for the cargo insurance brokerage business by the China Insurance Regulatory Commission, and provides customer cargo insurance, acts as an agent for customers to make claims to insurance companies, and acts on behalf of insurance companies to issue original insurance certificates.

(4) Plans to develop new products (services):

Construction of business to business (B2B2C) warehousing services

Under the traditional model, the products of the same brand are stored in the B2B warehouse and B2C warehouse separately for sales in physical stores and sales on e-commerce platforms. In other words, it is the stock separation model. To improve the logistics efficiency for the customer effectively, it plans to integrate the B2B warehousing management ability of Shanghai T-cube logistics Co., Ltd, the sub-subsidiary of the Company, and the B2C warehousing management ability of Shanghai EXer Logistics Co., Ltd., so as to link up with the B2B and B2C warehousing systems through the information system. In this way, it achieves the inventory sharing model, and performs distribution and delivery operations under the same warehousing system. Then the products are delivered through the collaborative warehouse model of “professional warehouse+ express service” . It aims to link up with the online and offline inventories to reduce the overall stock and the second transportation cost effectively, improve the turnover efficiency of the supply chain, increase the turnover rate of the inventory, and even help the operators obtain more complete data in the entire supply chain.

5.1.2 Industry Overview

(1) Current Industry Status and Development

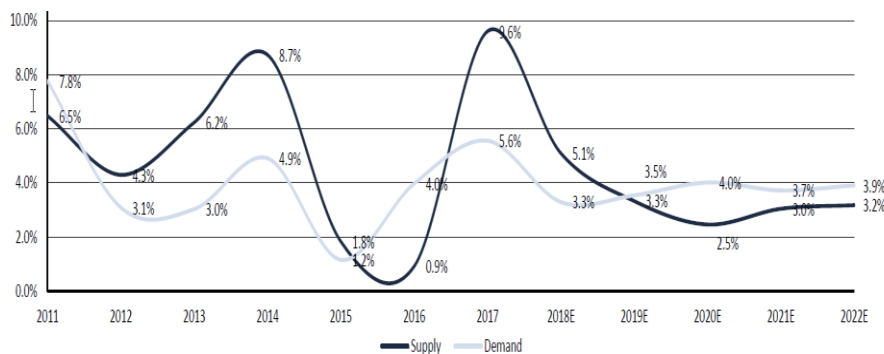
The Company is an investment holding company of the logistics industry. Its main businesses include comprehensive logistics services such as ocean freight, air freight, customs declaration, warehousing, inland transportation, supply chain management and e-commerce logistics, with its global operations offices located in Taiwan, China, Northeast Asia and Southeast Asia. The trend of the global logistics management model and the advent of a regional logistics era have led to a huge demand for global logistics services, and the freight forwarding industry therefore must also go global. With the fact that international giants with global logistics and transportation capacities are snatching the Asian market, ocean shipper alliances are reshuffling, the One Belt One Road program is bringing about cross-border competition within the logistics industry and a change in global trade activities, the Company plans to continue seeking domestic and international strategic alliance partners to enhance its competitive advantage, provide customers

with comprehensive and all-round logistics services and embed them in the global supply chain systems. An overview of the industries which the Company is in, including the ocean freight market, the air freight market and the logistics market, are described respectively as follows:

A. Ocean Freight Market Overview

Ships which built before September 8 2017 should be installed ballast water management system (BWMS) on September 8 this year, according to The Ballast Water Management Convention adopted by the International Maritime Organization (IMO). Container carriers will accelerate the dismantling of and phase out old ships before the implementation to reduce the cost of repairing old ships and order new ships. According to the latest report of the British shipbroker Braemar ACM, the amount of dismantled containers (20 cabinets) in the first four months of this year exceeds 88,000 containers that were dismantled for the whole of last year. In the first four months of last year, there were only 25,600 containers that are dismantled. The amount of dismantled containers this year is likely to be four times the amount of last year.

Besides, the International Maritime Organization (IMO) has implemented a global sulphur limit on fuel used on board ships starting January 1, 2020. In 2020, the sulphur cap of 0.5% m/m (mass/mass) for fuel oil used in ships will increase more cost for the global shipping industry. Some carriers will stop the shipping services and modify the vessel by installing the desulfurization scrubber. The two major international conventions pose a significant impact on the supply of container ships which has continuously been shrinking. According to the prediction of the world's largest ship broker Clarkson, the supply capacity is predicted to hit 3.3% in 2019, lower than the freight demand at 3.5%. The supply and demand in the shipping market are nearly balanced, and the freight rate will continue to climb.



Source: Clarkson, UBS estimates

At present, the cargo carriers takes three measurements to cope with the Sulphur limit as follows:

1. Adopting marine gas oil (MGO) and low sulfur fuel oil (LSFO). This is the most cost-effective way at present, and adopted by the majority of carriers. It does not need special modification and is suitable for both new and old ship types.

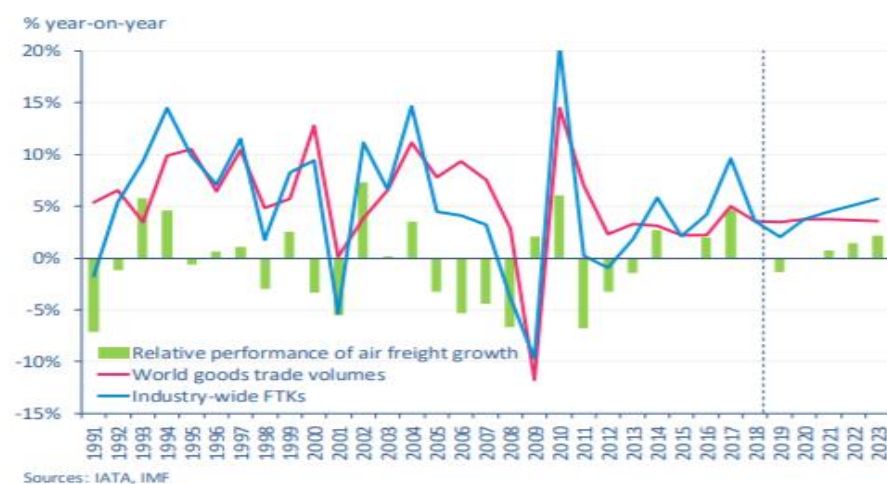
2. Installing desulfurization scrubbers. Due to high installation cost and complexity, the method is adopted primarily by large vessels with high fuel consumption. According to the statistics of shipping research institutes, in the global container shipping market, about 10% large vessels with high fuel consumption in 2020 will install scrubbers which account for about 20% of the total capacity.
3. Using liquefied natural gas (LNG). Considering the low sulfur oil production may not meet the market demand of the carriers, LNG is seen as an alternative option. However, LNG fuel can only be used in the new ships which have ship power equipment.

With the implementation of the sulfur limit approaching, the carriers are expected to start to add low-sulfur fuel surcharges to customers in the fourth quarter of this year to compensate the increase in operating costs. The carriers in a weak financial condition may be affected by surging operating costs, and then merged by other companies. As the industry consolidates, the big companies are getting bigger. According to the maritime research consultancy Drewry, the implementation of the sulfur limit will increase the freight rate of the US line by 20% and the European line by 12%.

B. Air Freight Market Overview

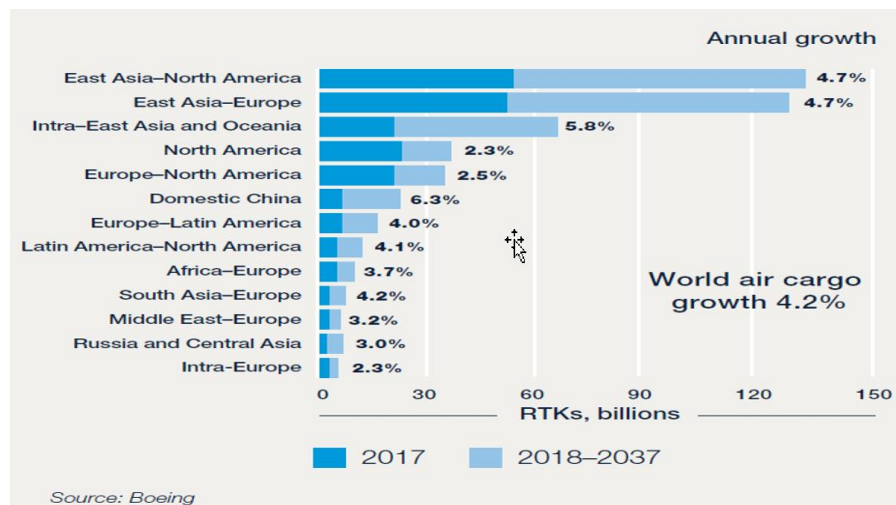
Political issues like the US-China trade war and Brexit as well as the sluggish global economy, declining consumer confidence, the falling global export orders index, and other negative influences on the air transport industry are considered to bring down the volume of air cargo traffic. According to the statistics from the International Air Transport Association (IATA), the growth rate of global air cargo from the demand side in 2019 is projected to be 2.0%, lower than that of 9.7% in 2017 and that of 3.5% in 2018.

Chart 1: FTK, world trade growth, growth differential



Although the air cargo market has slowed down in 2019, the air cargo market will continue to grow in long term, with the Asian market growing fastest. According to the 2018-2037 World Air Cargo Forecast report issued by Boeing, the global airline freight volume in RTK (Revenue Ton-Kilometer) is projected to have an average growth rate of 4.2% over the next 20 years, owing to high economic growth, the growing middle class, and booming development of the cross-border e-commerce. Asia is still the fastest growing

region.



C. International Railway Market Overview

The logistics cost of the China-Europe Railway Express is 70% less than that of air transport, and the logistics time is 50% faster than sea freight. Over 13,000 trips have been conducted by the China-Europe trains within the eight years since its development. It operates in 59 cities in China and 49 cities in 15 countries in Europe with a total of 65 running routes. According to the statistics of the General Administration of Customs of the People's Republic of China, 10,752 train trips of China-Europe Railway Express were conducted by the end of 2018, with an increase of 60% in 2018 compared with 2017. 80% of the cargo was primarily shipped to Chengdu, Chongqing, Zhengzhou, Xi'an and Wuhan in the central and western China.

The 2nd Belt and Road Forum for International Cooperation was held in Beijing on 25th of April in 2019. The 2019 goals for China-Europe railway set by the Chinese government are to promote the utilization of information technology and create digital railways and to strengthen the integration of China-Europe railways and local industries. Therefore, promoting the China-Europe railway business is one of the main objectives of the local government of China.

The company started China-Europe railway business in 2014. In 2019, we founded a railway division and mainly focus on the China-Europe railway business and established teams in 17 cities including Zhengzhou, Dalian, Chengdu, Chongqing, Xi'an and Wuhan. For the first quarter of 2019, the gross profit of China-Europe railway business increased 24% compared with the same period of last year and in April 2019, we booked an entire train from Zhengzhou to Hamburg, German for the first time and the revenue from a single train is nearly \$RMB 1 million. We will continue to strive for the business opportunities of booking entire trains by expanding our collaboration with overseas agencies in Russia and Europe in the future to actively promote the China-Europe railway business.

D. Logistics Market Overview

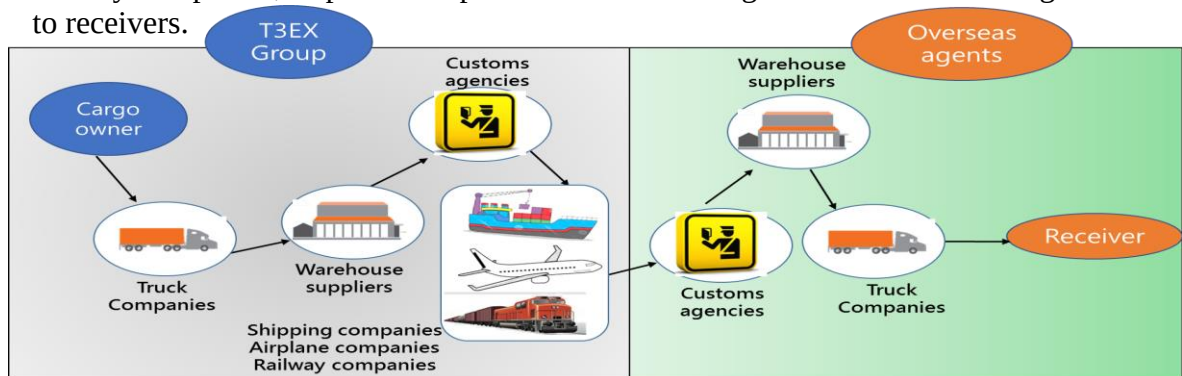
In the Boao Forum for Asia held in April 2018, Chinese President Xi Jinping stated that China would spare no effort in export expansion and promotion of trade balance. As reported by the Chinese Securities Journal, the

related departments such as MOFCOM are drafting the “Guidelines for Expanding Import and Promoting Foreign Trade Balance”. China will hold the first China International Import Expo in November this year. Moreover, it plans to apply the experience of import pilot zones such as Shanghai, Tianjin, Suzhou and Ningbo to other regions, so as to establish more platforms of import expansion. Under the vigorous promotion of policies made by the Chinese government, the import logistics of China becomes the target contested by all operators.

(2) Relationship with Up-, Middle- and Downstream Companies

International Logistics supply chain- Export to USA, Canada and Europe:

T3EX group is an international forwarder. The below content is an example of export procedure. After receiving cargos, the company collaborated with truck companies, warehouse suppliers, customs agencies, container shipping companies, railway companies, airplane companies and overseas agents to deliver the cargos to receivers.



(3) Macro Economic, Product Trends and Competition

A. Carriers are moving toward large-scale operation and monopolization, and increasing price transparency:

In the last few years, the constant consolidations of carriers as well as the addition of environmental protection conventions such as sulphur limit and Ballast Water Management Convention cause the increasing operating costs for the carriers. Some companies in a weak financial condition thus have difficulties in operations. Therefore, the industry consolidation activities have been accelerated, and the number of carriers will be reduced. As a result, the scale of the consolidated companies will become bigger. According to the latest statistics of Alphaliner, by April 1, 2019, the top three of the world's 100 container shipping companies by capacity are Maersk Line, Mediterranean Shipping Company (MSC) and COSCO Shipping. The total capacity of the global container shipping companies ranking top 20 is 20,381,500 TEU, accounting for 89.1% of the total global container capacity.

The Company's main businesses are air and ocean freight forwarding. The ocean and air freight forwarding business accounted for more than 80% of the Company's turnover. One of the Company's main competitive advantages is that it has a good supplier relationship, being able to obtain superior freight rates and flexible cabins. With the industrial consolidation and alliance of carriers that are scaling up, the number of carriers that freight forwarders can choose becomes less. It is often affected by the price negotiation with a number of carriers to provide customers with superior freight rates. The unified freight rate results in less wiggle room for price

negotiation.

B. Freight forwarding industry goes global and scales up:

In the past, the freight forwarding industry was composed of small-scale companies and regional alliance. However, the rapid development of information technology has helped enterprises to integrate their supply chains. All industries, such as IT, retail, and transportation industries have continuously consolidated within their industries to improve their competitiveness.

As the information technology has developed rapidly and the companies are facing more fierce market competition in the international trade environment, customers prefer to choose logistics providers who can offer supply chain services for reducing their logistics costs and increasing product profitability. Therefore, the freight forwarding industry faces the challenge from industrial transformation. Besides, the founders of small and mid-sized freight forwarding companies in the world have retired one after another. As a result, the freight forwarding industry faces the challenges in succession of family business in the meantime. Hence, more and more global logistics companies have started to merge the companies vertically and horizontally. The transformation from the globalization and scale-up has happened in the freight forwarding industry.

C. US-China trade war is heating up, China's production costs are increasing, and the industry chain is transferring to other regions:

In recent years, China's environmental awareness and basic wages have risen. Hence, the production costs of enterprises have continued to increase. Together with shocks of US-China trade war, corporate tariffs have thus enhanced. The corporates' profit has been eroded due to keen competition in global trade and increasing production costs. Therefore, the corporates are changing their production sites to Southeast Asia, Eastern Europe and Mexico. It can avoid tariffs, or save logistics cost by moving closer to the end market as well benefit from the lower cost of land and labors.

The corporates providing logistics transportation service tend to "follow the movement of goods." When the global industry chain has transferred regionally, logistics operators need to transfer the operating areas from the China-US route to the non-China-US market, such as the European Union, ASEAN, Canada, Latin America, India, Pakistan, the Middle East, Australia and Africa.

D. The rise of cross-border e-commerce, disappearance of dealers, and breaking boundaries of B2B and B2C:

With the rise of cross-border e-commerce, international trade no longer relies on the ecosystem composed of factories, distributors and buyers, and the business model has changed to the cooperation between factories and buyers. The boundary of B2B and B2C is broken. The distributors have been replaced by e-commerce platforms, and producers could skip distributors to sell their products to the world via the e-commerce platform. This is the "new retail" concept mentioned by the chairman Jack Ma of Alibaba, which means the merge of offline and online businesses connected by logistics. Logistics plays an important role as the business model has changed. It has to provide quick service as well as to eliminate inventory to manage inventory better and reduce enterprise inventory to zero. Therefore, it is possible to provide a one-stop logistics service from the factory to the consumer.

To cope with the above-mentioned industrial development trends, the Company will actively develop business in Southeast Asia and non-US markets such as Europe, the Middle East, Africa, New Zealand and Australia. Please refer to the 4. Long-term and Short-term Business Development Plans for detailed response plans.

5.1.3 Research and Development

The Company is in the logistics industry, and the key in enhancing the quality of logistics technology is the logistics system. The company has set up an IT software development department responsible for the integration of sea and air import and export, customs declaration, warehousing and other front-end operation and sales systems, and connected them with the back-end accounting management operating system in order to provide customers with the support systems required for a one-stop logistics service.

5.1.3.1 Research and Development Expense in Recent Year:

Not applicable as the development costs of the logistics system are the salaries of the IT staff and the purchase costs for the software; the costs are included in the management fee and no R&D department is set up.

5.1.3.2 Research and Development Accomplishments in the Recent Year:

Not applicable as the development costs of the Company's logistics system are those expenses entailed for the integration of front-end and back-end information.

5.1.4 Long Term and Short Term Business Development Plans

5.1.4.1 Short Term Business Development Plan

A. Set up multimodal transportation to develop multiple routes and market:

a. Developing multiple products:

Developing multiple business including ocean freight, air freight forwarding, China-Europe/ China-Russia railway services, cross-border e-commerce logistics, import domestic logistics.

b. Developing multiple routes:

In addition to keeping exiting routes such as Intra-Asia routes, and from Asia to USA or Europe routes, the company also expand new routes such as New Zealand, Austria, India, Pakistan, the Middle East and Africa.

c. Strengthening collaborations of overseas agents and developing new agents in new market:

The company collaborates with overseas agents in USA and Europe market to expand potential customers, and continue to develop new agents in New Zealand, Austria, India, Pakistan, the Middle East and Africa.

B. Developing Southern east market:

As the trade war between the United States and China continues to affect the global economic and trade environment, the global supply chain structure is transferring to different regions. Southeast Asia with its demographic dividend and land resource is benefiting the most. The company has been developing the Southeast Asian market for more than 10 years. Currently, it has established more than 10 branches in Vietnam, Thailand, Singapore, Malaysia, Cambodia and Indonesia. The overall revenue from the East Asia region for the first quarter of the year (including Southeast Asia, Japan and South Korea) increased 113% compared with the same period last year. The group will also set up a new company in the Philippines this year, and continue to develop the ASEAN market in the

future.

C. Developing China-Europe cross-border railway services:

The company founded a railway division and mainly focus on the China-Europe railway business and established teams in 17 cities including Zhengzhou, Dalian, Chengdu, Chongqing, Xi'an and Wuhan. In addition to collaboration with China Railway companies, the company also had one year contracts with international customers. In April 2019, the company booked an entire train from Zhengzhou to Hamburg, German for the first time. In future, the company will continue to strive for the business opportunities of booking entire trains by expanding our collaboration with overseas agencies in Russia and Europe in the future to actively promote the China-Europe railway business.

D. Developing supply-chain finance services:

The Company provides funds to the upstream and downstream of the supply chain by taking its own credit as the guarantee in the bank. This may create more logistics businesses, and improve the market competitiveness. Moreover, it may break through the current situation of freight forwarding price competition and establish strategic partnership with the customer in the long term. The logistics plays the main role, while finance plays a supplementary role, so as to realize integration services of logistics, information flow, capital flow and business flow.

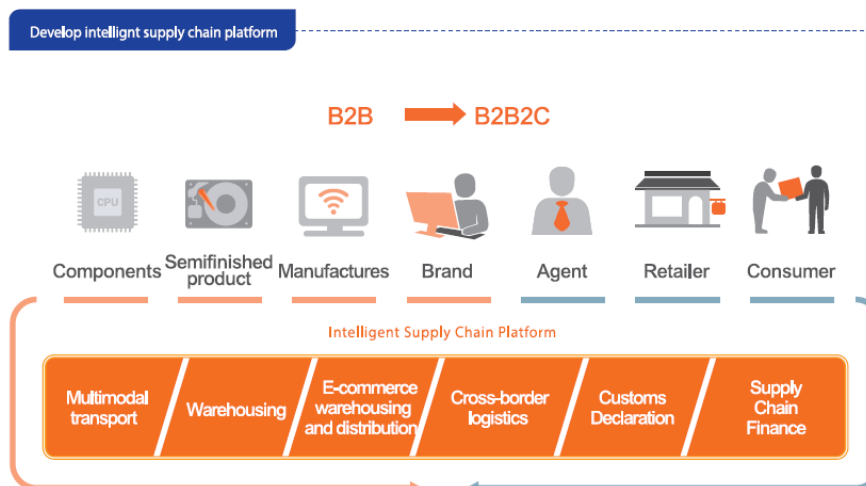
E. Developing cross-border ecommerce services:

With the rapid development of cross-border e-commerce platforms, the cross-border logistics service tends to be more important. In terms of the cross-border logistics from China and Taiwan to the US and Europe, the company plans to transport cargos to the US and Europe through its sea, air and railway transportation models in Asia. The overseas agents in the US and Europe assists in the import, customs declaration, warehousing and distribution services. In terms of the cross-border logistics related to imports from the e-commerce platforms in the US, Europe, Japan or Korea to China and Taiwan, the company transports the cargos to China and Taiwan through its sea, air and railway transportation models. With the group import, customs declaration, warehousing and distribution teams, the inland transportation is completed.

F. Construction of business to business (B2B2C) warehousing services

The company plans to integrate the B2B warehousing management ability of Shanghai T-cube logistics Co., Ltd, the sub-subsidiary of the Company, and the B2C warehousing management ability of Shanghai EXer Logistics Co., Ltd., so as to link up with the B2B and B2C warehousing systems through the information system. In this way, it achieves the inventory sharing model, and performs distribution and delivery operations under the same warehousing system. Then the products are delivered through the collaborative warehouse model of “professional warehouse+ express service”. It aims to link up with the online and offline inventories to reduce the overall stock and the second transportation cost effectively, improve the turnover efficiency of the supply chain, increase the turnover rate of the inventory, and even help the operators obtain more complete data in the entire supply chain.

5.1.4.2 Long Term Business Development Plan



5.2 Market and Sales Overview

5.2.1 Market Analysis

5.2.1.1 Sales (Service) Regions

Year Area	2018		2017	
	Amount	(%)	Amount	(%)
China and Hong Kong	8,466,696	73.39	7,841,614	74.42
Taiwan	2,359,623	20.45	2,101,116	19.94
Eastern Asia	709,950	6.15	594,278	5.64
Total	11,536,269	100.00	10,537,008	100.00

The Company and its subsidiaries are logistic service providers, and the main service targets are importers and exporters around the world. The current main business contents are import and export shipping contracts, import and export air cargo contracts and customs clearance, warehousing and land transport services, and the business pattern is mainly export-oriented freight services with export to markets mainly in North America, Europe, Asia, Japan and other advanced countries.

5.2.1.2 Market Share

Among the world's top ten container ports in 2018, Chinese ports accounted for 70%. In the Group's shipping business, 90% is export business, and nearly 70% is export from China to Europe, the United States and Canada. The Group has set up its own locations or has agents in the world's top ten container ports, and in the total throughput of the world's top ten container ports in 2018, in the unit of TEU for export, the Group's export and import was 307,909 TEU in 2018, representing about 0.13% of the world's top ten container ports' throughput.

The world's top ten container ports in 2018:

2018 Ranking	2017 Ranking	Port	Country	10 Thousand TEU
1	1	Port of Shanghai	China	4,021
2	2	Port of Singapore	Singapore	3,660
3	4	Port of Ningbo-Zhoushan	China	2,635
4	3	Port of Shenzhen	China	2,574
5	7	Port of Guangzhou	China	2,192
6	5	Port of Busan	Korea	2,159
7	6	Port of Hong Kong	China	1,959
8	8	Port of Qingdao	China	1,930
9	10	Port of Tianjin	China	1,600
10	9	Dubai Port	United Arab Emirates	1,495
Total				24,225

Resource: Alphaliner

About the Company's air cargo market share, Asia-USA, Asia-Europe, and Asia-Asia are the main routes. According to the data of IATA, the world cargo volume airports in 2018 was 63,400 thousand tons, the company's total air cargo volume was 70,296 tons, accounting for about 0.11% of the world cargo volume airports in 2018.

5.2.1.3 Market Demand, Supply and Growth

A. Ocean Freight Market:

The two major international conventions pose a significant impact on the supply of container ships which has continuously been shrinking. According to the prediction of the world's largest ship broker Clarkson, the supply capacity is predicted to hit 3.3% in 2019, lower than the freight demand at 3.5%. The supply and demand in the shipping market are nearly balanced, and the freight rate will continue to climb.

B. Air Freight Market:

Political issues like the US-China trade war and Brexit as well as the sluggish global economy, declining consumer confidence, the falling global export orders index, and other negative influences on the air transport industry are considered to bring down the volume of air cargo traffic. According to the statistics from the International Air Transport Association

(IATA), the growth rate of global air cargo from the demand side in 2019 is projected to be 2.0%, lower than that of 9.7% in 2017 and that of 3.5% in 2018.

From the supply side, according to the IATA's statistics, freight demand measured by Freight Tonne-Kilometers (FTKs) in February 2019 was decreased by 4.7% year-on-year, and freight capacity calculated by Available Freight Ton Kilometers (AFTKs) was increased by 2.7% year-on-year. The capacity exceeds the demand (freight) for the 12th consecutive month.

C. China-Europe Railway Market:

According to the China Communications and Transportation Association, the cargo capacity of China's railway containers in 2018 reached 13.751 million TEU, having a 33.4% increase over 2017. The growth rate for three consecutive years exceeded 30%. It is expected to reach 20 million TEU in 2020. In 2018, there were 209 long-distance container trains in China, and the shipping services via rail containers accounted for nearly 15% of the freight load. In 2018, the volume of rail freight (tonnage) accounted for 7.16 % of the total volume of rail freight from 5.46%. Currently, the proportion of rail freight volume still falls behind Europe, the U.S. and Japan. Among them, the US rail container volume accounts for 49%, Europe accounts for 20%, Japan accounts for more than 50% of the rail freight volume. There is high growth potential in China railway container transportation.

D. Logistics Market:

The logistics business of the Company is mainly oriented towards the Chinese market, and China's logistics activities are closely related to China's industrial activities and consumer demand. From the following table, it can be found that the growth rate of the total import value, industrial production value, consumption retail value and cargo volume are all growing in 2018~2019, but the growth rate of the total import value in the first quarter of 2019, affected by the US-China trade war, was declined compared with the same period of last year. To boost the growth of domestic demand, the Chinese Premier Li Keqiang announced a tax cut of 2,000 billion yuan, 800 billion yuan of investment in the railway, RMB 1.8 trillion of investment in the highway and water transport at the China's Two Sessions. Moreover, the Chinese Government will speed up economic and trade cooperation with Asian and European countries. Therefore, the Chinese logistics market is predicted to have a positive growth in 2019.

	1Q2019	2018	2017
Total import value growth rate	-4.8%	15.8%	15.9%
Industrial production growth rate	6.5%	6.2%	6.6%
Retail sales growth rate of social consumer goods	8.32%	4%	10.2%
Cargo Volume	6.1%	7.1%	9.3%

Source: National Bureau of Statistics of the People's Republic of China

5.2.1.4 Competitive Advantages

A. International layout strategy.

The Company and its subsidiaries already had a clear market positioning at their inception, and their market layout process can be broadly divided into three stages. In the beginning stage the Taiwanese electronics industry and other basic industries already had a larger base, so the Company and its subsidiaries targeted the domestic market demand and provided basic trade services. The second stage started from 1990, when domestic manufacturers started moving overseas for cheap raw materials and labor, especially in Southeast Asia and China. To serve customers the Company also expanded from Taiwan to mainland China and broadly set up business locations in China. To cope with the continuing growth of international trade, the Company and its subsidiaries also expanded the scope of business and transitioned from the early ocean freight services into a logistics investment holding company. Under the holding company platform, the sub-groups can not only provide customers with more services and customer coverage by the complement of product lines and talents, but can also make more effective use of resources and enhance logistics management efficiency. The Company and its subsidiaries have so far set up more than 70 service locations in Hong Kong, mainland China, Vietnam, Thailand, Cambodia, Indonesia, Singapore, Japan, Korea and Malaysia, and established their own international network of agents in more than 100 countries and regions with the service network covering more than 400 locations.

B. A wealth of logistics experience and professionals.

The Company and its subsidiaries have many years of experience and expertise as well as logistic operations professionals, are very familiar with the Chinese lifestyle and vendors' sales models and can provide customers with door-to-door and even end-to-end transport. In the future the scope of services will expand to a full-range logistics service mode covering "warehousing and storage management" and "logistics center". When multinational companies cannot agree with the quality of service of the local logistics industry in China, and the foreign logistics industry is unable to grasp the mainland's market ecology, the Company and its subsidiaries will become their most suitable supply chain partners.

C. Long-term and stable cooperative relations with many shipping companies and airlines.

The Company has established long-term and close business relationships with a number of shipping companies such as the three largest container shipping companies Yangming Shipping, Evergreen Shipping, Wan Hai Lines, and also has cooperation with world-class airlines such as NYK, CMA, OOCL, COSCO, Evergreen, Macau, Cathay Pacific and China Eastern Airlines. The Company has signed a freight forwarding agreement and become a market strategy partner with Shanghai Dazhong Transportation Group to jointly develop the business in Taiwan and the mainland. Greater benefits can be reaped with the mutual and complementary advantages of both parties.

5.2.1.5 Disadvantages and Responsive Strategies

The main targets of international freight services are importers and exporters. The current rapid development of liberalization and globalization of international trade has provided a good niche for the development of the logistics industry. Presently the Company and its subsidiaries have the following advantages to move towards a large-scale professional logistic group.

Advantage :

- Brand: A Taiwanese brand, acting as a platform for integrated services in Taiwan, Hong Kong and China, has the advantage of bridging localization and internationalization.
- Distribution: The Company has a complete network of location in Asia and a global network of agents.
- Product: The Company offers sea, land, air, river, railway transport, warehousing and a full range of supply chain logistics management services.
- Stable cooperative relations: The Company has established long-term and close business relationships with a number of shipping companies.
- Human: The Company has a team of professional, innovative and dedicated logistics specialists.
- Information: T3EX's advanced ERP system, WMS, SCM and e-commerce management enable us to provide customized information management services.

Disadvantage:

- Risk of variation in currency exchange rate.
- Inflation: The cost increase and the consumption decline.
- Unstable regional political and economic circumstance.
- Unstable international freight.

Responsive Strategies

For external market changes, immediate react and adjust the business strategy; adjust business and route configuration, and continue to expand cooperation with the industry as well as upstream and downstream manufacturers through acquisitions and strategic alliances to reduce operational risks.

5.2.2 Application of Major Products

Services of the Company and its subsidiaries are mainly integrated international logistics services, which cover comprehensive supply chain management services from the procurement of goods and raw materials and sea, air or land freight transport services for raw materials used in the production process to the packaging, sorting, storage, transit, distribution of semi-finished products and finished products as well as the final document production and management services for customers, the establishment of marketing channels and information feedback.

5.2.3 Supply of Major Material: It not apply.

5.2.4 M Major Suppliers in the Last Two Calendar Years: It not apply.

5.2.4.1 Major Clients in the Last Two Calendar Years: It not apply.

5.2.5 Production in the Last Two Years (Group)

Unit: NT\$ thousands

Year	2017					2018				
Quantity/ Amount	Quantity				Amount	Quantity				Amount
Major Products	TEU	CBM	TON	Shipment		TEU	CBM	TON	Shipment	
Sea Export	249,122	528,814	-	-	4,292,099	274,156	505,779	-	-	4,837,913
Sea Import	24,512	43,094	-	-	481,072	33,753	64,123	-	-	555,314
Air Export	-	-	43,950	-	2,133,823	-	-	48,452	-	2,478,610
Air Import	-	-	22,397	-	442,435	-	-	21,844	-	514,762
Logistics	-	-	-	198,420	1,263,544	-	-	-	186,789	1,186,434
Total	273,634	571,908	66,347	198,420	8,612,973	307,909	569,902	70,296	186,789	9,573,033

Variation: Through the strategy of developing the total solution logistics, the Company could more effectively control cost and increase gross margin.

5.2.6 Shipments and Sales in the Last Two Years (Group)

Unit: NT\$ thousands

Year	2017					2018				
Quantity/ Amount	Quantity				Amount	Quantity				Amount
Major Products	TEU	CBM	TON	Shipment		TEU	CBM	TON	Shipment	
Sea Export	249,122	528,814	-	-	5,303,075	274,156	505,779	-	-	5,855,853
Sea Import	24,512	43,094	-	-	601,877	33,753	64,123	-	-	653,087
Air Export	-	-	43,950	-	2,458,612	-	-	48,452	-	2,825,353
Air Import	-	-	22,397	-	544,780	-	-	21,844	-	639,601
Logistics	-	-	-	198,420	1,628,664	-	-	-	186,789	1,562,375
Total	273,634	571,908	66,347	198,420	10,527,008	307,909	569,902	70,296	186,789	11,536,269

Variation : Through the strategy of developing the total solution logistics, the Company increased businesses and profit.

5.3 Human Resources

I. T3EX Global Holdings Corp.

II. T3EX Group

Year		2017	2018	Data as of ending data in the current year
Number of Employees	Sales	0	0	0
	Administrative Person	26	26	27
	Total	26	26	27
Average Age		40.51	41.89	41.72
Average Years of Service		5.33	6.15	5.76
Education	Ph.D.	0.00%	0.00%	0.00%
	Masters	15.38%	11.50%	18.50%
	Bachelor's Degree	84.62%	88.50%	81.50%
	Senior High School	0.00%	0.00%	0.00%
	Below Senior High School	0.00%	0.00%	0.00%

Year		2017	2018	Data as of ending data in the current year
Number of Employees	Sales	1,209	1,239	1,213
	Administrative Person	314	266	252
	Total	1,523	1,505	1,465
Average Age		37	37.48	36.22
Average Years of Service		6.3	7.29	6.16
Education	Ph.D.	0.00%	0.1%	0.2%
	Masters	2.43%	2.5%	2.5%
	Bachelor's Degree	72.23%	72.6%	72.3%
	Senior High School	15.34%	16.0%	15.9%
	Below Senior High School	10.00%	8.8%	9.15%

5.4 Environmental Protection Expenditure

In 2018 and as of the date of this annual report, the Company did not incur any loss or receive any penalty for major environmental pollution. There are designated personnel within the company who are in charge of environmental protection in compliance with the legal requirements. Waste clearance and disposal, emission discharge and environmental measurement have been conducted and controlled by management procedures.

5.5 Employee Relations

5.5.1 Employee's Welfare and Benefit

a. Employee welfare and benefit

Employee welfare and benefit are provided by both the Company and the Company's Employee Welfare Committee. Corporate benefit program offered to employees include group insurance, travel insurance on business trips, meal subsidies, year-end bonus, performance bonus, etc. The details of welfare and benefit will be announced through announcement, company's website and e-hr system.

b. Professional training program

We place great emphasis on career planning and talent development for employees by encouraging employees to attend internal and external training programs. Internal training programs include courses for core competence and professional development to enhance employees' capabilities, while external training programs include seminars or conferences organized by external parties that provide excellent training opportunities for employees.

Internal Program :

Internal Training	Times	Training Expense
600classes	2,000hours	NT\$ 570,000

External Program :

External Training	Times	Training Expense
80classes	550hours	NT\$ 400,000

c. The retirement policy:

The Company's retirement policy is in accordance with the provisions in the Labor Standards Law and Labor Pension Act of the Republic of China.

d. Employee rights

The Company always emphasizes employee benefits as well as harmonious labor relations, and we highly value employee's opinions and feedbacks, which can be submitted via employee mailbox, conferences and emails. Employees can fully express their opinions, raising any labor issues to promote and maintain a positive labor relationship.

e. Employees code of conduct

Pursuing sustainable corporate development and embracing integrity is our highest guiding principle, and the Company has established Business Ethic Guidelines. Based on the Business Ethic Guideline, employees are required to strictly follow the moral standards and advocate honesty, integrity and confidentiality to protect the rights of the Company and shareholders and enhance the Company's

competitiveness.

5.5.2 Any current or potential loss resulting from labor disputes and prevention actions for the past two years and as of the date of this annual report.

There have not been any material losses resulting from major labor disputes for the past two years and as of the date of this annual report.

5.6 Important Contracts

A. Transportation:

Item	Counterparty	Period	Major Contents	Restrictions
1	CHINA AIRLINE	2018.09.11~2020.12.22	Air Transportation	None
2.	China Cargo Airline	2019.03.08~2020.03.08	Air Transportation	None
3	China Eastern	2017.02.08~2020.02.07	Air Transportation	None
4	Xiamen Air	2018.10.01~2020.09.30	Air Transportation	None
5	YANG MING MARINE	2019.05.01~2020.04.30	Sea Transportation	None
6	EVER GREEN LINE	2019.05.01~2020.04.30	Sea Transportation	None
7	COSCO SHIPPING	2019.05.01~2020.04.30	Sea Transportation	None
8	OOCL	2019.05.01~2020.04.30	Sea Transportation	None
9	UPS	2019.01.01~2020.12.31	Customs Service	None

B. Agency:

Item	Counterparty	Period	Major Contents	Restrictions
1	A Company	2012.10.25~2013.10.24 (Automatically Renew One Year)	Agency Agreement	Privacy
2	B Company	2014.12.15~2015.12.14 (Automatically Renew One Year)	Agency Agreement	Privacy
3	C Company	2014.11.18~2015.11.17 (Automatically Renew One Year)	Agency Agreement	Privacy
4	D Company	2013.2.18~2014.02.17 (Automatically Renew One Year)	Agency Agreement	Privacy
5	E Company	2014.11.18~2015.11.17 (Automatically Renew One Year)	Agency Agreement	Privacy

C. Sales:

Item	Counterparty	Period	Major Contents	Restrictions
1	F Company	2019.04.01~2020.03.31	Logistics Agreement	Privacy
2	G Company	2019.01.01~2019.12.31	Logistics Agreement	Privacy
3	H Company	2019.01.01~2021.03.22	Forwarder Agreement	Privacy
4	I Company	2019.04.01~2021.03.06	Forwarder Agreement	Privacy
5	J Company.	2018.01.16~2021.06.30 (Automatically Renew One Year)	Forwarder and Customs Clearance Agreement	Privacy

Item	Counterparty	Period	Major Contents	Restrictions
1	Cathay Century Insurance	2018.09.12~2019.09.11	Directors and Officers Liability Insurance	The Coverage Limit is US\$4,000,000
2	CTBC Bank	2018.09.30-2019.09.30	Financial loan	None

D. Others:**VI. Financial Information****6.1 Five-Year Financial Summary****6.1.1 Condensed Balance Sheet****Consolidated Condensed Balance Sheet – Based on IFRS**

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years					1Q2019
		2014	2015	2016	2017	2018	
Current assets		3,011,312	3,385,769	3,481,349	3,824,345	4,188,887	4,187,789
Property, Plant and Equipment		276,664	337,171	314,067	301,090	282,104	282,366
Intangible assets		326,560	720,469	658,732	630,309	655,851	659,211
Other assets		325,738	315,250	359,297	421,807	461,364	727,997
Total assets		3,940,274	4,758,659	4,813,445	5,177,551	5,588,206	5,857,363
Current liabilities	Before distribution	1,627,457	1,564,095	2,013,714	2,700,287	2,654,564	2,756,346
	After distribution	1,772,621	1,770,436	2,106,351	2,804,504	-	-
Non-current liabilities		283,346	558,519	414,237	84,657	284,780	385,974
Total liabilities	Before distribution	1,910,803	2,122,614	2,427,951	2,784,944	2,939,344	3,142,320
	After distribution	2,055,967	2,328,955	2,520,588	2,889,161	-	-
Equity attributable to shareholders of the parent		1,992,136	2,506,418	2,259,199	2,279,473	2,483,219	2,560,384
Capital stock		983,981	1,160,421	1,195,264	1,185,655	1,183,455	1,171,575
Capital surplus		629,395	867,214	865,337	872,754	808,958	798,811
Retained earnings	Before distribution	284,581	390,641	285,955	424,932	676,879	702,880
	After distribution	103,126	161,373	193,318	320,715	-	-
Other equity interest		115,412	98,778	(25,556)	(137,519)	(125,430)	(85,085)
Treasury stock		(21,233)	(10,636)	(61,801)	(66,349)	(60,643)	(27,797)
Non-controlling interest		37,335	129,627	126,295	113,134	165,643	154,659
Total equity	Before distribution	2,029,471	2,636,045	2,385,494	2,392,607	2,648,862	2,715,043
	After distribution	1,884,307	2,429,704	2,292,857	2,288,390	-	-

6.1.2 Condensed Individual Balance Sheet
Condensed Individual Balance Sheet- Based on IFRS

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years				
		2014	2015	2016	2017	2018
Current assets		120,195	308,347	375,269	411,485	321,174
Property, Plant and Equipment		198,954	198,754	192,995	188,478	183,946
Intangible assets		6,560	11,227	8,151	22,614	21,776
Other assets		2,233,894	2,792,687	2,779,735	2,989,286	3,385,842
Total assets		2,559,603	3,311,015	3,556,150	3,611,863	3,912,738
Current liabilities	Before distribution	345,360	306,249	743,136	1,310,103	1,216,902
	After distribution	635,688	512,590	835,773	1,414,320	-
Non-current liabilities		222,107	498,348	353,815	22,287	212,617
Total liabilities	Before distribution	567,467	804,597	1,096,951	1,332,390	1,452,519
	After distribution	712,631	1,010,938	1,189,588	1,436,607	-
Capital stock		983,981	1,160,421	1,195,264	1,185,655	1,183,455
Capital surplus		629,395	867,214	865,337	872,754	808,958
Retained earnings	Before distribution	284,581	390,641	285,955	424,932	676,879
	After distribution	103,126	161,373	193,318	320,715	-
Other equity interest		115,412	98,778	(25,556)	(137,519)	(125,430)
Treasury stock		(21,233)	(10,636)	(61,801)	(66,349)	(60,643)
Total equity	Before distribution	1,992,136	2,506,418	2,259,199	2,279,473	2,483,219
	After distribution	1,846,972	2,300,077	2,166,562	2,175,256	-

6.1.3 Condensed Statement of Comprehensive Income/Condensed Statement of Income
Consolidated Condensed Statement of Comprehensive Income – Based on IFRS
Unit: NT\$ thousands

Year Item	Financial Summary for The Last Five Years					1Q2019
	2014	2015	2016	2017	2018	
Operating revenue	9,729,513	9,736,912	9,744,113	10,537,008	11,536,269	2,588,156
Gross profit	1,659,065	1,877,272	1,794,218	1,924,035	1,963,236	458,176
Income from operations	225,141	312,196	193,165	396,445	376,198	51,192
Non-operating income and expenses	48,765	85,061	33,439	(42,416)	30,827	(6,838)
Income before tax	273,906	397,257	226,604	354,029	407,025	44,354
Net income (Loss)	206,665	303,900	121,176	252,737	366,598	35,811
Other comprehensive income (income after tax)	111,077	(24,070)	(137,465)	(118,393)	(30,703)	30,370
Total comprehensive income	317,742	279,830	(16,289)	134,344	335,895	66,181
Net income attributable to shareholders of the parent	199,512	293,820	130,487	240,110	354,930	36,820
Net income attributable to non-controlling interest	7,153	10,080	(9,311)	12,627	11,668	(1,009)
Comprehensive income attributable to Shareholders of the parent	307,445	270,881	248	125,685	325,147	77,165
Comprehensive income attributable to non-controlling interest	10,297	8,949	(16,537)	8,659	10,748	(10,984)
Earnings per share	2.20	2.70	1.11	2.07	3.07	0.32

6.1.3 Condensed Individual Statement of Income

Condensed Individual Statement of Income- Based on IFRS

Unit: NT\$ thousands

Year Item	Financial Summary for The Last Five Years				
	2014	2015	2016	2017	2018
Operating revenue	272,824	415,213	230,812	289,873	435,491
Gross profit	190,484	292,966	140,614	207,935	358,744
Income from operations	190,484	292,966	140,614	207,935	358,744
Non-operating income and expenses	10,107	1,902	(7,096)	34,037	(3,103)
Income before tax	200,591	294,868	133,518	241,972	355,641
Net income (Loss)	199,512	293,820	130,487	240,110	354,930
Other comprehensive income (income after tax)	107,933	(22,939)	(130,239)	(114,425)	(29,783)
Total comprehensive income	307,445	270,881	248	125,685	325,147
Net income attributable to shareholders of the parent	199,512	293,820	130,487	240,110	354,930
Net income attributable to non-controlling interest	-	-	-	-	-
Comprehensive income attributable to Shareholders of the parent	307,445	270,881	248	125,685	325,147
Comprehensive income attributable to non-controlling interest	-	-	-	-	-
Earnings per share	2.20	2.70	1.11	2.07	3.07

6.1.4 Auditors' Opinions from 2013 to 2017

Year	CPA's Name	CPA Firm	Auditing Opinion
2014	Peggy Chen & HENG- SHENG LIN	KPMG	Unqualified
2015	Peggy Chen & HENG- SHENG LIN	KPMG	Modified Unqualified
2016	Peggy Chen & HENG- SHENG LIN	KPMG	Unqualified
2017	Peggy Chen & HENG- SHENG LIN	KPMG	Unqualified
2018	CHI-LUNG YU&MEI-PIN WU	KPMG	Unqualified

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis

Consolidated Financial Analysis – Based on IFRS

Item \ Year		Financial Analysis for the Last Five Years					1Q2019
		2014	2015	2016	2017	2018	
Financial structure (%)	Debt Ratio	48.49	44.61	50.44	53.79	52.60	53.65
	Ratio of long-term capital to property, plant and equipment	835.97	947.46	891.44	822.77	1,039.92	1,098.23
Solvency (%)	Current ratio	185.03	216.47	172.88	141.63	157.8	151.93
	Quick ratio	182.72	213.68	170.82	139.88	156.16	150.27
	Interest earned ratio (times)	25.67	41.73	9.67	13.85	19.14	5.53
Operating performance	Accounts receivable turnover (times)	6.21	6.20	6.22	6.14	6.18	5.93
	Average collection period	58.78	58.87	58.68	59.44	59.06	61.55
	Inventory turnover (times)	-	-	-	-	-	-
	Accounts payable turnover (times)	10.28	9.88	10.14	10.22	11.30	10.49
	Average days in sales	-	-	-	-	-	-
	Property, plant and equipment turnover (times)	35.92	31.72	29.92	34.26	39.56	35.49
	Total assets turnover (times)	2.71	2.24	2.04	2.11	2.14	1.88
Profitability	Return on total assets (%)	6.02	6.94	3.18	5.26	6.94	0.81
	Return on stockholders' equity (%)	12.00	13.06	5.48	10.58	14.90	1.52
	Pre-tax income to paid-in capital (%)	27.84	34.23	18.96	29.86	34.39	3.79
	Profit ratio (%)	2.12	3.12	1.24	2.40	3.18	1.38
	Earnings per share (NT\$)	2.20	2.70	1.11	2.07	3.07	0.32
Cash flow	Cash flow ratio (%)	13.90	32.73	0.43	5.68	12.02	9.90
	Cash flow adequacy ratio (%)	69.22	90.20	104.00	93.04	100.26	111.72
	Cash reinvestment ratio (%)	7.35	13.75	Note2	3.12	7.10	12.04
Leverage	Operating leverage	3.19	2.96	3.70	2.14	2.41	3.91
	Financial leverage	1.05	1.03	1.16	1.07	1.06	1.24

Analysis of financial ratio differences for the last two years.

1. Ratio of long-term capital to property, plant and equipment: The increase of net equity caused the increase of ratio.
2. Interest earned ratio (times): The increase of income before tax expense and interest expense caused the increase of ratio.
3. Ratios of profitability: The growth of profit in 2018 caused the increase of profitability.
4. Ratios of cash flow: The growth of cash flow activity caused the increase of ratio.
5. Operating leverage: The increase of operating profit caused the decline of operating leverage.

Note 1: Equations:

1. Capital Structure

(1) Debt ratio = Total liability / Total assets

(2) Ratio of long-term capital to property, plant and equipment = (Net shareholders' equity + Long-term liability) / Net property, plant and equipment

2. Solvency

(1) Current ratio: Current assets / current liability

(2) Quick ratio = (Current assets – Inventory – Prepaid expense) / current liability

(3) Times interest earned = Net income before tax and interest expense / Interest expense of the year

3. Operating ability

(1) Account receivable turnover (including accounts receivable and notes receivable derived from business operations) = Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation)

(2) Days sales in accounts receivable = 365 / Account receivable turnover

(3) Inventory turnover = Cost of goods sold / Average inventory amount

(4) Account payable turnover (including accounts payable and notes payable derived from business operation) = Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from business operation)

(5) Average days in sales = 365 / Inventory turnover

(6) Fixed assets turnover = Net sales / Net fixed assets

(7) Total assets turnover = Net sales / Total assets

4. Profitability

(1) Return on assets = (Net income (loss) + interest expense x (1-tax rate)) / Average total assets

(2) Return on shareholders' equity = Net income (loss) / Net average shareholders' equity

(3) Return to issued capital stock = Net income before tax / Issued capital stock

(4) Profit ratio = Net income (loss) / Net sales

(5) Basic earnings per share = (Net income – preferred stock dividend) / Weighted average stock shares issued

5. Cash flow

(1) Cash flow ratio = Net cash flow from operating activity / Current liability

(2) Cash flow adequacy ratio = Net cash flow from operating activity in the past 5 years / (Capital expenditure + Inventory interest + Cash dividend) in the past 5 years

(3) Cash + reinvestment ratio = (Net cash flow from operating activity – Cash dividend) / (Fixed assets + Long term investment + Other assets + Working capital)

6. Balance

(1) Degree of operating leverage = (Net operating income – Variable operating cost and expense) / Operating income

(2) Degree of financial leverage = Operating income / (Operating income – interest expense)

Note 2: The net cash flow in operating activity is negative, it not apply.

6.2.2 Individual Financial Analysis

Individual Financial Analysis- Based on IFRS

Year Item		Financial Analysis for the Last Five Years				
		2014	2015	2016	2017	2018
Financial structure (%)	Debt Ratio	22.17	24.30	32.68	36.89	36.54
	Ratio of long-term capital to property, plant and equipment	1,112.94	1,511.80	1,353.93	1,221.24	1,465.56
Solvency (%)	Current ratio	34.80	100.69	50.50	31.41	26.39
	Quick ratio	31.69	97.20	49.02	30.81	25.77
	Interest earned ratio (times)	22.12	38.26	6.37	12.52	25.24
Operating performance	Accounts receivable turnover (times)	8.70	8.89	4.81	6.28	10.03
	Average collection period	42	41	76	58	36
	Inventory turnover (times)	-	-	-	-	-
	Accounts payable turnover (times)	12.64	43.01	50.59	60.14	77.21
	Average days in sales	-	-	-	-	-
	Property, plant and equipment turnover (times)	1.43	2.09	1.18	1.52	2.34
	Total assets turnover (times)	0.11	0.14	0.07	0.08	0.12
Profitability	Return on total assets (%)	8.38	10.23	4.53	7.39	9.75
	Return on stockholders' equity (%)	11.80	13.06	5.48	10.58	14.90
	Pre-tax income to paid-in capital (%)	20.39	25.41	11.17	20.41	30.05
	Profit ratio (%)	73.13	70.76	56.53	82.83	81.50
	Earnings per share (NT\$)	2.20	2.70	1.11	2.07	3.07
Cash flow	Cash flow ratio (%)	Note1	Note1	Note1	Note1	Note1
	Cash flow adequacy ratio (%)	14.84	7.58	0.03	-	-
	Cash reinvestment ratio (%)	Note1	Note1	Note1	Note1	Note1
Leverage	Operating leverage	1.00	1.00	1.00	1.00	1.00
	Financial leverage	1.05	1.03	1.21	1.11	1.04

Analysis of financial ratio differences for the last two years.

1. Ratio of long-term capital to property, plant and equipment: The increase of net equity caused the increase of ratio.
2. Interest earned ratio (times): The increase of income before tax expense and interest expense caused the decline of ratio.
3. Accounts receivable turnover & Average collection period: The increase of investment profit caused the increase of turnover rate and the decrease of collection period.
4. Accounts payable turnover: The decrease of average account payables caused the increase of ratio.
5. Property, plant and equipment turnover & Total assets turnover: The ratio increased in 2018 due to the increase in sales.
6. Ratios of profitability: The growth of profit in 2018 caused the increase of profitability.

Note1: it was negative.

Note2:

1. Capital Structure

(1) Debt ratio = Total liability / Total assets

(2) Ratio of long-term capital to property, plant and equipment = (Net shareholders' equity + Long-term liability) / Net property, plant and equipment

2. Solvency

(1) Current ratio: Current assets / current liability

(2) Quick ratio = (Current assets - Inventory - Prepaid expense) / current liability

(3) Times interest earned = Net income before tax and interest expense / Interest expense of the year

3. Operating ability

(1) Account receivable turnover (including accounts receivable and notes receivable derived from business operations) =

Net sales / Average accounts receivable (including accounts receivable and notes receivable derived from business operation)

(2) Days sales in accounts receivable = 365 / Account receivable turnover

(3) Inventory turnover = Cost of goods sold / Average inventory amount

(4) Account payable turnover (including accounts payable and notes payable derived from business operation) =
Cost of goods sold / Average accounts payable (including accounts payable and notes payable derived from business operation)

(5) Average days in sales = 365 / Inventory turnover

(6) Fixed assets turnover = Net sales / Net fixed assets

(7) Total assets turnover = Net sales / Total assets

4. Profitability

(1) Return on assets = (Net income (loss) + interest expense x (1-tax rate)) / Average total assets

(2) Return on shareholders' equity = Net income (loss) / Net average shareholders' equity

(3) Return to issued capital stock = Net income before tax / Issued capital stock

(4) Profit ratio = Net income (loss) / Net sales

(5) Basic earnings per share = (Net income - preferred stock dividend) / Weighted average stock shares

issued

5. Cash flow

(1) Cash flow ratio = Net cash flow from operating activity / Current liability

(2) Cash flow adequacy ratio = Net cash flow from operating activity in the past 5 years / (Capital expenditure + Inventory interest + Cash dividend) in the past 5 years

(3) Cash + reinvestment ratio = (Net cash flow from operating activity - Cash dividend) / (Fixed assets + Long term investment + Other assets + Working capital)

6. Balance

(1) Degree of operating leverage = (Net operating income - Variable operating cost and expense) / Operating income)

(2) Degree of financial leverage = Operating income / (Operating income - interest expense)

6.3 Supervisors' Report in the Most Recent Year

T3EX Global Holdings Corp. Audit Report by Supervisors

Date: March 26, 2019

The Board of Directors has prepared the T3EX Global Holdings Corporation's ("the Company") 2018 Business Report, financial statements, and proposal for earning distribution. The CPA firm of KPMG was retained to audit the Company's financial statements and has issued an audit report relating to the financial statements. The above Business Report, financial statements, and earning distribution proposal have been examined and determined to be correct and accurate by the Supervisor of T3EX Global Holdings Corporation. Pursuant to Article 219 of the Company Act, we hereby submit this report.

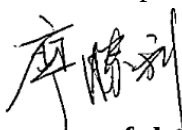
Submitted to:

2019 Regular Shareholders' Meeting of the Company

Supervisor: YI-WEI INVESTMENT Representative Chin-Chou Hsu



Supervisor: Shen-Li Liao



6.4 Consolidated Financial Statements of the Parent Company and Subsidiary in the Most Recent Year: Please refer page 114-189

6.5 Non-Consolidated Financial Statements of the Most Recent Year:

Please refer page 190-258

6.6 Financial Difficulties Encountered By the Company and the Related Party in the Most Recent Year and Up to the Date of the Annual Report: None.

VII. Review of Financial Position, Management Performance and Risk Management.

7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2017	2018	Difference	
			Amount	%
Current Assets	3,824,345	4,188,887	364,542	9.53
Fixed Assets	301,090	282,104	(18,986)	(6.31)
Intangible Assets	630,309	655,851	25,542	4.05
Other Assets	421,807	461,364	39,557	9.38
Total Assets	5,177,551	5,588,206	410,655	7.93
Current Liabilities	2,700,287	2,654,564	(45,723)	(1.69)
Long-term Liabilities	84,657	284,780	200,123	236.39
Total Liabilities	2,784,944	2,939,344	154,400	5.54
Capital stock	1,185,655	1,183,455	(2,200)	(0.19)
Capital surplus	872,754	808,958	(63,796)	(7.31)
Retained Earnings	424,932	676,879	251,947	59.29
Other Equity	(137,519)	(125,430)	12,089	8.79
Treasury Stock	(66,349)	(60,643)	5,706	8.60
Non-controlling interests	113,134	165,643	52,509	46.41
Total Stockholders' Equity	2,392,607	2,648,862	256,255	10.71
Analysis of changes in financial ratios:				
Long-term Liabilities: The increase was due to increase the bank loan for operating need.				
Retained Earnings: The growth of 2018 profit caused the increase of retained earnings.				
Non-controlling interests: The increase of investment caused the increase of non-controlling interests.				

- **Effect of changes on the company's future business and Future response action:**
The foreign loss was an unrealized loss, so it doesn't have big effect on the Company.

7.2 Analysis of Financial Performance

Unit: NT\$ thousands

Item \ Year	2017	2018	Difference	
			Amount	%
Sales	10,537,008	11,536,269	999,261	9.48
Cost of Sales	8,612,973	9,573,033	960,060	11.15
Gross Profit	1,924,035	1,963,236	39,201	2.04
Operating Expenses	1,527,590	1,587,038	59,448	3.89
Operating Income	396,445	376,198	(20,247)	(5.11)
Non-operating Income and Expenses	(42,416)	30,827	73,243	(172.68)
Income Before Tax	354,029	407,025	52,996	14.97
Tax Expense	101,292	40,427	(60,865)	(60.09)
Net Income	252,737	366,598	113,861	45.05
Analysis of changes in financial ratios: Non-operating Income and Expenses: The increase was due to the increase of gains of foreign exchange. Tax Expense: The decrease was due to the recognition of gains of income tax. . Net Income: The increase was due to the growth of operating performance.				

- **Effect of changes on the company's future business and Future response action:**
The Company will continue to develop international logistics business with oversea, expand new locations, and deeply develop warehousing, customs declaration, and inland transport to become a total solution logistics company.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

Item \ Year	2017	2018	Variance	
			Amount	(%)
Cash flows from operating actives	153,312	319,154	165,842	108.17
Cash flows from investing actives	(305,981)	(83,370)	222,611	(72.75)
Cash flows from financing actives	281,567	1,123	(280,444)	(99.60)
Net cash flows	128,898	236,907	108,009	83.79
Analysis of financial ratio change: Cash flows from operating actives: The increase were due to the growth of profit before tax. Cash flows from investing actives: The decrease of financial investment activities caused the decrease of cash outflow. Cash flows from financing actives: The decrease of bank loan caused the increase of cash inflow.				

7.3.2 Remedy for Cash Deficit and Liquidity Analysis:

In light of positive cash flows, remedial actions are not required.

7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Net Cash Flow from Investing Activities (3)	Estimated Net Cash Flow from Financing Activities (4)	Cash Surplus (Deficit) (1)+(2)+(3)+(4)
1,726,979	200,000	(100,000)	150,000	1,976,979

Analysis of 2019 cash flow:

Cash flows from operating actives: The Company will continue to develop business to bring more cash flows.

Cash flows from investing actives: The Company is planning to purchase IT equipment for integrating logistics and financial information system.

Cash flows from financing actives: The Company will continue to do some financial plans for developing business.

Remedy for Cash Deficit and Liquidity Analysis:

In light of positive cash flows, remedial actions are not required.

7.4 Major Capital Expenditure Items: None.

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

7.5.1 Investment policy:

The policy is pursuant on the “Procedures of Acquisition and Disposal of Assets” and Internal Control System.

7.5.2 The reason of profits or Losses:

The Company and its subsidiaries’ investment profit in 2018 were mainly due to the profits of THI Logistics, THI Group (Shanghai) Ltd, and THI Group (HK) Ltd., Taiwan Express, and T-Cube logistics.

7.5.3 Investment plans for the coming year:

The Company will continue to invest locations in China and Southern Asia.

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

(1)Interest rate

Unit: NT\$ thousands

Item\Year	2018	1Q2019
Interest Expenses (A)	22,433	9,782
Revenue(B)	11,536,269	2,588,156
Operating Profit(C)	376,198	51,192
(A)/(B)	0.19%	0.38%
(A)/(C)	5.96%	19.11%

Going forward, the Company will continue to carefully monitor interest rate movements, adopt proper hedging strategies, and make use of capital markets financing instruments to ensure that our financing costs are at a comparatively low level.

(2) Foreign exchange rates

Unit: NT\$ thousands

Item\Year	2017	1Q2018
Foreign Exchange (A)	16,311	(9,669)
Revenue (B)	11,536,269	2,588,156
(A) / (B)	0.14%	-0.37%

The Company has a clear operating strategy and risk control procedure to respond to changes in the spot exchange rate, stays in close contact with financial institutions, and adjusts its foreign exchange strategy to minimize the risk of exchange rate accordingly.

(3) Inflation

The impact of inflation does not currently have a significant impact on the Company's profits and business operations. The Company will continue to maintain a good relations with shipping companies, airline companies, and overseas agencies to decrease the risk of inflation or deflation.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

(1) High-Risk, High-Leverage Investment:

In 2018 and as of the date of this annual report, the Company has not conducted any high-risk and/or high-leverage investment.

(2) Loaning or Endorsement Guarantees:

The Company and its subsidiaries conduct loaning or endorsement guarantees according to the internal policy "Operational Procedures for Endorsements and Guarantees" and the "Procedures for Loaning of Funds.". Procedures and risk evaluation are conducted in accordance with this policy.

(3) Derivatives Transactions:

The Company and its subsidiaries conduct derivatives transactions according to the internal policy "the Operational procedures for Acquisition and Disposal of Assets"

7.6.3 Future Research & Development Projects and Corresponding Budget

The Company did not conduct any research & development projects.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company consistently pays close attention to any changes in local and

foreign policies and makes appropriate amendments to our systems when necessary. During 2016 and as of the date of publication of this annual report, changes in related laws have not had a significant impact on our operations.

7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

The Company attaches great importance to improvements in technology and carefully monitors market trends and assesses the impact they may have on the company's operations.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Since its inception, the Company has consistently maintained an ethical business philosophy and fulfilled its social responsibilities. Aside from working to strengthen internal management and conforming to all relevant corporate governance requirements, the Company has also organized numerous public welfare activities.

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

The Company has no ongoing merger and acquisition activities. In considering future M&A activities, the Company will evaluate their efficiency, risks, vertical integration and other factors in accordance with its internal control system.

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

The Company has no factory expansion plans.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

The Company has consistently focused on identifying alternative sources for purchasing, and has worked to diversify its customer base in order to reduce the concentration of sales.

7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

The shareholdings of the Company's directors and supervisors have been stable during the last few years. The Company has no shareholders of 10%.

7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights

The structure of our principal shareholders is solid. A strong professional management team is in place to maximize both shareholders and the Company's best interest. Accordingly, we believe that the risk of changing in management rights that would cause damage to the Company is mitigated. In addition, our risk management department is responsible to monitor any related risks and report to the Board. Our policy is to maintain a steady

ownership and management structure. As of the date of this Annual Report, such risks were not identified by the Company.

7.6.12 Litigation or Non-litigation Matters

(1) Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.

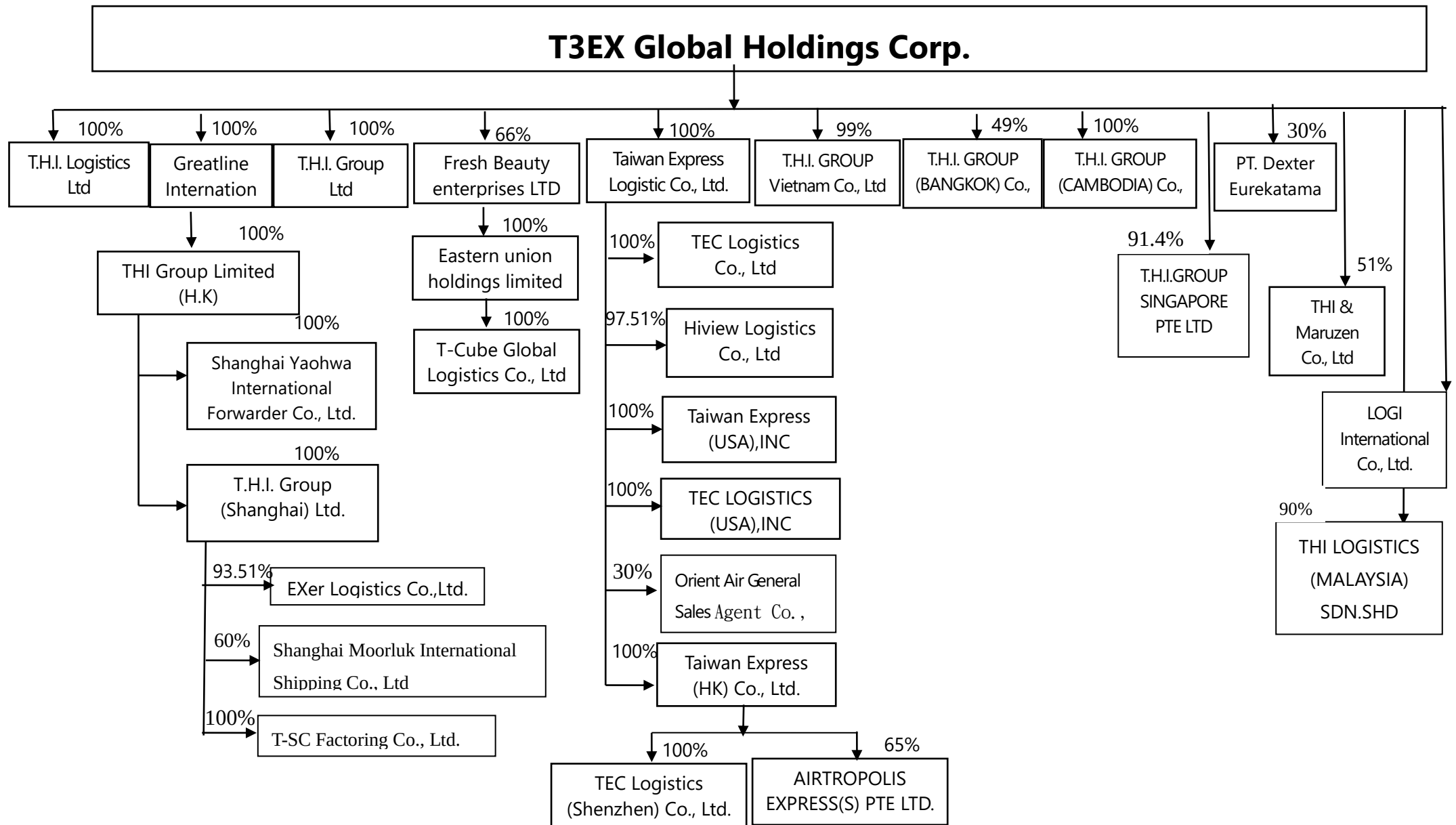
(2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

7.6.13 Other Major Risks: None.

VIII. Special Disclosure

8.1 Summary of Affiliated Companies:

8.1.1 Affiliated Companies Cha



8.1.2 The Detail Information of Affiliated Companies

Unit: thousands

Name of Subsidiary	Foundation Date	Address	Share Capital	Major Business
Greatline International Limited	2001.06.08	P.O.Box 438, Road Town, Tortola, British Virgin islands.	USD4,050	Offshore holdings company
T.H.I. Group Ltd (BVI)	2001.03.22	P.O.Box 3444, Road Town, Tortola, British Virgin Islands.	USD1,000	Offshore settlement company
T.H.I. Group Limited (HK)	1988.04.29	Rm601-7, Prosperity Millennia Plaza, 663 King's Rd., Quarry Bay, HK.	HKD12,480	Air & sea freight forwarding
T.H.I. Group (Shanghai) Ltd.	2001.03.05	10F, Kaikai Plaza, No 888 Wanhangu Road, Jinan District, Shanghai, 200042	USD3,060	Air & sea freight forwarding and customs clearance
Shanghai Yaohwa International Forwarder Co., Ltd	2004.07.28	Room 5F/Room F2, No.61 YangShuPu Road, Shanghai, P.R. China	USD1,700	Air & sea freight forwarding and customs clearance
T.H.I. Logistics Ltd	2012.06.21	12F. , No. 563 , Sec . 4, Zhongxiao E. Rd . Xinyi District , Taipei City 11072 , Taiwan	NTD130,000	Air & sea freight forwarding
T.H.I. Group Vietnam Co., Ltd	2007.12.24	Floor 7, No 09 Dinh Tien Hoang, Dakao, Ward, Dist 1, , Hochiminh city	VND5,000,000	Air & sea freight forwarding and packaging
T.H.I. GROUP (BANGKOK) COMPANY LIMITED	2009.04.07	2/22 Iyara Tower, 6th Fl., Unit 603, Chan Rd., Thungwatdon, Sathorn, Bangkok	THB5,000	Air & sea freight forwarding and packaging
T.H.I. GROUP (CAMBODIA) Co., Ltd.	2012.03.19	5th Floor, #66 SSN Building, Norodom Blvd, Phnom Penh, Cambodia	USD150	Air & sea freight forwarding
T.H.I.GROUP SINGAPORE PTE LTD	2014.11.06	115 AIRPORT CARGO ROAD#06-19 CARGO AGENTS BUILDING C SINGAPORE (819466)	SGD930,000	Air & sea freight forwarding
THI & Maruzen Co., Ltd	2010.07.14	5F, Sailor No.3 BLDG 1-21-4 Nihonbashi Kakigaracho Chuo-ku, Tokyo Japan 103-0014	JPY60,000,000	Air & sea freight forwarding
Taiwan Express Logistic Co., Ltd.	1992.09.04	3F, No. 16, Section 1, Nánjīng East Rd, Zhongshan District Taipei City, Taiwan	NTD359,584	Air & sea freight forwarding and customs clearance

Taiwan Express (HK) Co., Ltd.	1997.11.17	13005E-13006E,13/F., ATL Logistics Centre B, Berth 3, Kwai Chung Container Terminal, Kwai Chung, N.T.	HKD70,550	Freight forwarding, customs clearance, and distribution
TEC Logistics Co., Ltd	2003.10.13	3F, No. 16, Section 1, Nánjīng East Rd, Jhongshan District Taipei City, Taiwan	NTD10,000	Freight forwarding, customs clearance, and distribution
Taiwan Express (USA) INC.	2010.02.18	409 N. OAK STREET, INGLEWOOD, CA 90302	USD1,000	Freight forwarding, customs clearance, and distribution
Hiview Logistics Co., Ltd	1970.01.20	802, 8F, No. 6, Lìxíng 6th Rd, Dong District Hsinchu City, Taiwan	NTD68,000	Freight forwarding, customs clearance, and distribution
TEC Logistics (Shenzhen) Co., Ltd.	2005.02.06	Room28B-C, Office Building, Wan Chen Square, Wong-Kwong Port Shenzhen, China	HKD48,550	Freight forwarding, customs clearance, and distribution
TEC LOGISTICS(USA), INC	2010.08.04	167-16 146th Ave. Jamaica, NY11434, USA	USD290	Freight forwarding, customs clearance, and distribution
AIRTROPOLIS EXPRESS(S) PTE LTD.(ATP)	1991.01.02	119 Airport Cargo Road#01-01/02 changi Cargo Agents Megaplex 1 Singapore	SGD 851	Air Freight forwarding
Fresh Beauty enterprises LTD.	2014.08.21	Level 5,Development Bank of Samoa Building, Beach Road,Apia,Samoa	USD1,751	Offshore holdings company
Eastern union holdings limited	2014.08.15	Room 7C WORLD TRUST TOWER 50 STANLEY STREET CENTRAL, HK.	USD1,751	Offshore holdings company
T-Cube Global Logistics Co., Ltd	2015.08.07	Rm.803,8F , Changhui building.,No.799,yin xiang road,Shanghai,P.R.China 201802	RMB11,000	Warehousing and distribution
EXer Logistics Co.,Ltd.	2015.08.12	No.536, Shenglong Road, Songjiang District, Shanghai	RMB11,123	Express
THI LOGISTICS (MALAYSIA) SDN.BHD	2016.01.26	13-2, Jalan Mahogani 5/KS7,Bandar Botanic, 41200 Selangor Darul Ehsan Malaysia	USD200	Air & sea freight forwarding and packaging
Shanghai Moorluk International Shipping Co., Ltd	2012.02.14	203 Room, 4F, No.37, 685 Alley, Chang Jhong Road, Hongkou District, Shanghai, China	RMB5,000	Freight forwarding
T-SC Factoring Co., Ltd.	2018.03.01	No.106, Fung Ze East Road, Nansha District, Guangzhou	RMB10	Supply chain finance.

8.1.3: Shareholding of Directors, Supervisors, Managers of Affiliated Companies

Affiliated Companies	Position	Name	Current shareholding	
			Shares	Shareholding ratio
GREATLINE INTERNATIONAL LIMITED	Investor	T3EX Global Holdings Corp.	4,050,000	100%
	Representative	David Yen	-	-
THI GROUP LIMITED(H.K)	Investor	GREATLINE INTERNATIONAL LIMITED	12,480,000	100%
	Director	Jack Lai	-	-
	Director & GM	Billy Yuen	-	-
T.H.I Group Ltd	Investor	T3EX Global Holdings Corp.	1,000,000	100%
T.H.I. Group (Shanghai) Ltd.	Investor	THI GROUP LIMITED(H.K)	-	100%
	Chairman	David Yen	-	-
	Representative	Jack Lai	-	-
	Director & GM			
	Director	Tony Lin	-	-
	Supervisor	Irene Lee	-	-
Shanghai Yaohwa International Forwarder Co., Ltd	Investor	THI GROUP LIMITED(H.K)	-	100%
	Chairman	David Yen	-	-
	Representative	Tony Lin	-	-
	Director & GM			
	Director	Jack Lai	-	-
	Supervisor	Helen Zheng	-	-
Shanghai Moorluk International Shipping Co., Ltd	Investor	T.H.I. Group (Shanghai) Ltd.	-	60%
	Investor	Lin Chang	-	5%
	Investor	Tony Yang	-	5%
	Director & GM	Vivian Chang	-	30%
	Director	David Yen	-	-
	Director	Jack Lai	-	-
	Director	Carl Wei	-	-
T-Cube Global Logistics Co., Ltd	Investor	Eastern union holdings limited	-	100%
	Chairman	Jack Lai	-	-
	Representative	Peter Liu	-	-
	Director & GM			
	Director	David Yen	-	-
	Director	Tony Lin	-	-
	Director	HUI- CHAO HU	-	-
EXer Logistics Co.,Ltd.	Supervisor	Helen Zheng	-	-
	Investor	T.H.I. Group (Shanghai) Ltd.	-	93.5069%
	Investor	CHUN-TSANG Investment		2.3734%

	Chairman	RU- SHIU CHANG	-	-
	Representative			
	Director & GM			
	Director	LE-HUA LIU	-	4.1197%
	Director	CHIEN- HUA LIU	-	-
	Director	David Yen	-	-
	Director	Jack Lai	-	-
	Director	Sandy Shen	-	-
	Director	Tony Lin	-	-
	Director	Helen Zheng	-	-
	Director	HSIAO- CHENG SHE	-	-
	Supervisor	Hong-Ji Ruan	-	-
T-SC Factoring Co., Ltd.	Investor	T.H.I. Group (Shanghai) Ltd.	-	100%
	Chairmen	Tony Lin	-	-
	Director	Jack Lai	-	-
	Director	David Yen	-	-
	Representative	RU- SHIU CHANG	-	-
	Supervisor	Helen Zheng	-	-
	General Manager	Ryan Chen	-	-
Eastern union holdings limited	Investor	Fresh Beauty enterprises LTD.	-	100%
	Representative	Jack Lai	-	-
	Director			
Fresh Beauty enterprises LTD.	Investor	T3EX Global Holdings Corp.	66	66%
		NEW CONCEPT INVESTMENT LIMITED	34	34%
	Director	Jack Lai	-	-
	Director	Tony Lin	-	-
	Director	Liu Chuandong		
T.H.I. Group Vietnam Co., Ltd	Investor	T3EX Global Holdings Corp.	4,950,000,000	99%
		DAI HOA INTERNATIONAL TRANSPORTATION CO., LTD	50,000,000	1%
	Representative	Jack Lai	-	-
T.H.I. GROUP (BANGKOK) COMPANY LIMITED	Investor	T3EX Global Holdings Corp.	-	49%
		Boonpen Chuparkpien	-	30%
		Parnurut Punputtapong	-	20%
	Representative	Jack Lai	-	1%

T.H.I. GROUP (CAMBODIA) Co., Ltd.	Investor	T3EX Global Holdings Corp.	-	100%
	Director	Jack Lai	-	-
T.H.I.GROUP SINGAPORE PTE LTD	Investor	T3EX Global Holdings Corp.	850,000	91.39%
	Investor	KANG LEE CHING SHAREEN	80,000	8.61%
	Director	Jack Lai	-	-
	Director	Tony Lin	-	-
	Director	KANG LEE CHING SHAREEN	-	-
THI LOGISTICS (MALAYSIA) SDN.BHD	Investor	T3EX Global Holdings Corp.	1,350,000	90%
		Cindy Thong LAI YOONG	75,000	5%
		Chang KOK KEONG	75,000	5%
	Director	Jack Lai	-	-
	Director	Cindy Thong LAI YOONG	-	-
	Director	Chang KOK KEONG	-	-
THI & Maruzen Co., Ltd	Investor	T3EX Global Holdings Corp.	3,060	51%
		Satoshi Ikeda	2,000	33.33%
		Maruzen Showa Co., ltd	940	15.67%
	Representative	Satoshi Ikeda	-	-
	Director	Satoshi Ikeda	-	-
	Director	Tony Lin	-	-
	Director	Allen Hou	-	-
	Director	David Yen	-	-
	Director	Hideaki Suzuki	-	-
Taiwan Express Logistic Co., Ltd.	Investor	T3EX Global Holdings Corp.	35,958,400	100%
	Chairman/GM	Benison Hsu	-	-
	Director	Andy Wan	-	-
	Director	Allen Hou	-	-
	Director	David Yen	-	-
	Director	Tony Lin	-	-
	Supervisor	Shen-Li Liao	-	-
T.H.I. Logistics Ltd	Investor	T3EX Global Holdings Corp.	13,000,000	100%
	Chairman &GM	David Yen	-	-
	Director	Jack Lai	-	-
	Director	Tony Lin	-	-
	Director	Benison Hsu		
	Director	Allen Hou		
	Supervisor	Ji-Zhi Hsieh	-	-
Taiwan Express (USA) INC.	Investor	Taiwan Express Logistic Co., Ltd.	100,000	100%
	Director	Benison Hsu	-	-
	Director	TSAI- CHUAN Liu	-	-
TEC Logistics (USA) INC.	Investor	Taiwan Express Logistic Co., Ltd.	200	100%
	Director	Benison Hsu	-	-
	Director	TSAI- CHUAN Liu	-	-
TEC Logistics Co., Ltd	Investor	Taiwan Express Logistic Co., Ltd.	1,000,000	100%
	Chairman	Benison Hsu	-	-

	Director	Andy Wan	-	-
	Director	Julie Chen	-	-
	Supervisor	Melonie Lin	-	-
Hiview Logistics Co., Ltd	Investor	Taiwan Express Logistic Co., Ltd.	5,000,000	97.51%
	Chairman	Julie Chen	-	-
	Director	Benison Hsu	-	-
	Supervisor	Melonie Lin	-	-
Taiwan Express (HK) Co., Ltd.	Investor	Taiwan Express Logistic Co., Ltd.	-	100%
	Director	Benison Hsu	-	-
TEC Logistics (Shenzhen) Co., Ltd.	Investor	Taiwan Express (HK) Co., Ltd.	-	100%
	Director	Benison Hsu	-	-
	Director	Allen Chiu	-	-
	Director	MING-SHIN JOU	-	-
AIRTROPOLIS EXPRESS(S) PTE LTD. (ATP)	Investor	Taiwan Express (HK) Co., Ltd.	553	65%
	Director	LAU SEOH CHENG	195	23%
	Director	CHNG LOO SENG	102	12%
	Director	Benison Hsu	-	-
	Director	Andy Wan	-	-
	Director	Jack Lai	-	-

8.1.4 The Operating Condition of Affiliated Companies :

Unit: NT\$ thousands

Affiliated Companies	Share Capital	Total Assets	Total liabilities	Total equity	Revenue	Operating Income	Net Income	EPS
		Amount	Amount					
T.H.I. Group Ltd	35,000	112,020	12,597	99,423	0	(2,657)	22,108	0
GREATLINE INTERNATIONAL LIMITED	134,428	1,753,514	0	1,753,514	0	(54)	289,302	0
T.H.I. Logistics Ltd	130,000	248,779	101,328	147,451	1,027,871	4,229	5,886	0
THI GROUP LIMITED(H.K)	48,448	1,787,731	39,373	1,748,358	1,092,686	109,734	289,318	0
T.H.I. Group (Shanghai) Ltd.	92,883	1,602,308	570,446	1,031,862	5,685,097	160,971	134,006	0
Shanghai Yaohwa International Forwarder Co., Ltd	55,031	131,759	17,240	114,519	221,659	2,328	3,474	0
T.H.I. Group Vietnam Co.,LTD	9,534	61,723	7,836	53,887	229,234	(5,980)	(7,352)	0
T.H.I. GROUP (BANGKOK) CO., LTD.	4,841	39,270	5,776	33,494	48,732	4,686	3,386	0
T.H.I. GROUP (CAMBODIA) Co., Ltd.	4,462	11,545	1,807	9,738	40,741	1,303	1,310	0
T.H.I. Group Singapore PTE. LTD.	20,939	15,451	4,595	10,856	62,351	(3,414)	(3,409)	0
T.H.I. Logistics (Malaysia) SDN. BHD	11,535	12,555	5,673	6,882	41,348	1,128	850	0
T.H.I. & Maruzen Co. Ltd.	15,660	90,613	53,410	37,203	231,010	9,992	6,951	0
Fresh Beauty Enterprises Ltd.	57,411	164,091	0	164,091	0	0	20,470	0
Eastern union holdings limited	57,411	164,076	0	164,076	0	0	20,470	0
T-Cube Global Logistics Co., Ltd	54,610	259,790	96,102	163,688	531,779	21,073	20,470	0
EXer Logistics Co.,Ltd.	52,107	23,228	10,198	13,030	153,086	(56,779)	(63,602)	0
Shanghai Morrluk International								
Taiwan Express Logistic Co., Ltd.	359,584	935,193	466,158	469,035	1,049,464	16,321	36,879	0
Taiwan Express (USA) INC.	31,629	33,424	(77)	33,501	0	0	0	0
TEC Logistics Co., Ltd	10,000	32	195	(163)	0	0	0	0
Hiview Logistics Co., Ltd	68,000	137,366	43,827	93,539	204,663	27,699	22,251	0
Taiwan Express (HK) Co., Ltd.	266,807	423,538	94,343	329,195	554,413	(90)	4,891	0
TEC Logistics (Shenzhen) Co., Ltd.	183,901	234,958	76,619	158,339	468,532	6,176	3,094	0
TEC LOGISTICS(USA), INC	8,549	13,753	829	12,924	0	0	0	0
Wai Hung Cargo Transport Co., Ltd.	375	0	0	0	0	0	0	0

8.2 Private Placement Securities in the Most Recent Years: None.

8.3 Any Events in 2018 and as of the Date of this Annual Report that had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

Independent Auditors' Audit Report

To the Board of Directors of T3ex Global Holdings Corp.

Opinion

We have audited the consolidated financial statements of T3ex Global Holdings Corp. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effects by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to Note 4(o) "Revenue recognition" of consolidated financial statements and Note 6(u) "Revenue from contracts with customer" for the details of operating revenues of consolidated financial statements.

Description of key audit matter:

The Group mainly engages in sea and air freight forwarding, and total logistics solution. Therefore, the revenue is a matter to the users of the consolidated financial statements. Consequently, this is one of the key assessment areas in our audit.

How the matter was addressed in our audit:

Understanding the internal control on revenue recognition applied by the management and assessing whether appropriate accounting policy is applied; performing the analysis on revenue from the top ten customers to verify whether or not any unusual transaction has incurred; performing the sampling procedures to verify records and supporting document of the transactions; selecting a period before and after the reporting date to assess whether revenue recognized in the correct period.

2. Goodwill and other intangible assets impairment assessment

Please refer to Notes 4(l) “Impairment of non-financial assets” of the consolidated financial statements, Note 5 for assumptions on the accounting estimates and assumptions on the impairment of goodwill and other intangible assets of the consolidated financial statements, and Note 6(j) for the details of the intangible assets in consolidated financial statements.

Description of key audit matter:

The accounting policy applying to the goodwill and other intangible assets arising from acquisition transactions is with the uncertainty estimation. Consequently, this is one of the key assessment areas in our audit.

How the matter was addressed in our audit:

Understanding the internal control on the impairment assessment of the goodwill and other intangible assets; selecting significant goodwill and other intangible assets; obtaining impairment assessment reports issued by an external expert engaged by the management; assessing model, parameters and assumptions applying to the financial information forecast; and evaluating whether the assessment for goodwill and other intangible assets was based on the accounting policies.

3. Accounts receivable evaluation

Please refer to Note 4(g) “impairment of financial assets” of consolidated financial statements, Note 5 “Estimation uncertainty of the impairment of the receivable” of consolidated financial statements and Note 6(f) “impairment of the receivables” of consolidated financial statements.

Description of key audit matter:

The Group deal with its main customers on credit, so Group's receivables are exposed to the credit risk. When the customer defaults, the receivables may be impaired. Since the collectability assessment of receivables depends on management's judgment. Consequently, this is one of the key assessment areas in our audit.

How the matter was addressed in our audit:

Understanding impairment policy applied to the receivables by the management; assessing whether it is based on appropriate accounting policies. Inquiring the management whether there was any receivable with difficulty to collect; performing a sampling procedure to check the correctness of the aging of receivables and to review the collection of receivables in the subsequent period to understand if there was any significant overdue receivables to evaluate the provisions for impairment of receivables are adequate.

Other Matter

T3EX Global Holdings Corp. has prepared its parent-company-only financial statements as of and for the years then ended December 31, 2018 and 2017, on which we have expressed an unqualified opinion.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including supervisors) are responsible for overseeing the Group's financial reporting process.

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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
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 Group's ability to continue as a going concern. 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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 the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Chi-Lung Yu and Mei-Ping Wu.

KPMG

Taipei, Taiwan (Republic of China)
March 26, 2019

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
T3EX GLOBAL HOLDINGS CORP. AND ITS SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2018</u>		<u>December 31, 2017</u>				<u>December 31, 2018</u>		<u>December 31, 2017</u>	
Assets		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Liabilities and Equity					
1100	Cash and cash equivalents (notes 6(a) & (z))	\$ 1,726,979	31	1,491,532	29	2100	Short-term borrowings (notes 6(k) & (z))	\$ 1,310,920	24	1,067,000	21
1110	Current financial assets at fair value through profit or loss (notes 6(b) & (z))	28,925	1	7,131	-	2120	Financial liabilities at fair value through profit or loss-current (note 6(b), (m) & (z))	-	-	2	-
1120	Current financial assets at fair value through other comprehensive income (notes 6(c) & (z))	75,897	1	-	-	2150	Notes payable (note 6(z))	22,623	-	33,199	1
1125	Current-available-for-sale financial assets (notes 6(d) & (z))	-	-	126,823	2	2170	Accounts payable (note 6(z))	837,444	15	799,475	15
1150	Notes receivable, net (notes 6(f) & (z))	42,442	1	65,899	1	2180	Accounts payable to related parties (notes 6(z) & 7)	1,515	-	594	-
1170	Accounts receivable, net (notes 6(f) & (z))	1,919,529	34	1,697,982	33	2219	Other payables (notes 6(o) & (z))	395,397	7	378,571	7
1180	Accounts receivable due from related parties, net (note 6(f), (z) & 7)	1,216	-	4,056	-	2230	Current tax liabilities	74,571	1	95,734	2
1470	Other current assets (notes 6(h), (z) & 8)	393,899	7	430,922	8	2321	Current portion of convertible bonds (notes 6(m) & (z))	-	-	296,904	6
	Current assets	<u>4,188,887</u>	<u>75</u>	<u>3,824,345</u>	<u>73</u>	2322	Current portion of long-term borrowings (notes 6(l) & (z))	1,674	-	-	-
	Non-current assets:					2399	Other current liabilities (notes 6(h) & (z))	10,420	-	28,808	1
1517	Financial assets at fair value through other comprehensive income-non current (notes 6(c) & (z))	165,407	3	-	-		Current liabilities	<u>2,654,564</u>	<u>47</u>	<u>2,700,287</u>	<u>53</u>
1524	Non-current available-for-sale financial assets (notes 6(d) & (z))	-	-	92,400	2		Non-Current liabilities:				
1543	Non-current financial assets at cost (notes 6(e) & (z))	-	-	38,800	1	2540	Long-term borrowings (note 6(l) & (z))	205,564	4	-	-
1550	Investments accounted for using equity method (note 6(g))	49,288	1	66,585	1	2640	Net defined benefit liabilities, non-current (note 6(o))	79,216	1	84,657	2
1600	Property, plant and equipment (notes 6(i) & 8)	282,104	5	301,090	6		Non-current liabilities	<u>284,780</u>	<u>5</u>	<u>84,657</u>	<u>2</u>
1805	Goodwill (note 6(j))	531,504	10	527,494	10		Total liabilities	<u>2,939,344</u>	<u>52</u>	<u>2,784,944</u>	<u>55</u>
1821	Other intangible assets, net (notes 6(h)&(j))	124,347	2	102,815	2		Equity attributable to owners of parent (notes 6(c), (h), (m) & (q)) :				
1840	Deferred tax assets (note 6(p))	47,474	1	42,421	1	3100	Ordinary shares	1,183,455	21	1,185,655	22
1920	Refundable deposits paid (notes 6(z) & 8)	146,958	2	137,153	3	3200	Capital surplus	808,958	15	872,754	17
1995	Other non-current assets (note 8)	52,237	1	44,448	1	3300	Retained earnings	676,879	12	424,932	8
	Non-current assets	<u>1,399,319</u>	<u>25</u>	<u>1,353,206</u>	<u>27</u>	3400	Other equity	(125,430)	(2)	(137,519)	(3)
						3500	Treasury shares	(60,643)	(1)	(66,349)	(1)
							Equity attributable to owners of the Company	<u>2,483,219</u>	<u>45</u>	<u>2,279,473</u>	<u>43</u>
						36xx	Non-controlling interests	165,643	3	113,134	2
							Total equity	<u>2,648,862</u>	<u>48</u>	<u>2,392,607</u>	<u>45</u>
Total assets		<u><u>\$ 5,588,206</u></u>	<u><u>100</u></u>	<u><u>5,177,551</u></u>	<u><u>100</u></u>		Total liabilities and equity	<u><u>\$ 5,588,206</u></u>	<u><u>100</u></u>	<u><u>5,177,551</u></u>	<u><u>100</u></u>

(English Translation of Financial Report Originally Issued in Chinese)
T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except for earnings per common share)

		2018		2017	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(u), (v) & 7)	\$ 11,536,269	100	10,537,008	100
5000	Operating costs (notes 6(n), (o), 7 & 12)	9,573,033	83	8,612,973	82
	Gross profit from operations	1,963,236	17	1,924,035	18
	Operating expenses (notes 6(n), (o), (t) & 12)				
6100	Selling expenses	1,164,830	10	1,089,712	11
6200	Administrative expenses	418,529	4	437,878	4
6450	Impairment loss determined in accordance with IFRS 9 (note 6(f))	3,679	-	-	-
	Total operating expenses	1,587,038	14	1,527,590	15
	Net operating income	376,198	3	396,445	3
	Non-operating income and expenses:				
7010	Other income (note 6(w))	26,751	-	9,708	-
7020	Other gains and losses (notes 6(b), (h) & (x))	25,609	-	(24,917)	-
7060	Share of profit of associates using equity method (note 6(g))	900	-	349	-
7510	Finance costs (notes 6(m) & (y))	(22,433)	-	(27,556)	-
	Total non-operating income and cost	30,827	-	(42,416)	-
	Profit before tax	407,025	3	354,029	3
7950	Less: income tax expenses (note 6(p))	40,427	-	101,292	1
	Profit	366,598	3	252,737	2
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plans	675	-	(2,462)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(28,590)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		(27,915)	-	(2,462)	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operations	(2,788)	-	(92,886)	(1)
8362	Unrealized losses on available-for-sale financial assets	-	-	(23,045)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	(2,788)	-	(115,931)	(1)
8300	Other comprehensive income	(30,703)	-	(118,393)	(1)
	Total comprehensive income	\$ 335,895	3	134,344	1
	Profit attributable to:				
	Owners of parent	\$ 354,930	3	240,110	2
	Non-controlling interests	11,668	-	12,627	-
		\$ 366,598	3	252,737	2
	Comprehensive income attributable to:				
	Owners of parent company	\$ 325,147	3	125,685	1
	Non-controlling interests	10,748	-	8,659	-
		\$ 335,895	3	134,344	1
	Earnings per share (note 6(s))				
	Basic earnings per share (NT Dollars)	\$ 3.07		2.07	
	Diluted earnings per share (NT Dollars)	\$ 2.96		1.93	

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

T3EX GLOBAL HOLDINGS CORP. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent													
	Retained earnings						Total other equity interest							
							Unrealized gains			Total other equity interest	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
							Exchange differences on translation of foreign financial statements	(losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets					
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings								
Balance on January 1, 2017	\$ 1,195,264	865,337	138,575	7,116	140,264	285,955	(29,591)	-	4,035	(25,556)	(61,801)	2,259,199	126,295	2,385,494
Profit	-	-	-	-	240,110	240,110	-	-	-	-	-	240,110	12,627	252,737
Other comprehensive income	-	-	-	-	(2,462)	(2,462)	(88,918)	-	(23,045)	(111,963)	-	(114,425)	(3,968)	(118,393)
Total comprehensive income	-	-	-	-	237,648	237,648	(88,918)	-	(23,045)	(111,963)	-	125,685	8,659	134,344
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	13,049	-	(13,049)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	18,440	(18,440)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(92,637)	(92,637)	-	-	-	-	-	(92,637)	-	(92,637)
Conversion of convertible bonds	13,756	15,544	-	-	-	-	-	-	-	-	-	29,300	-	29,300
Issue of ordinary share for employees shares option	275	77	-	-	-	-	-	-	-	-	-	352	-	352
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	(56,159)	(56,159)	-	(56,159)
Retirement of treasury stock	(23,640)	(27,971)	-	-	-	-	-	-	-	-	51,611	-	-	-
Changes in ownership of subsidiaries	-	19,767	-	-	(6,034)	(6,034)	-	-	-	-	-	13,733	(17,231)	(3,498)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(4,589)	(4,589)
Balance on December 31, 2017	1,185,655	872,754	151,624	25,556	247,752	424,932	(118,509)	-	(19,010)	(137,519)	(66,349)	2,279,473	113,134	2,392,607
Effects of retrospective application	-	-	-	-	490	490	-	23,606	19,010	42,616	-	43,106	-	43,106
Balance on January 1, 2018 after adjustments	1,185,655	872,754	151,624	25,556	248,242	425,422	(118,509)	23,606	-	(94,903)	(66,349)	2,322,579	113,134	2,435,713
Profit	-	-	-	-	354,930	354,930	-	-	-	-	-	354,930	11,668	366,598
Other comprehensive income	-	-	-	-	675	675	(1,868)	(28,590)	-	(30,458)	-	(29,783)	(920)	(30,703)
Total comprehensive income	-	-	-	-	355,605	355,605	(1,868)	(28,590)	-	(30,458)	-	325,147	10,748	335,895
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	24,011	-	(24,011)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	111,961	(111,961)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(104,217)	(104,217)	-	-	-	-	-	(104,217)	-	(104,217)
Cash dividends from capital surplus	-	(46,318)	-	-	-	-	-	-	-	-	-	(46,318)	-	(46,318)
Retirement of treasury stock	(2,200)	(3,506)	-	-	-	-	-	-	-	-	5,706	-	-	-
Changes in non-controlling interests	-	(13,972)	-	-	-	-	-	-	-	-	-	(13,972)	41,761	27,789
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	69	69	-	(69)	-	(69)	-	-	-	-
Balance on December 31, 2018	\$ 1,183,455	808,958	175,635	137,517	363,727	676,879	(120,377)	(5,053)	-	(125,430)	(60,643)	2,483,219	165,643	2,648,862

T3EX GLOBAL HOLDINGS CORP. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from operating activities:		
Profit before tax	\$ 407,025	354,029
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	39,030	40,656
Amortization expense	18,984	16,451
Expected credit loss / Provision for bad debt expense	3,679	3,442
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	370	(24)
Interest expense	22,433	27,556
Interest income	(23,095)	(5,976)
Share of profit of associates accounted for using equity method	(900)	(349)
Loss from disposal of property, plant and equipment	2,697	2,004
Gain from disposal of investments	(2,900)	(7,161)
Loss from disposal of investments accounted for using equity method	4,117	-
Loss on impairment of goodwill	-	31,892
Gain on evaluation of investments payable	(1,431)	(45,122)
Total adjustments to reconcile profit (loss)	62,984	63,369
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes receivable	23,457	(34,248)
Increase in accounts receivable	(126,827)	(70,171)
Decrease (increase) in accounts receivable due from related parties	2,841	(3,546)
Decrease (increase) in other current assets	51,033	(63,204)
Increase in other operating assets	(1,163)	(3,957)
Total changes in operating assets	(50,659)	(175,126)
Changes in operating liabilities:		
Increase (decrease) in notes payable	(10,576)	14,873
Decrease in accounts payable	(15,289)	(33,047)
Increase (decrease) in accounts payable to related parties	921	(580)
Increase in other payables	(220)	17,572
Decrease (increase) in other current liabilities	(11,666)	(3,963)
Decrease in net defined benefit liability	(4,768)	(512)
Total changes in operating liabilities	(41,598)	(5,657)
Total changes in operating assets and liabilities	(92,257)	(180,783)
Total adjustments	(29,273)	(117,414)
Cash inflow generated from operations	377,752	236,615
Interest received	23,095	5,976
Interest paid	(19,714)	(14,685)
Income taxes paid	(61,979)	(74,594)
Net cash flows from operating activities	319,154	153,312
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	6,898	-
Acquisition of financial assets at fair value through profit or loss	(68,222)	-
Proceeds from disposal of financial assets at fair value through profit or loss	73,291	-
Acquisition of available-for-sale financial assets	-	(261,017)
Proceeds from disposal of available-for-sale financial assets	-	55,342
Acquisition of investments accounted for using equity method	-	(8,894)
Capital increase to subsidiaries	-	(3,498)
Net cash flows used in acquisition of subsidiaries (deduct purchasing cash amount)	(57,387)	-
Acquisition of property, plant and equipment	(22,876)	(33,572)
Proceeds from disposal of property, plant and equipment	1,338	2,478
Decrease (increase) in refundable deposits	(9,805)	3,309
Acquisition of intangible assets	(3,827)	(24,401)
Decrease in investments payable	(6,265)	(39,358)
Dividends received	3,485	3,630
Net cash flows used in investing activities	(83,370)	(305,981)
Cash flows from (used in) financing activities:		
Increase in short-term loans	243,920	500,000
Repayments of bonds	(299,500)	(65,400)
Proceeds from long-term loans	207,238	-
Cash dividends paid	(150,535)	(92,637)
Proceeds from exercise of employee stock options	-	352
Payments to acquire treasury stock	-	(56,159)
Other financing activities	-	(4,589)
Net cash flows from financing activities	1,123	281,567
Effect of exchange rate changes on cash and cash equivalents	(1,460)	(85,947)
Net increase (decrease) in cash and cash equivalents	235,447	42,951
Cash and cash equivalents at beginning of period	1,491,532	1,448,581
Cash and cash equivalents at end of period	\$ 1,726,979	1,491,532

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

T3EX GLOBAL HOLDINGS CORP. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

T3EX GLOBAL HOLDINGS CORP. (the “Company”) was incorporated on February 4, 1987, as a company limited by shares, and registered with the Ministry of Economic Affairs, R.O.C.. The address of the Company’s registered office is 12F, No. 563, Sec. 4, Zhongxiao E. Rd., Xinyi Dist., Taipei City, R.O.C.. The Company and its subsidiaries (the Group) mainly engages in sea and air freight forwarding, distribution, packing, warehousing, logistics, and customs clearance.

(2) Approval date and procedures of the consolidated financial statements:

The consolidated financial statements were authorized for issuance by the board of directors on March 26, 2019.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Group uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Rending of services

The Group rendered sea & air freight forwarding services and logistics integration services. Revenue is currently recognized as the services completed under IFRS 15. There is no significant difference in the timing of recognition of the revenue.

2) Impacts on financial statements

The adoption of IFRS15 would have no significant impact on its recognition of revenue from contracts and related cost to the consolidated financial statements.

(ii) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group’ s approach was to include the impairment of trade receivables in administrative and selling expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its

T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(g).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

— The determination of the business model within which a financial asset is held.

— The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

— The designation of certain investments in equity instruments not held for trading as at FVOCI.

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables	1,491,532	Amortized cost	1,491,532
Equity instruments	Designated as at FVTPL (note 1)	7,131	Mandatorily at FVTPL	7,131
	Available-for-sale (note 2)	24,334	FVTPL	24,334
	Available-for-sale (note 3)	233,679	FVOCI	276,785
Trade and other receivables, net	Loans and receivables (note 4)	1,813,550	Amortized cost	1,813,550
Other financial assets (refundable deposits)	Loans and receivables	320,806	Amortized cost	320,806

Note1: Under IAS 39, these equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under IFRS 9.

Note2: Under IAS 39, these equity securities were classified at available for sale. These assets have been classified as measured at FVTPL under IFRS 9 at first time resulting a decrease of \$490 thousand in other equity and an increase of \$490 thousand in retained earnings were recognized on January 1, 2018.

Note3: These equity securities (including financial assets measured at cost) represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI, resulting an increase of \$43,106 thousand in those assets recognized, as well as the increase of \$43,106 thousand in other equity were recognized on January 1, 2018.

Note4: Notes receivable, accounts receivable and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

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The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	January 1, 2018 IFRS 9 Carrying Amount	January 1, 2018 Retained earnings	January 1, 2018 Other equity
Financial assets measured at fair value through profit loss:						
Beginning balance of FVTPL (IAS 39)	\$ 7,131	-	-		-	-
From available for sale	-	24,334	-		490	(490)
Total	<u>\$ 7,131</u>	<u>24,334</u>	<u>-</u>	<u>31,465</u>	<u>490</u>	<u>(490)</u>
Financial assets measured at fair value through other comprehensive income:						
Beginning balance of available for sale (including measured at cost) (IAS 39)	\$ 258,023	-	43,106		-	43,106
From FVTPL – required reclassification based on classification criteria	-	(24,334)	-		-	-
Total	<u>\$ 258,023</u>	<u>(24,334)</u>	<u>43,106</u>	<u>276,795</u>	<u>-</u>	<u>43,106</u>

(iii) Amendments to IAS 7 “Disclosure Initiative”

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including 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.

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IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to **apply either of the following**:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

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- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
 - use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- 3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices and warehouses. The Group estimated that the right-of-use assets and the lease liabilities to increase by \$329,334 thousand. No significant impact is expected for the Group's finance leases. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant. Also, the Group is not required to make any adjustments for leases where the Group is the intermediate lessor in a sub-lease.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the most significant impact identified is that the Group will have to recognize the new income tax liabilities and income tax expense for its uncertainty over income tax treatments.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
September 11, 2014	Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(4) Summary of significant accounting policies:

The accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language consolidated financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers (“the Regulation”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission R.O.C..

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value;
- 3) The defined benefit liability (asset) is recognized as the fair value of the plan assets less the present value of the defined benefit obligation.

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Notes to the Consolidated Financial Statements

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements.

Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) List of subsidiaries included in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Percentage of shares held		Remark
			December 31, 2018	December 31, 2017	
The Company	T.H.I Group Ltd. (in B.V.I.)	Offshore settlement center	100%	100%	
The Company	GREATLINE INTERNATIONAL LIMITED (GREATLINE)	Offshore holding company	100%	100%	
The Company	T.H.I GROUP VIETNAM CO., LTD.	Air & sea freight forwarding and packaging	99%	99%	Please refer to Note 6(h)
The Company	T.H.I. GROUP (BANGKOK) COMPANY LIMITED	Air & sea freight forwarding and packaging	49%	49%	
The Company	Taiwan Express Logistics Co., Ltd. (TEC)	Air & sea freight forwarding and customs clearance	100%	100%	
The Company	T.H.I. Logistics Ltd.	Air & sea freight forwarding	100%	100%	
The Company	T.H.I. GROUP (CAMBODIA) Co., Ltd.	Air & sea freight forwarding	100%	100%	
The Company	T.H.I. GROUP SINGAPORE PTE. LTD.	Air & sea freight forwarding	91.4%	91.4%	Please refer to Note 6(h)
The Company	T.H.I. & Maruzen Co. Ltd.	Air & sea freight forwarding	51%	51%	
The Company	T.H.I. Logistics (Malaysia) SDN.BHD	Air & sea freight forwarding	90%	90%	
The Company	Fresh Beauty Enterprises Ltd. (Fresh Beauty)	Offshore holding company	66%	60%	Please refer to Note 6(h)
Fresh Beauty	East Union Holdings Limited (East Union)	Offshore holding company	100%	100%	Please refer to Note 6(h)

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Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Percentage of shares held		Remark
			December 31, 2018	December 31, 2017	
Eastern Union	T-Cube Global Logistics Co., Ltd.	Warehousing and distribution	100%	100%	Please refer to Note 6(h)
GREATLINE	T.H.I. GROUP LIMITED (in HK)	Air & sea freight forwarding	100%	100%	
T.H.I. HK	T.H.I. Group (Shanghai) Ltd. (T.H.I. Shanghai)	Air & sea freight forwarding and customs clearance	100%	100%	
T.H.I. HK	Shanghai Yaohwa International Forwarder Co., Ltd. (Shanghai Yaohwa)	Air & sea freight forwarding and customs clearance	100%	100%	
T.H.I. Shanghai	EXer Logistics Co., Ltd.	Express logistics company	93.51%	88.94%	Please refer to Note 6(h)
T.H.I. Shanghai	Shanghai Shangium International Logistics Co., Ltd.	Freight forwarding, customs clearance, and distribution	60%	30%	Please refer to note 6(h)
TEC	Taiwan Express (HK) Co., Ltd. (TEC HK)	Freight forwarding, customs clearance, and distribution	100%	100%	
TEC	Taiwan Express (USA) INC.	Freight forwarding, customs clearance, and distribution	100%	100%	
TEC	TEC Logistic Co., Ltd.	Freight forwarding, customs clearance, and distribution	100%	100%	
TEC	TEC LOGISTICS (USA), INC	Freight forwarding, customs clearance, and distribution	100%	100%	
TEC	Hiview Logistics Co., Ltd.	Freight forwarding, customs clearance, and distribution	97.51%	97.51%	
TEC HK	TEC Logistics (Shenzhen) Co., Ltd.	Freight forwarding, customs clearance, and distribution	100%	100%	
TEC HK	Air Tropolis Express (S) Pte Ltd.	Freight forwarding	65%	- %	Please refer to note 6(h)
TEC HK	Wai Hung (China-HK) Cargo Transport Co., Ltd. (Wai Hung)	Warehousing and distribution	- %	- %	Note (a)

Note (a): This company has already been dissolved at 2017, and still liquidating at December 31, 2018.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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Foreign currency differences arising on retranslation are recognized in profit or loss, except for those differences relating to the available for sale equity investment, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the balance sheet date;
- (iv) Cash or a cash equivalent (as defined in IAS 7), but exclude the asset restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the balance sheet date;

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- (iv) The Group have not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents. If they do not meet the above definition, time deposits should be classified as other current and/or non-current financial assets.

Bank overdrafts that are repayable on demand and form an integral part of the Group' s cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) Financial instruments

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method and reduced impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments

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of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the ended of reporting period; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected

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life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial assets (policy applicable before January 1, 2018)

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

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Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations :

- a) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- b) Performance of the financial asset is evaluated on a fair value basis;
- c) A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

2) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and included in the other gains or losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market (including accounts receivables and other receivables). Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

4) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

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Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss shall be recognized in profit or loss.

The Group separates the part that continues to be recognized and the part that is

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Notes to the Consolidated Financial Statements

derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized shall be recognized in profit or loss.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Compound financial instruments issued by the Group comprise convertible bond that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short-term. The Group designates financial liabilities, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations :

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;
- b) Performance of the financial liabilities is evaluated on a fair value basis; or
- c) A hybrid instrument contains one or more embedded derivatives.

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Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss.

3) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss (including long-term or short-term loans, accounts payable and other payables) are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

(h) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of associates, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. The Group recognizes any changes, proportionately with the shareholding ratio under capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Group has an obligation or has made payments on behalf of the associate.

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(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of software is capitalized as part of the property, plant and equipment if the purchase of software is necessary for the property, plant and equipment to be capable of operating.

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 shall be depreciated separately, unless the useful life and the depreciation method are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

The depreciable amount of an asset is determined after deducting the asset's residual value, and it shall be allocated on a straight-line basis over the asset's useful life. Items of property, plant and equipment with the same useful life may be grouped together in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use will be the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings	5 ~ 50 years
2) Transportation	5 ~ 7 years
3) Office and other equipment	2 ~ 6 years

Depreciation methods, useful lives, and residual values are examined at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

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(j) Leased assets

(i) Lessor

A finance lease asset is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease is added to the net investment of the leased asset. Finance income is allocated to each period during the lease term so in order to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from an operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. The incentives provided by the lessor for the purpose of the lease arrangement are recognized as a reduction in rental expenses over the lease term using the straight-line method.

Contingency rent is recognized as expense in the period in which it is incurred.

(k) Intangible assets

(i) Goodwill

1) Recognition

Goodwill arising from the acquisition of subsidiaries is recognized as intangible assts.

2) Measurement

Goodwill is measured at its cost, less impairment losses. Investments in associates are accounted for using the equity method. The carrying amount of the investment in associates includes goodwill, and impairment losses on such investment are recognized as part of the carrying amount of the investment and are not associated with goodwill or any other assets.

(ii) Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost, less accumulated amortization and any accumulated impairment losses.

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(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, are recognized in profit or loss as incurred.

(iv) Amortization

The depreciable amount of an intangible asset is calculated as the cost of the asset, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with an indefinite useful life, from the date when they are made available for use. The estimated useful lives for the current and comparative periods are 3~10 years.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be examined at least annually at each fiscal year-end. Any change shall be accounted for as a changes in accounting estimate.

(l) Impairment of non financial assets

The Group assesses non financial assets for impairment (except for deferred income tax assets and employee benefits) at every reporting date, and estimates the recoverable amounts.

If it not possible to determine the recoverable amount for an individual asset, then the Group will have to determine the recoverable amount for the asset' s cash-generating unit (CGU).

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less costs to sell, and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such is deemed as an impairment loss, which is recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset' s recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset is increased to its recoverable amount by reversing an impairment loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

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For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, from the acquisition date, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

If the carrying amount of each of the cash-generating units exceeds the recoverable amount of the unit, impairment loss is recognized and is allocated to reduce the carrying amount of each asset in the unit.

Reversal of an impairment loss for goodwill is prohibited.

(m) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under "capital reserve — treasury share transactions". Losses on disposal of treasury shares are offset against existing capital reserves arising from similar types of treasury shares. If the capital reserve is insufficient, such losses are charged to retained earnings. The carrying amount of treasury shares is calculated using the weighted-average method for different types of repurchase.

When treasury shares are cancelled, "capital reserve — share premiums" and "share capital" are debited proportionately. Gains on cancellation of treasury shares are charged to capital reserves arising from similar types of treasury shares. Losses on cancellation of treasury shares are offset against existing capital reserves arising from similar types of treasury shares. If capital reserves is insufficient, such losses are charged to retained earnings.

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring control of goods or services to customers. The Group recognizes revenue when it satisfies a performance obligation by transferring control of good services to customers. The accounting policies for the Group's main types of revenue are explained below.

(i) Sea & air freight forwarding service, customs clearance and delivery service

The Group provides Sea & air freight forwarding service, customs clearance and delivery service. Revenue of the Group is mainly generated from providing logistic services. Revenue is recognized when service is rendered. Cost are recognized with revenue when they occur. Expenses are recognized as incurred on an accrual basis.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money

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(o) Revenue

Revenue of the Group is mainly generated from providing logistic services Revenue is recognized when service is rendered. Costs are recognized with revenues when they occur. Expenses are recognized as incurred on an accrual basis.

(p) Contract costs

(i) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(ii) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

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(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on market yields of government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved the expense of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group reclassify the amounts recognized in other comprehensive income to retained earnings.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences

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between expected and actual outcomes.

(s) Income tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses that are related to business combinations, expenses recognized in equity or other comprehensive income directly, and other related expenses, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) at the time of the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred taxes are measured based on the statutory tax rate on the reporting date or the actual legislative tax rate during the year of expected asset realization or debt liquidation.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
 - 1) levied by the same taxing authority; or
 - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(t) Business combination

All transaction costs relating to a business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

The Group shall measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the

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non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other non-controlling interests are evaluated by their fair value or by another basis permitted by the IFRSs endorsed by the FSC.

In a business combination achieved in batches, the previously held equity interest in the acquiree at its acquisition date fair value is remeasured, and the resulting gain or loss, if any, is recognized in profit or loss. The amount of the change in the value of the acquiree's equity that have been recognized in other comprehensive before the acquisition date should be treated in the same manner as the Group directly disposes of its previously held equity. If the equity is disposed of, it shall be reclassified to profit or loss.

(u) Earnings per share

The Group discloses the Group's basic and diluted earnings per share attributable to ordinary shareholders of the Group. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds, employee stock option, and employee compensation estimation.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of these changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year, please refer to note 6(f) notes receivable and note 6(j) intangible assets.

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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	\$ 28,511	17,529
Demand deposits	1,334,110	1,129,908
Time deposits	364,358	344,095
	<u>\$ 1,726,979</u>	<u>1,491,532</u>

Refer to note 6(z) for the sensitivity analysis of the financial assets and liabilities of the Group.

(b) Financial assets/liabilities at fair value through profit or loss

	December 31, 2018	December 31, 2017
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stock listed on domestic market	\$ 6,531	
Corporate bonds	15,233	
Financial assets held-for-trading		
Fund	7,161	7,131
Total	<u>\$ 28,925</u>	<u>7,131</u>

For years ended December 31, 2018 and 2017, the investment income from disposal of financial assets at fair value through profit or loss is \$2,900 thousand and \$0 thousand were recorded as other gains and losses.

	December 31, 2018	December 31, 2017
Financial liabilities designated as at fair value through profit or loss:		
Held-for-trading financial liabilities:		
Derivative financial liabilities	\$ -	2

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(c) Financial assets at fair value through other comprehensive income

	December 31, 2018
Equity investments at fair value through other comprehensive income	
Current	
Domestic Company-Aerospace Industrial Development Corporation	\$ 13,365
Domestic Company-Yang Ming Marine Transport Corp.	<u>62,532</u>
Total	<u>\$ 75,897</u>
Non-current	
Domestic Company Private placement stocks-Yang Ming Marine Transport Corp.	\$ 76,400
Domestic Non-public stocks-Central Taiwan Science Park Logistics Co.,	<u>89,007</u>
Total	<u>\$ 165,407</u>

(i) Equity investments at fair value through other comprehensive income

On January 1, 2018, the Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes. These investments were classified as available-for-sale financial assets and measured at amortized cost on December 31, 2017.

Central Taiwan Science Park Logistics Co., Ltd. was classified as financial assets at amortized cost on December 31, 2017, and designed as equity investments at fair value through other comprehensive income on January 1, 2018, \$43,106 thousand unrealized gain or loss on other equity-financial assets at fair value through other comprehensive income were recognized.

On January 4, 2018, the Group has sold its shares held in Yang Ming Marine Transport Corp. as a result of adjusting strategic investments. The shares sold had a fair value of \$6,898 thousand and the Group realized a gain of \$69 thousand, which is already included in other comprehensive income. The gain has been transferred to retained earnings.

The above financial assets were not provided as collateral guarantees.

(d) Available-for-sale financial assets

	December 31, 2017
Investments in listed securities	
Stocks listed on domestic markets-current	\$ 126,823
Stocks listed on private placement markets-non-current	<u>92,400</u>
Total	<u>\$ 219,223</u>

These investments were classified as financial assets at fair value through other comprehensive income and at fair value through profit or loss on December 31, 2018; please refer to note 6(b)&(c).

The above financial assets were not provided as collateral guarantees.

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- (e) Financial assets measured at cost-non current

	December 31, 2017
Common stocks unlisted on domestic markets	<u>\$ 38,800</u>

The aforementioned investments held by the Group were measured at amortized cost as of December 31, 2017. These investments were classified as financial assets at fair value through other comprehensive income on December 31, 2018.

The above financial assets were not provided as collateral guarantees.

- (f) Note receivable, accounts receivable (including amount due from related parties)

	December 31, 2018	December 31, 2017
Notes receivable from operating activities	\$ 42,442	65,899
Accounts receivables (including balance due from related parties) –measured as amortized cost	1,940,618	1,726,341
Less: Loss allowance	(19,873)	(24,303)
	<u>\$ 1,963,187</u>	<u>1,767,937</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-avera ge loss rate	Loss allowance provision
Current	\$ 1,421,579	0.1%	1,422
Less than 60 days past due	498,613	0.1%	499
61~90 days past due	43,685	0.1%	44
More than 90 days past due	19,183	90%-100%	17,908
	<u>\$ 1,983,060</u>		<u>19,873</u>

As of December 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, was as follows:

	December 31, 2017
less than 60 days past due	\$ 424,904
61~90 days past due	26,655
	<u>\$ 451,559</u>

The movement in the allowance for notes and trade receivable was as follows:

December 31, 2017

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	December 31, 2018	Individually assessed impairment	Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS39	\$ 24,303	-	22,126
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 per IFRS 9	24,303		
Impairment losses recognized	3,679	-	3,442
Amounts written off	(6,904)	-	-
Foreign exchange impacts and others	(1,205)	-	(1,265)
Balance on December 31, 2018 and 2017	<u>\$ 19,873</u>	<u>-</u>	<u>24,303</u>

As of December 31, 2018 and 2017, there were no receivable factored or provided as long-term borrowings and collateral.

(g) Equity-accounted investees

- (i) A summary of the Group's financial information for equity-accounted investees at the reporting date is as follows:

	December 31, 2018	December 31, 2017
Associates	<u>\$ 49,288</u>	<u>66,585</u>

No publicly quoted prices available for the above associates.

The Group's share of profit of associates in 2018 and 2017 is summarized as follows:

	2018	2017
The Group's share of profit of associates	<u>\$ 900</u>	<u>349</u>

	December 31, 2018	December 31, 2017
The equity of the non-significant associates	<u>\$ 100,213</u>	<u>129,920</u>

The Group does not share any contingent liabilities of an associate incurred jointly with other investors. The Group also does not have any contingent liabilities because the Group is severally liable for all or part of the liabilities of the associate.

There are no significant restrictions on the ability of associates to transfer funds to the Group.

(ii) Guarantees

As of December 31, 2018 and 2017, there was no equity-accounted investment had been pledged as collateral.

(h) Acquisition of subsidiaries

- (i) Via business combination and strategic alliance, the Group set up a total solution provider for freight, warehousing and custom clearing business in Mainland China. The Group acquired 60% ownership of Fresh Beauty Enterprises Ltd. (Fresh Beauty) on December 31, 2015. Furthermore, Fresh Beauty acquired 100% ownership of T-Cube Global Logistics Co., Ltd.

T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

through Easter Union Holdings Limited. The primary businesses of T-Cube Global Logistics Co., Ltd. are warehousing and transportation services.

The abovementioned consideration includes cash and contingent considerations. The cash part has been paid as of 2016. According to the share purchase agreement, the upper limit of contingent considerations, shall be deposited into its designated trust account, as of December 31, 2017, the upper limit of unpaid contingent consideration, which should be deposited in the trust account amounted to CNY1,722 thousand, were paid in installments based on the operating performance. The fair value of the aforementioned contingent considerations on December 31, 2017, amounting to \$7,600 thousand, was recorded as other current liabilities.

The fair value of the aforementioned contingent considerations on December 31, 2017, amounting to \$45,122 thousand, was recorded as other and gains.

As of December 31, 2017, the balance of the abovementioned contingent consideration deposited in the trust account amounting to \$54,410 thousand, was recorded as other current assets. The contingent consideration has been paid as of 2018. The fair value of the aforementioned contingent considerations on December 31, 2018, amounting to \$1,431 thousand, was recorded as other losses and gains.

On July 4, 2018, the Group has paid \$24,578 thousand (CNY 5,400 thousand) by acquiring non-controlling interest of Fresh Beauty Enterprise Ltd., increasing the shareholding from 60% to 66% after the acquisition. The capital surplus of the Group decreased \$14,199 thousand.

- (ii) EXer Logistics Co., Ltd., increased its capital amounting to CNY16,765 thousand in 2017. All increased capital was subscribed by T.H.I GROUP Ltd. (Shanghai). The ownership of EXer Logistics Co., Ltd. held by T.H.I GROUP Ltd. (Shanghai) increased from 73.87% to 88.940% after the capital increase. The capital surplus and retain earning of the Group decreased by \$5,937 thousand and \$6,034 thousand, respectively.
- (iii) As of August 23, 2018, EXer Logistics Co., Ltd. increased its capital amounting to CNY1,310 thousand. All increased capital was subscribed by T.H.I. Group Ltd. (Shanghai). The ownership of EXer Logistics Co., Ltd. held by T.H.I. Group Ltd. (Shanghai) increased from 88.94% to 93.51% after the capital increase. The capital surplus and retain earning of the Group both increased \$227 thousands.
- (iv) The Group has increased capital of SGD530 thousand to T.H.I. Group Singapore Pte. Ltd. in 2017. The ownership increased from 80% to 91.40%.
- (v) The Group has purchased the non-controlling interests of T.H.I. Group Vietnam Co, Ltd., wherein the proportion of its shareholding increased from 51% to 99%. The Group increased its additional paid-in capital of \$25,703 thousand due to the changes in equity which result from the purchase of the interest mentioned above.
- (vi) The Company acquired a 30% capital of CNY1,980 thousand in Shanghai Shangium International Logistics Co., Ltd. on June 30, 2017 for the future implementation of the China air & sea transport integration, Shanghai Shangium International Logistics Co., Ltd.'s main business is international transportation agency through sea and air freight, as well as ground transportation. As of June, 2018, the Company acquired another 30% capital as second stage acquiring. Increasing the shareholding of the Shangium Co., Ltd equity from 30% to 60%, resulted in acquiring control of Shangium Co., Ltd.. As mentioned above, investment losses arose from acquisition amounting to \$4,117 thousand, were recorded as other gains and losses.

T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 1) The following table summarizes the acquisition-date fair value of major class of consideration transferred:

Cash	\$ 5,556
Contingent consideration	3,704
Total	<u><u>\$ 9,260</u></u>

The fair value of the contingent consideration on December 31, 2018 amount to \$3,704 thousand were recorded as other non-current liabilities, expecting to pay in May, 2019.

- 2) The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

Cash	\$ 27,253
Accounts receivable	24,606
Property, plant and equipment	278
Intangible assets	3,403
Other assets	879
Accounts payable	(21,603)
Income tax payable	(1,216)
Other payable	(2,733)
Total identifiable net assets acquired	<u><u>\$ 30,867</u></u>

- 3) Goodwill

Goodwill arising from the acquisition has been recognized as follows.

Fair value of Consideration transferred (Included first and second stage)	\$ 18,520
Non-controlling interest (proportionate share of Non-controlling Interest)	12,347
Less: Fair value of identifiable net assets	<u>(30,867)</u>
Goodwill	<u><u>\$ -</u></u>

- (vii) On September 30, 2018, in order to expand the markets in Southeast Asia, South Asia, New Zealand, and Australia, and develop air freight logistics business in Asia, the Group decided to invest AIRTROPOLIS EXPRESS(S) PTE LTD, through Eeexpress (HK) CO., Ltd. The investment amounted to \$76,640 thousand (SGD 3,413 thousand), and the Group acquired 65% ownership.

T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 1) The following table summarizes the acquisition-date fair value of major class of consideration transferred:

	Amount
Cash	<u>\$ 76,640</u>

- 2) The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date..

Cash	\$ 22,134
Accounts receivable	73,793
Property, plant and equipment	1,057
Intangible assets	34,707
Other assets	22,165
Accounts payable	(31,655)
Other payable	<u>(10,245)</u>
Total	<u>\$ 111,956</u>

- 3) Goodwill

Goodwill arising from the acquisition has been recognized as follows:

Fair value of Consideration transferred	\$ 76,640
Non-controlling interest (proportionate share of Non-controlling Interest)	39,184
Less: Fair value of identifiable net assets	<u>(111,956)</u>
Good will	<u>\$ 3,868</u>

- (i) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the years ended December 31, 2018 and 2017, were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Transportation Equipment</u>	<u>Office and Other Equipment</u>	<u>Total</u>
Cost or deemed cost :					
Balance on January 1, 2018	\$ 132,594	69,299	145,979	181,041	528,913
Obtain through business combination	-	-	-	11,099	11,099
Additions	-	-	3,083	19,793	22,876
Disposals	-	-	(3,693)	(14,048)	(17,741)
Effect of movement in exchange rates and others	<u>-</u>	<u>-</u>	<u>197</u>	<u>(308)</u>	<u>(111)</u>
Balance on December 31, 2018	<u>\$ 132,594</u>	<u>69,299</u>	<u>145,566</u>	<u>197,577</u>	<u>545,036</u>
Balance on January 1, 2017	\$ 132,594	69,299	152,209	178,180	532,282
Additions	-	-	10,400	23,172	33,572
Disposals	-	-	(13,753)	(18,065)	(31,818)
Effect of movement in exchange rates and others	<u>-</u>	<u>-</u>	<u>(2,877)</u>	<u>(2,246)</u>	<u>(5,123)</u>

T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Balance on December 31, 2017	\$	<u>132,594</u>	<u>69,299</u>	<u>145,979</u>	<u>181,041</u>	<u>528,913</u>
Depreciation and impairment loss :						
Balance on January 1, 2018	\$	-	26,404	100,821	100,598	227,823
Depreciation	-	-	1,063	14,676	23,291	39,030
Obtain through business combination	-	-	-	-	9,764	9,764
Disposals	-	-	-	(3,211)	(10,495)	(13,706)
Effect of movement in exchange rates and others	-	-	237	(216)	21	
Balance on December 31, 2018	\$	<u>-</u>	<u>27,467</u>	<u>112,523</u>	<u>122,942</u>	<u>262,932</u>
Balance on January 1, 2017	\$	-	25,340	98,547	94,328	218,215
Depreciation	-	-	1,064	16,222	23,370	40,656
Disposals	-	-	-	(12,362)	(14,974)	(27,336)
Effect of movement in exchange rates and others	-	-	(1,586)	(2,126)	(3,712)	
Balance on December 31, 2017	\$	<u>-</u>	<u>26,404</u>	<u>100,821</u>	<u>100,598</u>	<u>227,823</u>
Net book value: :						
At December 31, 2018	\$	<u>132,594</u>	<u>41,832</u>	<u>33,043</u>	<u>74,635</u>	<u>282,104</u>
At December 31, 2017	\$	<u>132,594</u>	<u>42,895</u>	<u>45,158</u>	<u>80,443</u>	<u>301,090</u>
At January 1, 2017	\$	<u>132,594</u>	<u>43,959</u>	<u>53,662</u>	<u>83,852</u>	<u>314,067</u>

A summary of pledged assets as of December 31, 2018 and 2017 is found in note 8.

(j) Intangible assets

The costs, amortization, and impairment loss of the intangible assets of the Group for the years ended December 31, 2018 and 2017, were as follows:

	Goodwill	Other intangible assets	Total
Cost:			
Balance on January 1, 2018	\$ 593,100	199,641	792,741
Additions	-	3,827	3,827
Obtain through business combination	3,868	38,110	41,978
Effect of movement in exchange rates	(1,027)	(1,184)	(2,211)
Balance on December 31, 2018	<u>\$ 595,941</u>	<u>240,394</u>	<u>836,335</u>
Balance on January 1, 2017	\$ 597,752	176,931	774,683
Additions	-	24,401	24,401
Effect of movement in exchange rates	(4,652)	(1,691)	(6,343)
Balance on December 31, 2017	<u>\$ 593,100</u>	<u>199,641</u>	<u>792,741</u>
Amortization and impairment loss:			
Balance on January 1, 2018	\$ 65,606	96,826	162,432
Amortization	-	18,984	18,984
Effect of movement in exchange rates	(1,169)	237	(932)
Balance on December 31, 2018	<u>\$ 64,437</u>	<u>116,047</u>	<u>180,484</u>
Balance on January 1, 2017	\$ 34,423	81,528	115,951

T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Amortization	-	16,451	16,451
Impairment	31,892	-	31,892
Effect of movement in exchange rates	(709)	(1,153)	(1,862)
Balance on December 31, 2017	<u>\$ 65,606</u>	<u>96,826</u>	<u>162,432</u>
Book value:			
At December 31, 2018	<u>\$ 531,504</u>	<u>124,347</u>	<u>655,851</u>
At December 31, 2017	<u>\$ 527,494</u>	<u>102,815</u>	<u>630,309</u>
At January 1, 2017	<u>\$ 563,329</u>	<u>95,403</u>	<u>658,732</u>

Amortization of intangible assets of the Group for the years ended December 31, 2018 and 2017, was recognized as operating expenses in the consolidated profit and loss.

As of December 31, 2018 and 2017, the group assessed the provision of the impairment. Except the impairment loss described below, there was no other significant impairment loss of other intangible assets and goodwill.

Due to the intense competition in the express market in 2017, the sales volume and unit price did not meet the management's expectation. So the synergy from the acquisition of EXer Logistics Co., Ltd. did not meet the original budget and the value of Goodwill was impacted. The Group recognized the impairment loss of Goodwill amounted to \$31,892 thousand based on the valuation report issued by the external expert.

(k) Short-term borrowing

	December 31, 2018	December 31, 2017
Unsecured bank loans	\$ 1,110,920	1,067,000
Secured bank loans	200,000	-
Total	<u>\$ 1,310,920</u>	<u>1,067,000</u>
Unused credit facilities	<u>\$ 1,324,977</u>	<u>1,036,288</u>
Interest rate	<u>1.037%~1.72%</u>	<u>1.05%~1.37%</u>

Refer to note 8 for details of the related assets pledged as collateral.

(l) Long-term borrowing

Long-term borrowings were as follows:

	December 31, 2018	December 31, 2017
Unsecured bank loans	\$ 207,238	-
Less: Current portion	(1,674)	-
Total	<u>\$ 205,564</u>	<u>-</u>
Unused credit facilities	<u>\$ 100,000</u>	<u>-</u>
Interest rate	<u>1.025%~1.18%</u>	<u>-</u>

The borrowed amounts are \$200,000 thousand dollars and \$7,238 thousand dollars, interest rates are 1.180% and 1.025% in 2018, and expiration dates are June 2020 and April 2022, respectively.

T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(m) Unsecured convertible bond

	December 31, 2018	December 31, 2017
Issue of convertible bond payable	\$ -	300,000
Bond discount	-	(2,596)
Cumulative redeemed amount	-	-
Cumulative converted amount	-	(500)
Carrying amount of convertible bonds	-	296,904
Less: Current portion	-	(296,904)
	<u>\$ -</u>	<u>-</u>
Embedded derivative — put and call options (accounted for as financial assets (liabilities) at fair value through profit or loss — liability)	<u>\$ -</u>	<u>(2)</u>
Equity components — conversion options (accounted for as capital surplus)	<u>\$ -</u>	<u>14,657</u>
	<u>2018</u>	<u>2017</u>
Interest expense	<u>\$ 2,558</u>	<u>6,373</u>

As of January 23, 2014, and June 9, 2015, the Company had issued the 2nd and 3rd unsecured convertible bonds, respectively, amounting to \$500,000 thousand, \$300,000 thousand and \$300,000 thousand dollars.

The terms and conditions of the bonds are as follows:

(i) Coupon rate

Two times are zero.

(ii) Issuance period

Three years for the 2nd, and 3rd.

(iii) Redemption option

There is no redemption option for the 2nd convertible bonds.

For the 3rd convertible bonds, at any time on or after June 10, 2015, and prior to April 30, 2018, when the closing price of the Group's common shares on the Gre Tai Securities Market is equal to or greater than 130% of the conversion price of the convertible bonds for 30 consecutive trading days, or more than 90% of the bonds have been redeemed, repurchased, or converted, the Company may redeem the bonds in cash at face value.

(iv) Put option of bondholders

There is no put option of bondholders for the 2nd and 3rd convertible bonds.

T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(v) Terms of conversion

- 1) At any time one month after the issuing date to ten days before the expiry date, bondholders may request the Company to convert the bonds into stock.

- 2) Conversion price

After the bonds were issued, whenever the numbers of common shares of the Company changes, or other convertible bonds are issued with a conversion price lower than the market price, the conversion price will be adjusted by the formula set in the terms.

Because of the 2nd and 3rd bonds have expired on January 23, 2017 and June 9, 2018, the Group have paid \$65,400 and \$299,500 thousand dollars, respectively.

(n) Operating leases

Non-cancellable operating lease rentals are payable as follows:

	December 31, 2018	December 31, 2017
Less than one year	\$ 243,310	234,980
Between one and five years	136,941	227,880
	<u>\$ 380,251</u>	<u>462,860</u>

For the years ended December 31, 2018 and 2017, operating lease expenses were \$295,357 thousand and \$328,918 thousand, respectively.

(o) Employee benefits

(i) Defined benefit plan

The Group determined the movement in the present value of defined benefit obligations and the fair value of plan assets as follows:

	December 31, 2018	December 31, 2017
Total present value of defined benefit obligations	\$ (122,467)	(125,787)
Fair value of plan assets	43,251	41,130
Net defined benefit (liability) asset	<u>\$ (79,216)</u>	<u>(84,657)</u>

The Group employee benefits liabilities:

	December 31, 2018	December 31, 2017
Paid vacation liabilities-current	<u>\$ 2,936</u>	<u>2,936</u>

T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES

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The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan and to the manager pension fund account that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2018, the pension fund account balance at Bank of Taiwan and the manager pension fund balance amounted to \$26,490 and \$16,761, respectively. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in the present value of defined benefit obligation

The movements in the present value of the defined benefit obligation for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
At January 1	\$ 125,787	120,690
Service costs and interest	3,989	2,680
Actuarial losses	284	
Planned amendment benefits	(8,184)	-
Debt arising from the revision of the plan	3,110	-
Pension Payment	(2,518)	-
Other	(1)	122
At December 31	\$ 122,467	125,787

T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Movements in the fair value of plan assets

The movements in the fair value of the plan assets for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
At January 1	\$ 41,130	37,980
Net remeasurements of defined benefit liabilities		
— Return on plan assets (excluding the amounts included in net interest expense)	535	2,257
Contributions	3,856	1,060
Payoff / Reduction	(2,748)	-
Actuarial losses (gain)	1,706	(167)
Pension payment	(1,228)	-
At December 31	<u><u>\$ 43,251</u></u>	<u><u>41,130</u></u>

4) Expenses recognized in profit or loss

The Group's pension expenses recognized in profit or loss for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Current service cost	\$ 1,484	1,593
Net interest on the net defined benefit liabilities	808	240
Prior service cost	(2,327)	-
Others	326	377
	<u><u>\$ 291</u></u>	<u><u>2,210</u></u>

5) Re-measurement of net defined benefit liability recognized in other comprehensive income

The Group's net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Cumulative amount, January 1	\$ (14,672)	(12,210)
Recognized during the year	675	(2,462)
Cumulative amount, December 31	<u><u>\$ (13,997)</u></u>	<u><u>(14,672)</u></u>

T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

6) Actuarial assumptions

The following are the Group's primary actuarial assumptions at the reporting date:

	December 31, 2018	December 31, 2017
Discount rate	1%~1.125%	1.125%~1.625%
Future salary increasing rate	2.5%~3%	2.5%~3.5%

The Group expects to make contributions of \$980 thousand to the defined benefit plans in the next year starting from December 31, 2018. The weighted average period of the defined benefit plans is 9.3~16.98 years.

7) Sensitivity analysis

The changes in the main actuarial assumptions might have an impact on the present value of the defined benefit obligation:

		Effects to the defined benefit obligation	
		Increase by 0.25%	Decrease by 0.25%
December 31, 2018			
Discount rate	\$	(3,170)	3,305
Future salary increasing rate		3,188	(3,078)
December 31, 2017			
Discount rate		(3,005)	3,126
Future salary increasing rate		3,016	(2,913)

There is no change in other assumptions when performing the above-mentioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used in sensitivity analysis is consistent with that of the calculation used in the net pension liabilities.

The method and assumptions used on current sensitivity analysis is the same as those of the prior year.

(ii) Defined contribution plan

The Company contributes an amount at the rate of 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. After the Group's contributions to the Bureau of Labor Insurance, there is no further legal or constructive obligation.

The Group's pension costs under the defined contribution method were \$86,276 thousand and \$95,031 thousand for the years ended December 31, 2018 and 2017, respectively. Payments were made to the Bureau of Labor Insurance.

T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(p) Income tax

(i) Income tax expense

The income tax expense for the years ended December 31, 2018 and 2017, was as follows:

	2018	2017
Current income tax expense	\$ 35,374	100,669
Deferred income tax expense (benefit)	5,053	623
Income tax expense	<u>\$ 40,427</u>	<u>101,292</u>

The reconciliation of income tax expense and profit before tax for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Profit before income tax	\$ 407,025	354,029
Income tax on pre-tax financial income calculated at the Company's income tax rate	81,335	60,185
Effect of foreign jurisdiction tax rate differences	(3,794)	9,017
Changes in unrecognized temporary differences	14,571	19,976
Tax-free income tax impact	(44,227)	-
Others	(7,458)	12,114
	<u>\$ 40,427</u>	<u>101,292</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

As of December 31, 2018 and 2017, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax assets and liabilities as the Group has the ability to control the timing of reversal of these temporary differences which are not expected to reverse in the foreseeable future. The related amounts were as follows:

Unrecognized deferred tax assets

	December 31, 2018	December 31, 2017
Aggregate temporary differences associated with investments in subsidiaries	\$ 3,100	2,164
Tax losses	<u>45,154</u>	<u>60,030</u>
Unrecognized deferred liabilities	<u>\$ 48,254</u>	<u>62,194</u>

The tax losses are tax credits from the Company.

T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Unrecognized deferred tax liabilities

	December 31, 2018	December 31, 2017
Aggregate temporary differences associated with investments in subsidiaries	<u>\$ 390,497</u>	<u>273,503</u>
2) Recognized deferred tax assets and liabilities		

The movements in deferred tax assets and liabilities for the years ended December 31, 2018 and 2017 were as follows:

	Defined benefit plans	Accrued expense	Others	Total
Deferred tax assets:				
Balance, January 1, 2017	\$ 6,915	31,443	4,686	43,044
Credited (debited) to profit or loss	-	3,310	(3,933)	(623)
Balance, December 31, 2017	<u>\$ 6,915</u>	<u>34,753</u>	<u>753</u>	<u>42,421</u>
Balance, January 1, 2018	\$ 6,915	34,753	753	42,421
Credited (debited) to profit or loss	-	1,549	3,504	5,053
Balance, December 31, 2018	<u>\$ 6,915</u>	<u>36,302</u>	<u>4,257</u>	<u>47,474</u>

(iii) Examination and approval

The Company's income tax returns through 2016 have been examined and approved by the Tax Authority.

(q) Share capital and other equity

As of December 31, 2018 and 2017, the authorized capital of the Company consisted of 1,200,000 thousand shares, of which 80,000 thousand shares were reserved for employee share options, with a par value of \$10 (dollars) per share, and the issued capital was 118,346 thousand shares and 118,566 thousand shares, respectively.

The movements in outstanding shares for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Beginning balance, January 1	118,566	119,526
Addition: Convertible bonds converted	-	1,376
Convertible of employee stock options	-	28
Decrease in treasury stock	(220)	(2,364)
Ending balance, December 31	<u>\$ 118,346</u>	<u>118,566</u>

T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Capital surplus

The components of capital surplus were as follows:

	December 31, 2018	December 31, 2017
Paid-in capital derived from premium on issuance of common shares	\$ 506,392	553,657
Surplus arising from bond conversion option	245,665	245,665
Surplus arising from treasury stock transactions	1,746	4,305
Surplus arising from long-term equity investments — donated surplus and others	11,731	25,703
Surplus arising from premium from merger	2,912	2,912
Surplus arising from stock options	40,512	40,512
	<u>\$ 808,958</u>	<u>872,754</u>

In accordance with the R.O.C. Company Act realized capital reserve can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned realized capital reserve includes share premiums and donation. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserve to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

The Company reported on the board of directors on March 26, 2018 and on June 26, 2018, the shareholders' meeting had passed the resolution to issue \$46,318 thousand capital reserve of the common stock premium in excess of the face value. The company distributed cash dividends of 0.4 dollar per share based on the proportion of the original share of the shareholders.

(i) Retained earnings

According to the Company's articles of incorporation, 10% of annual net earnings (net of income taxes), after deducting accumulated deficits, must be set aside 10% as legal reserve. Unless and until the accumulated legal reserve equals the Company's total capital, the Company may set aside a special reserve in accordance to Article 41 of the Securities and Exchange Act. After the board of directors considers the Company's budget for funding needs, financial structures, current period earnings, and steady profit distribution when proposing the distribution of earnings, the proposal should be resolved during the stockholders' meeting.

1) Legal reserve

In accordance with the Company Act, 10 percent of net income should be set aside as statutory legal reserve until it is equal to share capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory legal reserve, either by new shares or by cash, of the portion that exceeds 25 percent of the actual share capital.

T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES

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2) Special reserve

By choosing to apply exemptions granted under IFRS 1 “First-time Adoption of International Financial Reporting Standards” during the Company’s first-time adoption of the International Financial Reporting Standards (IFRSs) endorsed by the Financial Supervisory Commission, cumulative translation adjustments (gains) shall be reclassified as retained earnings. The net increase in retained earnings due to the first-time adoption of IFRSs amounted to \$7,116 thousand dollars. In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, an increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as special earnings reserve during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve was \$7,116 thousand dollars on December 31, 2018 and 2017.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders’ equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders’ equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders’ equity shall qualify for additional distributions. Special reserve amounted to \$130,401 thousand dollars at December 31, 2018.

3) Earnings distribution

On June 26, 2018, The Group’s board of directors resolved to distribute the 2017 earnings. On June 19, 2017, the shareholder’s meetings resolved to distribute the 2016 earnings. The earnings were distributed as follow:

	2017		2016	
	<u>Amount per share (dollars)</u>	<u>Total amount</u>	<u>Amount per share (dollars)</u>	<u>Total amount</u>
Dividends distributed to common shareholders:				
Cash	\$ 0.9	<u><u>104,217</u></u>	0.8	<u><u>92,637</u></u>

There is no difference between the total amount of surplus distribution and the resolution of the Board of Directors of the Company. Information can be found at the public information station.

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(ii) Treasury stock

The Company has acquired treasury stock and transferred it to its employees as an incentive. For the years ended December 31, 2018 and 2017 the movements of the treasury stock were as below.

Item	January 1, 2018	Increase	Decrease	December 31, 2018
Treasury stock acquired— shares (in thousand shares)	<u>2,769</u>	<u>-</u>	<u>(220)</u>	<u>2,549</u>
Treasury stock acquired— amount	<u>\$ 66,349</u>	<u>-</u>	<u>(5,706)</u>	<u>60,643</u>

Item	January 1, 2017	Increase	Decrease	December 31, 2017
Treasury stock acquired— shares (in thousand shares)	<u>2,512</u>	<u>2,621</u>	<u>(2,364)</u>	<u>2,769</u>
Treasury stock acquired — amount	<u>\$ 61,801</u>	<u>56,158</u>	<u>(51,610)</u>	<u>66,349</u>

As of December 31, 2018 and 2017, a total of \$2,549 and 2,769 thousand shares, respectively, were not yet cancelled.

In accordance with the Securities and Exchange Act requirements, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company’ s retained earnings, share premium, and realized capital reserves. As of December 31, 2018, the balance of treasury stock was in compliance with the requirement. In accordance with the Securities and Exchange Act requirements, treasury shares held by the Company cannot be pledged and do not have any shareholders’ rights before their transfer.

(r) Share-based payment

As of December 31, 2018, the Group’ s share-based payment transaction has expired on July 10, 2017.

As of December 31, 2018 and 2017, outstanding units were all 0.

The Group’ s expenses for share-based payment for the years ended December 31, 2018 and 2017 were all \$0.

(s) Earnings per share (EPS)

(i) Basic earnings per share

The basic earnings per share for the years ended December 31, 2018 and 2017, were calculated on the basis of profit attributable to common shareholders and the weighted-average number of outstanding common shares. Calculations were as follows:

1) Profit attributable to common shareholders

T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES

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2) Weighted-average number of outstanding common shares

	2018	2017
Common shares as of January 1	\$ 118,566	119,526
Effect of treasury stock	(2,769)	(4,971)
Effect of employee stock options	-	23
Effect of conversion of convertible bonds	-	1,289
Weighted-average number of outstanding common shares on December 31	<u><u>\$ 115,797</u></u>	<u><u>115,867</u></u>

(ii) Diluted earnings per share

The diluted earnings per share for the years ended December 31, 2018 and 2017 were calculated on the basis of profit attributable to common shareholders and the weighted-average number of outstanding common shares, with all potential common shares retroactively adjusted. Calculations were as follows:

1) Profit attributable to common shareholders (diluted)

	2018	2017
	Continuing operations	Continuing operations
Profit attributable to common shareholders (basic)	\$ 354,930	240,110
Interest on convertible bonds	2,558	6,373
Profit attributable to common shareholders (diluted)	<u><u>\$ 357,488</u></u>	<u><u>246,483</u></u>

2) Weighted-average number of outstanding common shares

	2018	2017
Weighted-average number of outstanding common shares (basic)	\$ 115,797	115,867
Effect of conversion of convertible bonds	5,069	11,650
Effect of employee stock dividends	88	59
Effect of stock options	-	12
Weighted-average number of outstanding common shares on December 31 (diluted)	<u><u>\$ 120,954</u></u>	<u><u>127,588</u></u>

For calculation of the dilutive effect of the stock option, the average market value is assessed based on the quoted market price where the Company's option is outstanding.

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(t) Employees compensation and direction' s and supervisor' s remuneration

Pursuant to the Company' s articles of incorporation, states if the Company profits this period they will set aside no less than 0.5% towards employee compensation and no more than 3% towards remuneration to directors and supervisors. If the Company has accumulated loss they must first reserve to cover the loss amount. The compensations mentioned afore include persons who meet the preset conditions of employees of the affiliate Company.

The Company accrued and recognized the employee compensation amounting to \$1,843 thousand dollars and \$1,253 thousand dollars for the year 2018 and 2017, respectively. And the directors' and supervisors' compensation is accrued and recognized amounting to \$11,056 thousand dollars and \$7,522 thousand dollars for the year 2018 and 2017, respectively. These amounts are calculated by using the Company' s pre-tax net profit for the period before deducting the amount of the remuneration to the employees and directors, multiplied by the distribution ratio of remuneration to the employees and directors under the Company' s articles of association, and expensed under operating costs or expenses for the year. If there would be any changes after the reporting date in the following year, the change of the amount would be treated as changes in accounting estimates and recognized as profit or loss in next year.

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

December 31, 2018				
	Sea forwarding	Air forwarding	Freight and other segments	Total
Primary geographical markets				
Hong Kong and China area	\$ 4,405,091	2,542,998	1,518,606	8,466,695
Taiwan	1,227,676	708,720	423,228	2,359,624
Eastern Asia and other area	369,376	213,236	127,338	709,950
	\$ 6,002,143	3,464,954	2,069,172	11,536,269
Primary service:				
Export forwarding	\$ 5,422,381	2,825,353	-	8,247,734
Import forwarding	579,762	639,601	-	1,219,363
Warehouse and declaration	-	-	2,069,172	2,069,172
	\$ 6,002,143	3,464,954	2,069,172	11,536,269

For details on revenue for the years ended December 31, 2017, please refer to note 6(v).

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Notes to the Consolidated Financial Statements

(ii) Contract balances

	December 31, 2018	January 1, 2018
Notes receivable	\$ 42,442	65,899
Accounts receivable (including related-parties)-measured at amortized cost	1,940,618	1,726,341
Less: allowance for impairment	<u>(19,873)</u>	<u>(24,303)</u>
Total	<u>\$ 1,963,187</u>	<u>1,767,937</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(f).

(v) Revenue

The Group' s net revenue for the years ended December 31, 2017, were as follows:

	2017
Sea freight forwarding	\$ 5,904,952
Air freight forwarding	3,003,392
Logistics and others	<u>1,628,664</u>
	<u>\$ 10,537,008</u>

(w) Other income

The company' s other income as follows:

	2018	2017
Interest income	\$ 23,095	5,976
Dividends income	3,485	3,630
Other income	<u>171</u>	<u>102</u>
	<u>\$ 26,751</u>	<u>9,708</u>

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Notes to the Consolidated Financial Statements

(x) Other gains and loss

The Group' s other gains or losses for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Foreign exchange gain (loss)	\$ 16,311	(47,318)
Gain (loss) on change in value of financial instrument at fair value through profit or loss	370	24
Loss on disposals of property, plant and equipment	(2,697)	(2,004)
Gain on disposals of available-for-sale financial assets	-	7,161
Loss of goodwill impairment	-	(31,892)
Gains on evaluation of investments payable	1,431	45,122
Loss on disposal of investments	(4,117)	-
Gain on disposal of investments	2,900	-
Others	11,411	3,990
	<u><u>\$ 25,609</u></u>	<u><u>(24,917)</u></u>

(y) Finance costs

The Group' s financial costs for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Interest expense		
Bank borrowings	\$ 19,632	14,749
Amortization of the convertible bonds discount	2,558	6,373
Amortization of other financial liabilities	243	6,434
	<u><u>\$ 22,433</u></u>	<u><u>27,556</u></u>

(z) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the Group' s maximum credit exposure.

2) Concentration of credit risk

Based on the characteristic of the industry, the Group has no significant transactions with any single customer.

For the years ended December 31, 2018 and 2017, there was no significant concentration of credit risk from the sales of the Group.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the import of netting agreements.

	Carrying amount	Contractual cash flow	Within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
December 31, 2018							
Non-derivative financial liabilities							
Bank borrowings (including long-term loans and long-term loans due within one year)	\$ 1,518,158	(1,523,469)	(1,313,520)	(837)	(205,205)	(3,907)	-
Trade and other payable	1,256,979	(1,256,979)	(1,256,979)	-	-	-	-
Investment payable (other current liabilities-others)	3,704	(3,704)	(3,704)	-	-	-	-
	\$ 2,778,841	(2,784,152)	(2,574,203)	(837)	(205,205)	(3,907)	-
December 31, 2017							
Non-derivative financial liabilities							
Bank borrowings	\$ 1,067,000	(1,083,005)	(1,083,005)	-	-	-	-
Convertible bond payable	296,904	(299,500)	(299,500)	-	-	-	-
Trade and other payables	1,211,839	(1,211,839)	(1,211,839)	-	-	-	-
Investment payable (other current liabilities-others)	7,600	(7,600)	(7,600)	-	-	-	-
	\$ 2,583,343	(2,601,944)	(2,601,944)	-	-	-	-

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

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Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

Unit: thousand

		December 31, 2018	
	Foreign current (thousand dollars)	Exchange rate	TWD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 9,575	USD : TWD 30.71	294,048
	537	USD : VND 25,592	16,491
	11,313	USD : HKD 7.8330	347,422
	46,884	USD : CNY 6.8632	1,439,808
HKD	808	HKD : TWD 3.9206	3,168
	50	HKD : USD 0.1277	196
	1,415	HKD : CNY 0.8762	5,548
CNY	2,235	CNY : TWD 4.4746	10,001
	7,684	CNY : USD 0.1457	34,383
	43	CNY : HKD 1.1413	192
TWD	17,707	TWD : CNY 0.2551	17,707
<u>Non-Monetary items</u>			
IDR	18,432,394	IDR : TWD 0.00213	39,261
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	5,861	USD : TWD 30.71	179,991
	82	USD : VND 25,592	2,518
	1,868	USD : HKD 7.8330	57,366
	14,068	USD : CNY 6.8632	432,028
HKD	311	HKD : CNY 0.8762	1,219
	552	HKD : TWD 3.9206	2,166
CNY	103	CNY : TWD 4.4746	461
	172	CNY : HKD 1.1413	769
TWD	4,419	TWD : USD 0.2551	4,419

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December 31, 2017			
	Foreign current (thousand dollars)	Exchange rate	TWD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 7,080	USD : TWD 30.5192	216,076
	971	USD : VND 25,016	29,634
	3,557	USD : HKD 7.7897	108,557
	40,209	USD : CNY 6.7759	1,227,147
HKD	2,269	HKD : TWD 3.9179	8,890
	3,389	HKD : USD 0.1284	13,278
	16,391	HKD : CNY 0.8699	64,218
CNY	8,148	CNY : TWD 4.5041	36,699
	7,230	CNY : USD 0.14760	32,565
	1,202	CNY : HKD 1.1496	5,414
TWD	150,495	TWD : CNY 0.2220	150,495
<u>Non-Monetary items</u>			
IDR	20,417,891	IDR : TWD 0.00223	45,532
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	2,194	USD : TWD 30.5192	66,959
	250	USD : VND 25,016	7,630
	136	USD : HKD 7.7897	4,151
	18,568	USD : CNY 6.7759	566,681
HKD	7,766	HKD : CNY 0.8699	30,426
CNY	26	CNY : TWD 4.5041	117
	4,643	CNY : USD 0.1476	20,913
	408	CNY : HKD 1.1496	1,838
TWD	66,554	TWD : USD 0.0328	66,554
	6,489	TWD : HKD 0.2552	6,489
	2,171	TWD : CNY 0.2220	2,171

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2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the foreign currency exchange gains and losses on the translation of cash and cash equivalents, accounts receivable, other receivables, loans, accounts payable, and other payables that are denominated in foreign currency. A 1% depreciation of the USD, HKD and CNY against the TWD as of December 31, 2018 and 2017 would have decreased the net income before tax by \$14,880 thousand dollars and \$11,190 thousand dollars, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

Due to the variety of the Group's functional currency, the Group discloses its exchange gains and losses of monetary items collectively. For the years ended December 31, 2018 and 2017, the Group's foreign exchange gains (losses), net (including realized and unrealized of monetary items) amounted to \$16,311 thousand dollars and \$(47,318) thousand dollars, respectively.

(iv) Interest rate analysis

The following sensitivity analysis is based on the exposure to interest rate risk for derivative and non-derivative financial instruments on the reporting date.

For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year.

If the interest rate had increased/decreased by 1%, the Group's net income before tax would have decreased/increased by \$15,182 thousand dollars and \$10,670 thousand dollars for the years ended December 31, 2018 and 2017, respectively, assuming all other variable factors had remained constant. This is mainly due to the Group's variable-rate borrowing.

(v) Fair value of financial instruments

1) Fair value hierarchy

a) Categories and fair value of financial instruments

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

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December 31, 2018					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Financial assets designated as fair value through profit or loss	\$ 28,925	28,925	-	-	28,925
Financial assets as fair value through other comprehensive income:					
Stock in listed companies	\$ 152,297	75,897	76,400	-	152,297
Stock in unlisted companies	89,007	-	-	89,007	89,007
Subtotal	241,304	75,897	76,400	89,007	241,304
Loans and receivables:					
Cash and cash equivalent	\$ 1,726,979				
Note and accounts receivables	1,963,187				
Subtotal	3,690,166				
Refundable deposits	\$ 146,958				
Financial liabilities at amortized cost:					
Short term borrowings	\$ 1,310,920				
Note and accounts payables	861,582				
Other payable	395,397				
Other payable (other current liabilities)	3,704				
Long term borrowing-current portion	207,238				
Subtotal	2,778,841				
December 31, 2017					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Non-Derivative financial assets	\$ 7,131	7,131	-	-	7,131
Subtotal	7,131	7,131	-	-	7,131
Available-for-sale financial assets:					
Stock in listed companies	\$ 219,223	126,823	92,400	-	219,223
Subtotal	219,223	126,823	92,400	-	219,223
Loans and receivables :					
Cash and cash equivalent	\$ 1,491,532				
Note and accounts receivables, and other receivables	1,767,937				
Other financial assets (other current assets-others)	333,801				
Subtotal	3,593,270				
Refundable deposits	\$ 137,153				
Financial liabilities at fair value through profit of loss:					
Financial liabilities designated as fair value through profit or loss	\$ 2	-	2	-	2

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	December 31, 2017				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost:					
Short term borrowings	1,067,000				
Company bonds	296,904	-	296,904	-	296,904
Note and accounts payables	833,268				
Other payable	378,571				
Other payable (other current and noncurrent-liabilities)	<u>28,808</u>				
Subtotal	<u>2,604,551</u>				

- 2) Valuation techniques to measure fair value of financial instruments not measured at fair value

Financial instruments of the Group not measured at fair value are financial assets and liabilities valued at amortized cost. Measurement of fair value of these financial instruments is based on recent transaction prices. When market price are unavailable, valuation is based on discounted cash flow.

- 3) Valuation techniques for financial instruments measured at fair value

- a) Non-derivative financial instruments

Fair value measurement of financial instruments is based on quoted market prices if these prices are available in an active market. Quoted prices on stock exchanges are regarded as the fair value of equity instruments in a listed market.

A financial instrument is regarded as being quoted in an active market if quoted market prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. If these conditions can not be met, then the market is considered as non-active. In general, a market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The fair value of financial assets and liabilities with standard terms and conditions and trading in active markets is based on quoted market prices. These include investments in stocks of listed entities.

The measurements of fair value of equity instruments without an active market are based on the market comparable listed company approach, which assumes that the fair value is measured by the book value per share of the investee and the price-book ratio of market comparable listed companies. The estimation of the fair value of equity instruments has been adjusted due to the effect of the discount arising from the lack of marketability.

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b) Derivative financial instruments

The fair value is based on quoted prices. When quoted prices are unavailable, the fair value is in accordance with third-party pricing information.

4) Movement between Level 1 and Level 2

There were no movement between Level 1 and Level 2 in December 31, 2018 and 2017.

5) Changes in Level 3

	Financial assets designed as fair value through other comprehensive income
Balance on January 1, 2018	\$ -
Reclassified	38,800
Adjustments from the adoption of the IFRS 9	43,106
Balance on December 31, 2018	\$ 81,906
Balance on January 1, 2017	\$ -
Balance on December 31, 2017	\$ -

(aa) Financial risk management

(i) Overview

The nature and the extent of the Group' s risks arising from financial instruments, which include credit risk, liquidity risk, and market risk, are discussed below. Also, the Group' s objectives, policies, and procedures for measuring and managing risks are discussed below.

For more quantitative information about financial instruments, please refer to related notes to the financial statements.

(ii) Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group' s risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group' s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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The board of directors oversees how management monitors the risks, which should be in compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation of the risks faced by the Group. Internal Audit undertakes regular reviews of the risk management controls and procedures and exception management, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk means the potential loss to the Group if the client or the counterparty involved in a financial instrument transaction defaults. The primary potential credit risk is from the accounts receivable and investments of the Group.

1) Accounts receivable and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. These limits are reviewed periodically.

To monitor credit risk, clients are grouped by their credit characteristics, including the amounts of accounts receivable, the period of aging, and the margin contribution for the Group. The major customers of the Group are concentrated in overseas agencies and large clients. Clients with high credit risk after evaluation would be placed on the restricted client list and be monitored by the board. Transactions with such clients would only be in cash in the future.

The Group establishes an impairment allowance that represents its estimate of incurred losses in respect of trade receivables, other receivables, and investment. The components of this impairment allowance are a specific loss component that relates to individually significant exposure and a collective loss component for which a loss was incurred but not identified. The collective component is based on historical payment experience of similar financial assets.

2) Investments

The credit risk exposure of the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. As the Group deals with banks and other external parties with good credit standing and financial institutions, corporate organizations, and government agencies which are graded above investment level, the management believes that the Group does not have any compliance issues, and therefore, there is no significant credit risk.

3) Guarantees

The Group has determined that financial guarantees can only be provided to the following companies:

a) Companies with a transaction relationship with the Group.

T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES

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- b) Companies in which the Group has more than 50% of the voting shares.
- c) Companies which directly or indirectly hold more than 50% of the voting shares of T3EX Global Holdings Corp.

4) Liquidity risk

Liquidity risk is a risk that the Group is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as much as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group actively expands its business to generate operating cash flow while it simultaneously manages the accounts receivable in a strict manner and controls its expenditure. In addition, the Group keeps good relationships with banks to obtain a sufficient credit limit for necessary cash demands in the operating cycle. Generally, the Group ensures that there is sufficient cash to cover expected operating expenditure, but excluding the potential influence of unexpected extreme conditions (i.e. nature disasters). The total amount of unused credit as of December 31, 2018, was \$1,424,977.

5) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The types of financial assets at fair value through profit or loss held by the Group are open-end funds and convertible bonds which are measured at fair value. Therefore, the Group is exposed to the risk of price changes in the beneficiary certificate market. The Group engages a professional agent to manage its financial assets. Parts of bank deposits, accounts receivable, and accounts payable are evaluated for foreign currency exposure. To manage the currency risk, the Group maintains its foreign currency net position within a certain limit. The convertible bonds held and issued by the Group are measured at fair value. This results in exposure to the risk of price changes in the equity and bond markets.

a) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollar (TWD), Chinese Yuan (CNY), US Dollar (USD), Hong Kong Dollar (HKD), Vietnam Dong (VND), and Thai Baht (THB).

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The Group designates the spot element of forward foreign exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. Most of these contracts have a maturity of less than one year from the reporting date. The forward elements of forward exchange contracts are excluded from designation as the hedging instrument and are separately accounted for as a cost of hedging, which is recognized in equity in a cost of hedging reserve. The Group's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

The Group determines the existence of an economic relationship between the hedging instruments and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are :

- the effect of the counterparty and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
 - changes in the timing of the hedged transactions.
- b) Interest rate risk

Except for

Except for bank loans, there are no financial assets or financial liabilities with floating interest rates. The Group negotiates the price case by case to control the interest rate risk.

- c) Other market risk

The Group signs contracts with large customers and vendors to keep sales and sources of supply stable. To maintain stable sales prices, the contents of contracts are reviewed every year in light of international economic conditions and market change.

(ab) Capital management

The board's policy is to maintain a strong capital base in order to maintain investor, creditor, and market confidence and to sustain future development of the business. Capital consists of common shares, capital surplus, retained earnings, and non-controlling interests of the Group. The board of directors monitors the level of dividends to common shareholders.

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The distribution of dividends of the Group follows the earnings of the year and is on a sustainable basis. When the board of directors drafts a proposal on appropriation and distribution of retained earnings, the dividend distribution shall not be lower than 50% of current earnings or unappropriated earnings, whichever is lower. However, the cash dividend shall not be lower than 10% of the total distribution of dividends.

The Group's debt-to-equity ratios at the end of the reporting periods were as follows.

	December 31, 2018	December 31, 2017
Total liabilities	\$ 2,939,344	2,784,944
Less: cash and cash equivalents	1,726,979	1,491,532
Net debt	<u><u>\$ 1,212,365</u></u>	<u><u>1,293,412</u></u>
Total equity	\$ 2,648,862	2,392,607
Less: amounts accumulated in equity relating to cash flow hedges	-	-
Adjusted capital	<u><u>\$ 2,648,862</u></u>	<u><u>2,392,607</u></u>
Debt-to-equity ratio	<u><u>45.77%</u></u>	<u><u>54.06%</u></u>

From time to time, the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily, the shares are intended to be used for issuing shares under the Group's share option scheme for employees. The purchase of treasury stock did not impact the Group's capital management.

There were no changes in the Group's approach to capital management during the year.

(ac) Investing and financing activities not affecting current cash flow

Convertible bonds were converted into common stock. Please refer to notes 6(m)&(q).

(7) Related-party transactions:

(a) Name of related-party and relationship:

There are relationship between related-party and the Group in the consolidated interim financial statement:

Name of related-party	Relationship to the Group
PT Dexter Eurekatama	Investment under equity method
LOGI International Co., Ltd.	Investment under equity method
Orient Air General Sales Agent Co., LTD.	Investment under equity method
Shanghai Shangijun International Logistic Co., Ltd. (Note 1)	Investment under equity method

Note 1: On June 30, 2018, the Group has gained control by increasing shareholding ratio.

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(b) Other related-party transactions

(i) Revenue

The amounts of revenue and account receivable by the Group to related parties were as follow:

	Revenue		Accounts receivable	
			December 31,	December 31,
	2018	2017	2018	2017
Associates	<u>\$ 14,905</u>	<u>22,900</u>	<u>1,216</u>	<u>4,056</u>

Trading terms of the above transactions require payments within 30 to 60 days or depending on the funding needs.

(ii) Cost of revenue

The amounts of cost and account payable by the Group to related parties were as follow:

	Cost		Accounts payable	
			December 31,	December 31,
	2018	2017	2018	2017
Associates	<u>\$ 15,611</u>	<u>10,493</u>	<u>1,515</u>	<u>594</u>

Trading terms of the above transactions require payment within 30 to 60 days or depending on funding needs, and are not significantly different from those of third-party vendors.

(c) Transactions with key management personnel

(i) Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	\$ 42,598	42,026
Post-employment benefits	2,828	1,173
	<u>\$ 45,426</u>	<u>43,199</u>

(8) Pledged assets:

Pledged assets	Object	December 31 2018	December 31 2017
Property, plant, and equipment	Credit facility	\$ 174,426	175,490
Other financial assets — current (amount to other current assets)	Forward exchange guarantees/credit facility/logistics-related guarantees	15,078	12,995
Refundable deposits	Logistics-related guarantees	146,958	137,153
Other financial assets — non-current (amount to other-non-current assets)	Logistics-related guarantees	36,045	29,586
		<u>\$ 372,507</u>	<u>355,224</u>

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(9) Commitments and contingencies:

- (a) Guarantees issued by financial institutions for the Group for freight forwarding services were as follows:

	December 31, 2018	December 31, 2017
HKD	\$ 7,883	3,900
TWD	53,260	44,750

- (b) In order to improve the quality of customer service, decrease operating costs, and increase competitiveness, the Group signed annual contracts with American-line sea cargo companies for a predetermined volume of containers.
- (c) Promissory notes issued to the bank as collateral for short-term bank borrowings, logistics business, etc., were as follows.

	December 31, 2018	December 31, 2017
Promissory notes	<u>\$ 1,112,865</u>	<u>900,465</u>

- (d) The Group received the notification from the court that a client claimed a loss on stock damage to the Group amounted to CNY4,212 thousands. As of the reporting date, this case was still in process, so based on the assessment, the Group did not accrue the provision for this case.
- (e) In 2017, a client claimed the damage of USD1,207 thousands from the Group for its loss on cargo. This case has been settled in 2018.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

In order to develop supply chain in financial business, to build a complete supply chain logistics platform, and to consider the funds needed for future growth, the Board of Directors, on March 26, 2019, decided its grand-son subsidiary to acquire 100% ownership of T-SC Factoring Co., Ltd. for CNY30,000 thousand.

(12) Other:

The personnel cost and depreciation and amortization expenses, categorized by function, were as follows.

	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel cost						
Salaries	152,995	832,790	985,785	228,196	845,827	1,074,023
Labor and health insurance	13,909	63,780	77,689	15,681	57,497	73,178
Pension	11,943	74,624	86,567	15,721	81,520	97,241
Others	5,309	88,607	93,916	6,064	98,903	104,967
Depreciation expenses	18,989	20,041	39,030	14,511	26,145	40,656
Amortization expenses	-	18,984	18,984	-	16,451	16,451

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(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	Taiwan Express Logistics Co., Ltd	Other receivables-related parties	Yes	270,000	270,000	120,000	Monthly changes in interest rates	2	-	Trading turnover	-		-	496,644	993,288
2	T.H.I. Group Limited (in HK)	Taiwan Express (HK) Co., Ltd	Other receivables-related parties	Yes	61,840	61,420	61,420	Quarterly changes in interest rates	2	-	Trading turnover	-		-	277,183	554,366

Note 1: The numbers indicated above represent the following: 0 for investor, 1 to 4 for investee.

Note 2: Nature of lending: 1 for counterparties with transactions, and 2 for short-term operating capital.

Note 3: The ceiling on total loans granted by the Company to all parties is 40% of the net assets in the financial statements; the ceiling on total loans granted by the Company to each entity is 20% of the net assets in the financial statements.

Note 4: Ending facility balance approved by BOD.

Note 5: The above transaction have been reversed in this financial report.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Shanghai Yaohwa International Forwarder Co., Ltd.	2	496,644	42,093	13,424	-	-	0.54%	993,288	Y	N	Y
0	The Company	T.H.I. Group (Shanghai) Ltd. (T.H.I. Shanghai)	2	496,644	89,998	75,456	-	-	3.04%	993,288	Y	N	Y
0	The Company	Exer Logistics Co., Ltd	2	496,644	46,770	22,373	-	-	0.90%	993,288	Y	N	Y
0	The Company	T Cube Global Logistics Co., Ltd.	2	496,644	170,996	170,035	37,015	-	6.85%	993,288	Y	N	Y
1	The Company	Taiwan Express (HK) Co., Ltd	2	496,644	108,220	107,485	-	-	4.33%	993,288	Y	N	N
2	Shanghai Yaohwa International Forwarder Co., Ltd.	T.H.I. Group (Shanghai) Ltd.	4	11,452	3,274	3,132	2,339	-	2.40%	45,808	N	N	Y

Note 1: The numbers indicated above represent the following: 0 for investor, 1 onwards for investee

Note 2: The relationship between the guarantee provider and the receiver is as follows:

(1)The Company has transactions with its counterparties.

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(2)The Company holds more than 50% of common shares of its subsidiary.

(3)The Company and its subsidiaries hold more than 50% of common shares of the investee company.

(4)The parent company holds more than 50% of its outstanding common shares (directly or indirectly) through a subsidiary.

(5)Companies within the same architectural field have signed a contractual agreement to provide mutual endorsements/ guarantees for the need of a specific construction project.

(6)The shareholders provide endorsements and/or guarantees for their mutually invested company in proportion to their shareholding percentage.

(7)Within the trade performance guarantees for preconstruction-sales contract in accordance with the Consumer Protection Law is jointly guaranteed.

Note 3: (1)Total guarantees amount should not exceed 40% of the Company' s net assets in the financial statements if the following conditions are met:

Ownership of the Company should exceed 50%:

Guarantee amount should not exceed 20% of the Company' s net assets

Ownership of the Company should not exceed 50%:

Guarantee amount should not exceed 20% of the Company' s net assets

The net assets stated above refer to the net assets from the Company' s most recently audited financial statements.

(2) Apart from the conditions listed above, guarantees for the purpose of business relations should not exceed the total amount of business transactions between the two parties, whichever is lower. The definition of business transactions could either be purchases or sales, whichever is higher.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Percentage of ownership (%)	
The Company	Fund Yuanta Wan Tai Fund	-	Financial assets at fair value through profit or loss—current	473,454	7,161	-	7,161	- %	
The Company	Stock Dimerco Express Corporation	-	Financial assets at fair value through profit or loss—current	334,000	6,531	0.26	6,531	6,531%	
The Company	Stock Aerospace Industrial Development Corporation	-	Financial assets at fair value through other comprehensive income-current	447,000	13,365	1.70	13,365	13,365%	
The Company	Bond Yang Ming Marine Transport Corp.	-	Financial assets at fair value through profit or loss—current	-	15,233	-	15,233	15,233%	
The Company	Stock Yang Ming Marine Transport Corp.	-	Financial assets at fair value through other comprehensive income-current	7,105,577	62,529	0.31	62,529	62,529%	
The Company	Stock Yang Ming Marine Transport Corp.	-	Financial assets at fair value through other comprehensive income-non-current	10,000,000	76,400	0.43	76,400	76,400%	(note 1)
Taiwan Express Logistic Co., Ltd.	Stock Central Taiwan Science Park Logistics Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	3,880,000	89,007	12.90	89,007	- %	
T.H.I. Logistics Co. Ltd.	Stock Yang Ming Marine Transport Corp.	-	Financial assets at fair value through other comprehensive income-current	364	3	-	3	- %	

Note 1: Acquire by private equity

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- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance (note 1)	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
T.H.I. Group (Shanghai) Ltd. (T.H.I. Shanghai) The Company	T.H.I. Group Limited (HK)	Parent Company	Other receivables 206,446	-	-		42,793	-
	Taiwan Express Logistic Co., Ltd.	Parent Company	Other receivables 120,000	-	-		-	-

Note 1: The above transaction have been reversed in this financial report.

Note 2: As of March 14, 2019, the amount of accounts receivable have been retaken.

- (ix) Trading in derivative instruments:Please refer to notes 6(b)&(m).
- (i) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Taiwan Express Logistic Co., Ltd.	1	Other receivables	120,000	The sales prices and payment terms of intercompany sales are not significantly different from those of the third parties.	1.04%
1	T.H.I. Group (Shanghai) Ltd.	T.H.I. Group Limited (in HK)	2	Other receivable	206,446	"	1.79%

Note 1: The numbers indicated above represent the following: 0 for the Parent company, 1 to 4 for its subsidiaries.

Note 2: The relations of the transactions represent the following:

1. The Parent company to its subsidiaries.
2. Subsidiaries to the Parent company.
3. Subsidiaries to subsidiaries.

Note 3: This chart will disclose sales, accounts and notes receivable, other receivables, purchases, accounts and notes payable, and other payables.

Note 4: The above transactions have been reversed in this financial report.

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(b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018				Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Highest percentage of ownership	Carrying value	Percentage of ownership			
The Company	T.H.I. Group Ltd.(in B.V.I)	British Virgin Islands	Offshore settlement center	35,000 (1,000USD)	35,000 (1,000USD)	1,000,000	100.00%	99,423	100.00%	22,108	22,108	Subsidiaries
The Company	Greatline International Limited (Greatline)	British Virgin Islands	Offshore holding company	134,428 (4,050USD)	134,428 (4,050USD)	4,050,000	100.00%	1,753,741	100.00%	289,302	289,302	Subsidiaries
The Company	T.H.I Group Vietnam Co., Ltd.	Vietnam	Air & sea freight forwarding and packaging	8,362 (257USD)	8,362 (257USD)	4,950,000,000	99.00%	53,348	99.00%	(7,352)	(7,278)	Subsidiaries
The Company	T.H.I. Group (Bangkok) Co., Ltd.	Thailand	Air & sea freight forwarding and packaging	2,372 (72USD)	2,372 (72USD)	-	49.00%	16,412	49.00%	3,386	1,659	Subsidiaries
The Company	T.H.I. & Maruzen Co., Ltd.	Japan	Air & sea freight forwarding	10,365 (31,130JPY)	10,365 (31,130JPY)	3,060	51.00%	18,973	51.00%	6,951	3,545	Subsidiaries
The Company	Taiwan Express Logistic Co., Ltd. (TEC)	Taiwan	Air & sea freight forwarding	704,200	704,200	35,958,400	100.00%	801,012	100.00%	66,969	60,969	Subsidiaries
The Company	T.H.I. Logistics Co., Ltd.	Taiwan	Air & sea freight forwarding	130,000	130,000	13,000,000	100.00%	147,453	100.00%	5,886	5,886	Subsidiaries
The Company	T.H.I. Group (Cambodia) Co., Ltd.	Cambodia	Air & sea freight forwarding	4,462 (150USD)	4,462 (150USD)	-	100.00%	9,738	100.00%	1,310	1,310	Subsidiaries
The Company	PT. Dexter Eurekatama	Indonesia	Air & sea freight forwarding	47,381 (1,598USD)	47,381 (1,598USD)	12,000	30.00%	39,261	30.00%	2,366	(2,414)	Investment under equity method
The Company	T.H.I. Group Singapore Pte. Ltd. (Singapore)	Singapore	Air & sea freight forwarding	19,032 (850SGD)	19,032 (850SGD)	850,000	91.40%	9,924	91.40%	(3,409)	(3,116)	Subsidiaries
The Company	LOGI International Co., Ltd.	Korea	Air & sea freight forwarding	9,666 (300USD)	9,666 (300USD)	16,285	30.00%	5,586	30.00%	(1,393)	(418)	Investment under equity method
The Company	Fresh Beauty Enterprises Ltd. (Fresh Beauty)	Samoa	Offshore holding company	307,353 (60,979CNY)	282,775 (55,579CNY)	66	66.00%	341,493	60.00%	20,470	10,484	Subsidiaries
The Company	T.H.I. Logistics (Malaysia) SDN. BHD.	Malaysia	Air & sea freight forwarding	10,381 (315USD)	10,381 (315USD)	180,000	90.00%	6,193	90.00%	850	765	Subsidiaries
GREATLINE INTERNATIONAL LIMITED	T.H.I. Group Limited (HK) (T.H.I. HK)	Hong Kong	Air & sea freight forwarding	139,948 (4,314USD)	139,948 (4,314USD)	12,480,000	100.00%	1,752,145	100.00%	289,318	289,318	Subsidiaries
Fresh Beauty Enterprises Ltd.	Eastern Union Holdings Limited (Eastern Union)	Hong Kong	Offshore holding company	57,411 (1,751USD)	57,411 (1,751USD)	-	100.00%	164,920	100.00%	20,470	20,470	Subsidiaries
TEC	Taiwan Express (HK) Co., Ltd. (TEC HK)	Hong Kong	Freight forwarding, customs clearance, and distribution	266,807 (70,550HKD)	266,807 (70,550HKD)	-	100.00%	350,870	100.00%	19,221	19,221	Subsidiaries
TEC	TEC Logistic Co., Ltd.	Taiwan	Freight forwarding, customs clearance, and delivery services	6,000	6,000	1,000,000	100.00%	-	100.00%	-	-	Subsidiaries
TEC	Orient Air General Sales Agent Co., Ltd.	Taiwan	Freight forwarding, customs clearance, and delivery services	600	600	60,000	30.00%	4,438	30.00%	9,464	2,839	The Group invested in which the subsidiary holds 30% of the shares
TEC	Hiview Logistics Co., Ltd.	Taiwan	Freight forwarding, customs clearance, and distribution	76,590	76,590	5,000,000	97.51%	100,548	97.51%	17,876	17,431	Subsidiaries
TEC	Taiwan Express (USA), Inc.	United States	Freight forwarding, customs clearance, and distribution	31,629 (1,000USD)	31,629 (1,000USD)	100,000	100.00%	34,559	100.00%	-	-	Subsidiaries
TEC	TEC LOGISTICS (USA), INC.	United States	Freight forwarding, customs clearance, and distribution	8,549 (290USD)	8,549 (290USD)	200	100.00%	13,332	100.00%	-	-	Subsidiaries
TEC HK	Airtropolis Express (s) Pte Ltd.	Singapore	Air freight forwarding	76,640 (3,413SGD)	0	553	65.00%	78,239	65.00%	4,467	1,663	Subsidiaries

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(c) Information on overseas branches and representative offices:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses)	book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Shanghai Yaohwa International Forwarder Co., Ltd.	Air & sea freight forwarding and customs clearance	55,031 (1,700USD)	(1)	55,031 (1,700USD)	-	-	55,031 (1,700USD)	3,474	100.00%	100%	3,474	114,752	-
T.H.I. Group (Shanghai) Ltd.	Air & sea freight forwarding and customs clearance	92,883 (3,060USD)	(1)	84,861 (3,060USD)	-	-	84,861 (3,060USD)	134,006	100.00%	100%	134,006	1,059,861	-
Shanghai Shangium International Logistic Co., Ltd.	Air & sea freight forwarding and customs clearance	22,460 (5,000CNY)	(2)(5)	-	-	-	-	2,728	60.00%	60%	(545)	17,184	-
T-Cube Global Logistics Co., Ltd.	WarehousE and logistics company	54,610 (11,000CNY)	(1)	243,746 (7,363USD)	30,843 (1,028USD)	-	274,589 (8,391USD)	20,470	66.00%	66.00%	20,470	260,814	-
EXer Logistics Co., Ltd.	Express logistics company	58,023 (11,123CNY)	(5)	-	-	-	-	2,911	93.51%	94%	861	67,028	-
TEC Logistics (Shenzhen) Co., Ltd.	Freight forwarding, customs clearance, and distribution	183,901 (48,550HKD)	(6)	183,901 (48,550HKD)	-	-	183,901 (48,550HKD)	21,748	100.00%	100	21,748	176,877	-

Note : The above transactions have been reversed in this financial report.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 4)	Upper Limit on Investment
421,011 (12,891USD thousand)	483,007 (15,728USD thousand)	1,489,931

Note 1: Investment in Mainland Chain via remittance through a third region.

Note 2: Shanghai Sangium International Logistics Co., Ltd was consolidated which T.H.I Group (Shanghai) Ltd. Acquisition of control by increasing shareholding, for six month ended June, 2018. Before acquisition of control, the Group's loss from disposal of investment amounting \$893 thousand.

Note 3: The actual amount invested by the Company in Mainland Chain at the end of this period.

Note 4: At the reporting date, the exchange between USD and TWD rate was 1:30.71.

Note 5: T.H.I. Group (Shanghai) Ltd. directly invested in EXer Logistics Co., Ltd. and Shanghai Shangium International Logistic Co., Ltd. Accumulated Investment in Mainland China as of September 30, 2018 also included \$6,530 thousand (USD 200 thousand) remitted to T.H.I. Group (Shanghai) Logistic Ltd.

Note 6: The Company’ s subsidiary, Taiwan Express Logistic Co., Ltd., invested in Mainland China via remittance through a third region. The upper limit of the investments is 60% of Taiwan Express Logistic Co., Ltd.’ s net assets in the financial statements based on the “REGULATIONS GOVERNING THE APPROVAL OF INVESTMENT OR TECHNICAL COOPERATION IN MAINLAND CHINA” and have been approved by the Investment Commission Ministry of Economic Affairs amounting to \$183,901 thousand (HKD48,550 thousand).

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions” .

(14) Segment information:

(a) General information

The Group's reportable operating segments are the sea export and air export segments.

(b) Information on reportable segments' income or loss, assets, liabilities, and measurement base and reconciliation

The Group have two reportable segments, as described below. These two segments are strategic business units of the Group. Each strategic business unit provides different services and is managed separately on account of different professional knowledge and marketing tactics. The Group's chief operating decision makers review the internal management report on a monthly basis. The Group's operating segment information and reconciliation were as follows:

	2018				
	Sea export	Air export	Others	Adjustment/ elimination	Total
Segment revenue	\$ 6,535,998	3,464,954	1,562,375	(27,058)	11,536,269
Segment gross profit	1,126,044	471,583	375,940	(10,331)	1,963,236

	2017				
	Sea export	Air export	Others	Adjustment/ elimination	Total
Segment revenue	5,911,006	3,003,392	1,628,664	(6,054)	10,537,008
Segment gross profit	1,142,423	427,134	365,120	(10,642)	1,924,035

(c) Products and services information

Please refer to note 14(b).

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of the customers and segment assets are based on the geographical location of the assets. The Group's main business is the international sea and air freight forwarding services; therefore, external sales to customers are not divided geographically.

Non-current assets:

	2018	2017
Taiwan	\$ 712,844	732,008
China and Hong Kong	223,122	197,098
Others	1,989	2,293
	\$ 937,955	931,399

(e) Major customers

The Group has no single customer that exceeds 10% of its sales.

Independent Auditors' Audit Report

To the Board of Directors of T3EX Global Holdings Corp.:

Opinion

We have audited the financial statements of T3EX Global Holdings Corp. ("the Company"), which comprise the balance sheets as of December 31, 2018 and 2017, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

Please refer to Note 4(o) "Revenue recognition" of financial statement and Note 6(s) "Revenue from contracts with customer" for the details of operating revenues of financial statements.

Description of key audit matter:

T3EX Global Holdings Corp. is an industrial holding company. Its main operating revenue is from the share of profit of associates accounted for using equity method and the services revenue from subsidiaries by providing management services. We expect that its revenue recognition is the matter to the users of the financial statements. Consequently, this is one of the key assessment areas in our audit on parent-company-only financial statements of T3EX Global Holding Corp.

How the matter was addressed in our audit:

Our principle audit procedures included understanding the internal control on revenue recognition applied by the management; assessing whether its revenue recognition had been carried out in accordance with the established accounting policy; checking whether T3EX Global Holdings Corp. had calculated and recognized the share of profits and losses of its subsidiaries and associates by using the equity method; comparing the differences between the investment cost and the net equity of its subsidiaries and associates, to ensure that they had been properly handled. Issuing confirmation letter to T3EX Global Holdings Corp.' s subsidiaries to inquire the amount of the management services fee.

2. Equity method investees impairment assessment

Please refer to Note 4(l) "Impairment-non-derivative financial assets" for accounting policies, Note 5 "assumptions on the accounting estimates and assumptions of the impairment of Equity method investees" and Note 6 (f) for the details of Equity method investees in the financial statements.

Description of key audit matter:

The goodwill and other intangible assets arising from acquisition transactions booked as the investment under the equity method of parent-company-only financial statements. The accounting policy applying to the goodwill and other intangible assets arising from acquisition transactions is with the uncertainty estimation. Consequently, this is one of the key assessment areas in our audit on parent-company-only financial statements of T3EX Global Holding Corp.

How the matter was addressed in our audit:

Our principle audit procedures included understanding the internal control on the impairment assessment of the goodwill and other intangible assets; selecting significant goodwill and other intangible assets and obtaining impairment assessment reports issued by the external experts engaged by the management; assessing model, parameters and assumptions applying to the financial information forecast; and evaluating whether the assessment for goodwill and other intangible assets was based on the accounting policies.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company' s ability to continue as a going concern, 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 supervisors) are responsible for overseeing the Company' s financial reporting process.

Auditor’ s Responsibilities for the Audit of the Parent-company-only Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the 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 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 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 Company’ s internal control.
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 Company’ s ability to continue as a going concern. 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the 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 the financial statements of the current period 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.

The engagement partners on the audit resulting in this independent auditors' report are Chi-Lung Yu and Mei-Ping Wu.

KPMG

Taipei, Taiwan (Republic of China)
March 26, 2018

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
T3EX GLOBAL HOLDINGS CORP. AND ITS SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2018</u>		<u>December 31, 2017</u>				<u>December 31, 2018</u>		<u>December 31, 2017</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (notes 6(a),(v)&(x))	\$ 44,807	1	66,898	2	2100	Short-term borrowings (notes 6(j)&(v))	\$ 1,090,000	28	880,000	24
1110	Current financial assets at fair value through profit or loss (notes 6(b)&(v))	28,925	1	7,131	-	2120	Current financial liabilities at fair value through profit or loss (notes 6(b),(l)&(v))	-	-	2	-
1125	Current available-for-sale financial assets, net (notes 6(d)&(v))	-	-	126,818	4	2150	Notes payable (note 6(v))	1,007	-	981	-
1120	Current financial assets at fair value through other comprehensive income (notes 6 (c)&(v))	75,894	2	-	-	2200	Other payables (notes 6(m)&(v))	35,289	1	24,472	1
1180	Accounts receivable due from related parties, net (notes 6(e),(s),(v)&7)	41,148	1	45,726	1	2220	Other payables to related parties (notes 6(v)&7)	90,409	3	99,404	3
1210	Other receivables due from related parties, net (notes 6(v)&7)	120,000	3	100,000	3	2230	Current tax liabilities	-	-	636	-
1470	Other current assets (note 6(g))	10,400	-	64,912	2	2321	Convertible bond current portion (notes 6(l) & (v))	-	-	296,904	8
	Current assets	<u>321,174</u>	<u>8</u>	<u>411,485</u>	<u>12</u>	2399	Other current liabilities (notes 6(g)&(v))	<u>197</u>	<u>-</u>	<u>7,704</u>	<u>-</u>
	Non-current assets:						Current liabilities	<u>1,216,902</u>	<u>32</u>	<u>1,310,103</u>	<u>36</u>
1524	Non-current available-for-sale financial assets (notes 6(d)&(v))	-	-	92,400	3	2540	Total long-term borrowings (notes 6(k)&(v))	200,000	5	-	-
1517	Non-current financial assets at fair value through other comprehensive income (notes 6(c)&(v))	76,400	2	-	-	2640	Net defined benefit liability, non-current (note 6(m))	<u>12,617</u>	<u>-</u>	<u>22,287</u>	<u>2</u>
1550	Investments accounted for using equity method (note 6(g))	3,302,557	84	2,889,911	79		Non-current liabilities	<u>212,617</u>	<u>5</u>	<u>22,287</u>	<u>2</u>
1600	Property, plant and equipment (notes 6(h)&8)	183,946	5	188,478	5		Total liabilities	<u>1,429,519</u>	<u>37</u>	<u>1,332,390</u>	<u>38</u>
1821	Other intangible assets, net (note 6(i))	21,776	1	22,614	1		Equity attributable to owners of parent (notes 6(g),(l)&(o)):				
1840	Deferred income tax assets (note 6(n))	6,549	-	6,549	-	3110	Ordinary shares	1,183,455	30	1,185,655	33
1920	Refundable deposits (notes 6(v)&8)	336	-	426	-	3200	Capital surplus	808,958	21	872,754	24
	Non-current assets	<u>3,591,564</u>	<u>92</u>	<u>3,200,378</u>	<u>88</u>	3300	Retained earnings	676,879	17	424,932	11
						3400	Other equity interest	(125,430)	(3)	(137,519)	(4)
						3500	Treasury shares	<u>(60,643)</u>	<u>(2)</u>	<u>(66,349)</u>	<u>(2)</u>
							Total equity (note 6(x))	<u>2,483,219</u>	<u>63</u>	<u>2,279,473</u>	<u>62</u>
							Total liabilities and equity	<u>\$ 3,912,738</u>	<u>100</u>	<u>3,611,863</u>	<u>100</u>
	Total assets	<u>\$ 3,912,738</u>	<u>100</u>	<u>3,611,863</u>	<u>100</u>						

(English Translation of Financial Report Originally Issued in Chinese)
T3EX GLOBAL HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except for earnings per common share)

		2018		2017	
		Amount	%	Amount	%
4000	Operating revenues (notes 6(f),(s),(t)&7)	\$ 435,491	100	289,873	100
5000	Operating costs (notes 6(m)&(r))	76,747	18	81,938	28
	Gross profit from operations	358,744	82	207,935	72
	Net operating income	358,744	82	207,935	72
	Non-operating income and expenses:				
7010	Other income (notes 6(u)&7)	6,028	1	6,067	2
7020	Other gains and losses, net (notes 6(g)&(u))	5,542	1	48,966	17
7510	Financial costs (note 6(u))	(14,673)	(2)	(20,996)	(7)
	Profit before income tax	355,641	82	241,972	84
7950	Less: income tax expenses(note 6(n))	711	-	1,862	1
	Profit	354,930	82	240,110	83
8300	Other comprehensive income:				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plans	1,196	-	35	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(28,590)	(7)	-	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, item that will not be reclassified to profit or loss	(521)	-	(2,497)	(1)
	Components of other comprehensive income that will not be reclassified to profit or loss	(27,915)	(7)	(2,462)	(1)
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(1,868)	-	(88,918)	(31)
8362	Unrealized losses on available-for-sale financial assets	-	-	(23,045)	(8)
	Components of other comprehensive income that will be reclassified to profit or loss	(1,868)	-	(111,963)	(39)
8300	Other comprehensive income, (after tax)	(29,783)	(7)	(114,425)	(40)
	Comprehensive income	\$ 325,147	75	125,685	43
	Earnings per share (note 6(q)) (TWD)				
	Basic earnings per share	\$ 3.07		2.07	
	Diluted earnings per share	\$ 2.96		1.93	

(English Translation of Financial Statements and Report Originally Issued in Chinese)

T3EX GLOBAL HOLDINGS CORP.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings						Total other equity interest					
							Exchange differences on translation of foreign	Unrealized gains (losses) from financial assets measured at fair value through other	Unrealized gains (losses) on available-	Total other equity interest	Treasury shares	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	financial statements	comprehensive income	for-sale financial assets			
Balance on January 1, 2017	\$ 1,195,264	865,337	138,575	7,116	140,264	285,955	(29,591)	-	4,035	(25,556)	(61,801)	2,259,199
Profit	-	-	-	-	240,110	240,110	-	-	-	-	-	240,110
Other comprehensive income	-	-	-	-	(2,462)	(2,462)	(88,918)	-	(23,045)	(111,963)	-	(114,425)
Total comprehensive income	-	-	-	-	237,648	237,648	(88,918)	-	(23,045)	(111,963)	-	125,685
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	13,049	-	(13,049)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	18,440	(18,440)	-	-	-	-	-	-	-
Stock dividends of ordinary share	-	-	-	-	(92,637)	(92,637)	-	-	-	-	-	(92,637)
Conversion of convertible bonds	13,756	15,544	-	-	-	-	-	-	-	-	-	29,300
Issuance of shares for exercise of employee stock options	275	77	-	-	-	-	-	-	-	-	-	352
Purchase of treasury share	-	-	-	-	-	-	-	-	-	-	(56,159)	(56,159)
Retirement of treasury share	(23,640)	(27,971)	-	-	-	-	-	-	-	-	51,611	-
Changes in ownership interests in subsidiaries	-	19,767	-	-	(6,034)	(6,034)	-	-	-	-	-	13,733
Balance on December 31, 2017	1,185,655	872,754	151,624	25,556	247,752	424,932	(118,509)	-	(19,010)	(137,519)	(66,349)	2,279,473
Effects on retrospective application	-	-	-	-	490	490	-	23,606	19,010	42,616	-	43,106
Balance on January 1, 2018 after adjustments	1,185,655	872,754	151,624	25,556	248,242	425,422	(118,509)	23,606	-	(94,903)	(66,349)	2,322,579
Profit	-	-	-	-	354,930	354,930	-	-	-	-	-	354,930
Other comprehensive income	-	-	-	-	675	675	(1,868)	(28,590)	-	(30,458)	-	(29,783)
Total comprehensive income	-	-	-	-	355,605	355,605	(1,868)	(28,590)	-	(30,458)	-	325,147
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	24,011	-	(24,011)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	111,961	(111,961)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(104,217)	(104,217)	-	-	-	-	-	(104,217)
Cash dividends from capital surplus	-	(46,318)	-	-	-	-	-	-	-	-	-	(46,318)
Retirement of treasury share	(2,200)	(3,506)	-	-	-	-	-	-	-	-	5,706	-
Changes in ownership interests in subsidiaries	-	(13,972)	-	-	-	-	-	-	-	-	-	(13,972)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	69	69	-	(69)	-	(69)	-	-
Balance at December 31, 2018	\$ 1,183,455	808,958	175,635	137,517	363,727	676,879	(120,377)	(5,053)	-	(125,430)	(60,643)	2,483,219

T3EX GLOBAL HOLDINGS CORP.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	\$ 355,641	241,972
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	5,307	5,615
Amortization expense	4,640	2,788
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	370	(24)
Interest expense	14,673	20,996
Interest income	(2,464)	(2,469)
Share of profit of associates accounted for using equity method	(382,802)	(234,906)
Gain on disposal of investments	(2,900)	(6,887)
Gain on evaluation of investments payable	(1,431)	(45,122)
Total adjustments to reconcile profit (loss)	(364,607)	(260,009)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in accounts receivable due from related parties	4,578	794
Total changes in operating assets	4,578	794
Changes in operating liabilities:		
Increase (decrease) in notes payable	26	(763)
Increase in other payables	8,384	1,315
Decrease in other payables to related parties	(8,995)	-
Increase (decrease) in net defined benefit liability	(8,474)	4
Total adjustments	(369,088)	(258,659)
Cash outflow generated from operations	(13,447)	(16,687)
Interest received	2,463	2,469
Interest paid	(11,873)	(8,279)
Income taxes paid	(1,301)	(2,794)
Net cash flows used in operating activities	(24,158)	(25,291)
Cash flows from (used in) investing activities:		
Disposal of financial assets at fair value through other comprehensive income	6,898	-
Acquisition of financial assets at fair value through profit or loss	(68,222)	-
Proceeds from disposal of financial assets at fair value through profit or loss	73,291	-
Acquisition of available-for-sale financial assets	-	(260,020)
Proceeds from disposal of available-for-sale financial assets	-	54,075
Acquisition of investments accounted for using equity method	(24,578)	(14,903)
Acquisition of property, plant and equipment	(776)	(1,098)
Decrease in refundable deposits	90	1,750
Increase (decrease) in other receivables due from related parties	(20,000)	104,855
Acquisition of intangible assets	(3,802)	(17,251)
Acquisition of cash dividends	28,579	5,704
Decrease in other current and non-current assets	50,622	39,869
Decrease investments payable	-	(39,358)
Net cash flows from (used in) investing activities	42,102	(126,377)
Cash flows from (used in) financing activities:		
Increase in short-term loans	210,000	400,000
Repayments of convertible bonds	(299,500)	-
Proceeds from issuing long-term borrowings	200,000	-
Cash dividends paid	(150,535)	(92,637)
Repayments of bonds	-	(65,400)
Exercise of employee share options	-	352
Payments to acquire treasury shares	-	(56,159)
Net cash flows from (used in) financing activities	(40,035)	186,156
Net increase (decrease) in cash and cash equivalents	(22,091)	34,488
Cash and cash equivalents at beginning of period	66,898	32,410
Cash and cash equivalents at end of period	\$ 44,807	66,898

(English Translation of Financial Statements and Report Originally Issued in Chinese)

T3EX GLOBAL HOLDINGS CORP.

Notes to the Financial Statements

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

T3EX GLOBAL HOLDINGS CORP. (the “Company”) was incorporated on February 4, 1987, as a company limited by shares, and registered with the Ministry of Economic Affairs, R.O.C.. The address of the Company’s registered office is 12F, No. 563, Sec. 4, Zhongxiao E. Rd., Xinyi Dist., Taipei City, R.O.C.. The Company mainly engages in industrial investment holdings.

(2) Approval date and procedures of the financial statements:

The parent-company-only financial statements were authorized for issue by the board of directors on March 26, 2018.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 “Clarifications of Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014 – 2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

T3EX GLOBAL HOLDINGS CORP.

Notes to the Financial Statements

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Rending of services

The Company rendered sea & air freight forwarding services and logistics integration services. Revenue is currently recognized as the services completed under IFRS 15. There is no significant difference in the timing of recognition of the revenue.

2) Impacts on financial statements

The adoption of IFRS15 would have no significant impact on the Company’ s recognition of revenue from contracts and related cost to the financial statements.

(ii) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company’ s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

T3EX GLOBAL HOLDINGS CORP.

Notes to the Financial Statements

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Comparative periods have been restated only for retrospective application of the cost of hedging approach for forward points. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

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- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018.

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables	66,898	Amortized cost	66,898
Equity instruments	Designated as at FVPL (note 1)	7,131	Mandatorily at FVTPL	7,131
	Available-for-sale (note 2)	24,334	FVTPL	24,334
	Available-for-sale (including financial assets measured at cost which book in investments accounted for using equity method) (note 3)	233,679	FVOCI	276,785
Trade and other receivables	Loans and receivables (note 4)	45,726	Amortized cost	45,726
Other receivables due from related parties, net	Loans and receivables	100,000	Amortized cost	100,000
Other financial assets (Refundable deposits)	Loans and receivables	426	Amortized cost	426

Note1: Under IAS 39, these equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under IFRS 9.

Note2: Under IAS 39, these equity securities were classified at available for sale. These assets have been classified as measured at FVTPL under IFRS 9 at first time resulting a decrease of \$490 thousand in other equity and an increase of \$490 thousand in retained earnings were recognized on January 1, 2018.

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Note3: These equity securities of 38,800 thousand (including financial assets measured at cost) represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI, resulting an increase of \$43,106 thousand in those assets recognized, as well as the increase of \$43,106 thousand in other equity were recognized on January 1, 2018. In addition, the Company held 194,884 thousand of financial assets in available-for-sale initially applied to IFRS 9 on January 1, 2018, resulting the 19,010 thousand unrealized losses of the financial assets in available-for-sale were reclassified to unrealized losses of financial assets measured at fair value through other comprehensive income.

Note4: Notes receivable, accounts receivable and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount			2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through profit or loss						
Beginning balance of FVTPL (IAS 39)	\$ 7,131	-	-		-	-
From available for sale	-	24,334	-		490	(490)
Total	<u>\$ 7,131</u>	<u>24,334</u>	<u>-</u>	<u>31,465</u>	<u>490</u>	<u>(490)</u>
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	\$ 258,023	-	43,106		-	43,106
From FVTPL - required reclassification based on classification criteria	-	(24,334)	-		-	-
Total	<u>\$ 258,023</u>	<u>(24,334)</u>	<u>43,106</u>	<u>276,795</u>	<u>-</u>	<u>43,106</u>

(iii) Amendments to IAS 7 “Disclosure Initiative”

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	January 1, 2019

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Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including 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.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

The Company has an arrangement that was not in the legal form of a lease, for which it concluded that the arrangement contains a lease of equipment under IFRIC 4. On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

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When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Company believes that the adoption of IFRS 16 would not have any significant impact on its financing lease contracts.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the most significant impact identified is that the Company will have to recognize the new income tax liabilities and income tax expense for its uncertainty over income tax treatments.

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- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

Those which may be relevant to the Company are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
September 11, 2014	Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

- (a) Statement of compliance

These parent-company-only financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to as the Regulations).

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(b) Basis of preparation

(i) Basis of measurement

The parent-company-only financial statements have been prepared on a historical cost basis except for the following material items in the balance sheets:

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income (Available-for-sale financial assets)are measured at fair value;
- 3) The defined benefit liability (asset) is recognized as the fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Company' s parent-company-only financial statements are presented in New Taiwan dollars, which are the Company' s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income.

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(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Company's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the entity's normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The entity does not have an unconditional right to defer settlement 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 issuing equity instruments do not affect its classification.

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(e) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash in bank, and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(f) Financial instruments

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method and reduced impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, guarantee deposit paid and other financial assets).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the ended of reporting period; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

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(ii) Financial assets (policy applicable before January 1, 2018)

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The Company designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations :

- a) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- b) Performance of the financial asset is evaluated on a fair value basis;
- c) A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

2) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and included in the other gains or losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

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3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market (including accounts receivables and other receivables). Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on shortterm receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

4) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

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If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss shall be recognized in profit or loss.

The Company separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized shall be recognized in profit or loss.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Compound financial instruments issued by the Company comprise convertible bond that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term. The Company designates financial liabilities, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations :

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;
- b) Performance of the financial liabilities is evaluated on a fair value basis; or
- c) A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss.

3) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss (including long-term or short-term loans, accounts payable and other payables) are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

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Notes to the Financial Statements

5) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

(g) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of investment includes transaction costs. The carrying amount of investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The parent-company-only financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus.

Unrealized profits resulting from transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interest in an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

(h) Investment in subsidiaries

The subsidiaries, which are controlled by the Company, are evaluated using the equity method when preparing their financial statements. Under the equity method, the net income, other comprehensive income and equity of parent-company-only financial statements are the same as those of the net income, other comprehensive income and equity in the equity attributable to the owners of the parent company in the consolidated financial statements.

The Company has recognized the changes in equity of its subsidiaries under shareholder's equity.

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Notes to the Financial Statements

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

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 shall be depreciated separately, unless the useful life and depreciation method of that part are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

The depreciable amount of an asset is determined after deducting the asset's residual value, and it shall be allocated on a systematic basis over the asset's useful life. Items of property, plant and equipment with the same useful life may be grouped together in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use will be the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- | | |
|-------------------------------|------------|
| 1) Building | 5~50 years |
| 2) Office and other equipment | 2~6 years |

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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Notes to the Financial Statements

(j) Leased assets

(i) Lessor

A finance leased asset is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease is added to the net investment of the leased asset. Finance income is allocated to each period during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. The incentives provided by the lessor for the purpose of the lease arrangement are recognized as a reduction in rental expenses over the lease term using the straight-line method.

Contingent rent is recognized as expense in the periods in which it is incurred.

(k) Intangible assets

(i) Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, are recognized in profit or loss as incurred.

(i) Amortization

The depreciable amount of an intangible asset is calculated as the cost of the asset, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with an indefinite useful life, from the date when they are made available for use. The estimated useful lives for the current and comparative periods are 3~7 years.

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Notes to the Financial Statements

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any changes shall be accounted for as changes in accounting estimate.

(l) Impairment-non-derivative financial assets

The Company assesses non-derivative financial assets for impairment (except for deferred income tax assets and employee benefits) at every reporting date, and estimates the recoverable amounts.

If it is not possible to determine the recoverable amount for an individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less costs to sell, and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such is deemed as an impairment loss, which is recognized immediately in profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset is increased to its recoverable amount by reversing an impairment loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, from the acquisition date, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

If the carrying amount of a cash-generating unit exceeds the recoverable amount of the unit, impairment loss is recognized and is allocated to reduce the carrying amount of each asset in the unit.

Reversal of an impairment loss for goodwill is prohibited.

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Notes to the Financial Statements

(m) Treasury stock

Repurchased shares are recognized as treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares are accounted for as “capital reserve-treasury share transactions”. Losses on disposal of treasury shares are offset against existing capital reserve arising from similar types of treasury shares. If the capital reserve is insufficient, such losses are charged to retained earnings. The carrying amount of treasury shares is calculated using the weighted-average method for different types of repurchase.

When treasury shares are cancelled, “capital reserve-share premiums” and “share capital” are debited proportionately. Gains on cancellation of treasury shares are charged to capital reserves arising from similar types of treasury shares. Losses on cancellation of treasury shares are offset against existing capital reserves arising from similar types of treasury shares. If capital reserve is insufficient, such losses are charged to retained earnings.

(n) Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring control of goods or services to customers. The Company recognizes revenue when it satisfies a performance obligation by transferring control of good services to customers. The accounting policies for the Company’s main types of revenue are explained below.

(i) Sea & air freight forwarding service, customs clearance and delivery service

The Company provides Sea & air freight forwarding service, customs clearance and delivery service. Revenue of the Company is mainly generated from providing logistic services. Revenue is recognized when service is rendered. Cost are recognized with revenue when they occur. Expenses are recognized as incurred on an accrual basis.

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money

(o) Revenue recognition (policy applicabe before January 1, 2018)

Revenue of the Company is mainly generated from providing management services. Revenue is recognized when service is rendered. Costs are recognized with revenues when they occur.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

T3EX GLOBAL HOLDINGS CORP.

Notes to the Financial Statements

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; That benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on market yields of government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved the expense of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group reclassify the amounts recognized in other comprehensive income to retained earnings.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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Notes to the Financial Statements

(q) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(r) Income tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses that are related to business combinations, expenses recognized in equity or other comprehensive income directly, and other related expenses, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) at the time of the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred taxes are measured based on the statutory tax rate on the reporting date or the actual legislative tax rate during the year of expected asset realization or debt liquidation.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
 - 1) Levied by the same taxing authority; or

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Notes to the Financial Statements

- 2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(s) **Business combinations**

Goodwill is measured as the excess of the acquisition-date fair value of consideration transferred (including any non-controlling interest in the acquiree) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Company shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed and recognize any additional assets or liabilities that are identified in that review, and shall recognize a gain on the bargain purchase thereafter.

The Company is based on transaction-by-transaction basis and choose to measure the non-controlling at fair value at the date of acquisition, or by using identifiable net assets in proportion to non-controlling interests.

In a business combination achieved in stages, the Company shall re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Company may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Company had directly disposed of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such amount shall be reclassified to profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Company shall retrospectively adjust the provisional amounts recognized at the acquisition date, or recognize additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

All the transaction costs incurred for the business combination are recognized immediately as the Company's expenses when incurred, except for the issuance of debt or equity instruments.

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Contingent consideration within the transfer pricing is recognized by the fair value on the date of purchase. If the change in fair value of the contingent consideration after the date of purchase is adjusted in the measurement period, the cost of acquisition is adjusted retrospectively and the goodwill is adjusted respectively. During the measurement period, the adjustments are retrospectively recognized at the acquisition date to reflect any new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date. For the change in fair value of the contingent consideration not during the measurement period, the accounting method is defined by the classification of its contingent consideration. The contingent consideration classified as equity cannot be re-measured, and the subsequent settlement should be adjusted within equity. The change in fair value of the contingent consideration classified as liability after the purchase date is recognized as income or other comprehensive income.

(t) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds, employee stock options, and employee compensation estimation.

(u) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company). Operating results of the operating segment are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year, please refer to note 6(f) Equity-accounted investees.

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Notes to the Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	\$ 167	147
Demand deposits	10,745	2,967
Time deposits	33,895	63,784
	<u>\$ 44,807</u>	<u>66,898</u>

Refer to note 6(v) for the sensitivity analysis of the financial assets and liabilities of the Company.

(b) Financial assets/liabilities at fair value through profit or loss

	December 31, 2018	December 31, 2017
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stocks listed on domestic markets	\$ 6,531	
Corporate bonds	15,233	
Financial assets held-for-trading		
Forward exchange contracts	7,161	7,131
Total	<u>\$ 28,925</u>	<u>7,131</u>

For the years ended December 31, 2018 and 2017, the investment income from disposal of financial assets at fair value through profit or loss is \$2,900 thousand and \$0 thousand were recorded as other gains and losses.

	December 31, 2018	December 31, 2017
Financial liabilities designated as at fair value through profit or loss:		
Held-for-trading financial liabilities:		
Non-derivative financial liabilities	<u>\$ -</u>	<u>2</u>

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Notes to the Financial Statements

- (c) Financial assets at fair value through other comprehensive income

	December 31, 2018
Equity investments at fair value through other comprehensive income	
Current	
Domestic Company-Aerospace Industrial Development Corporation	\$ 13,365
Domestic Company-Yang Ming Marine Transport Corp.	<u>62,529</u>
Total	<u>\$ 75,894</u>
Non-current	
Domestic Company Private placement stocks-Yang Ming Marine Transport Corp.	<u>\$ 76,400</u>

- (i) Equity investments at fair value through other comprehensive income

On January 1, 2018, the Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes. These investments were classified as available-for-sale financial assets on December 31, 2017.

On January 4, 2018, the Group has sold its shares held in Yang Ming Marine Transport Corp. as a result of adjusting strategic investments. The shares sold had a fair value of \$6,898 thousand and the Group realized a gain of \$69 thousand, which is already included in other comprehensive income. The gain has been transferred to retained earnings.

The above financial assets were not provided as collateral guarantees.

- (d) Available-for-sale financial assets

	December 31, 2017
Investments in listed securities	
Stocks listed on domestic markets-current	\$ 126,818
Stocks listed on private placement markets-non-current	<u>92,400</u>
Total	<u>\$ 219,218</u>

These investments were classified as financial assets at fair value through other comprehensive income and at fair value through profit or loss on December 31, 2018; please refer to note 6(b)&(c).

The above financial assets were not provided as collateral guarantees.

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Notes to the Financial Statements

- (e) Trade receivable (including amount due from related parties)

	December 31, 2018	December 31, 2017
Accounts receivable -measured as amortized cost	<u>\$ 41,148</u>	<u>45,726</u>

As of December 31, 2018 and 2017, the Company does not have any over-due accounts receivable. (including those from its related parties).

There were no movements in the allowance of doubtful receivables with respect to accounts receivable for the Company during the fiscal years 2018 and 2017.

As of December 31, 2018 and 2017, no receivables were pledged as collateral.

- (f) Equity-accounted investees

A summary of the Company' s financial information for equity-accounted investees at the reporting date is as follows:

	December 31, 2018	December 31, 2017
Subsidiary	\$ 3,257,710	2,838,378
Associates	44,847	51,533
	<u>\$ 3,302,557</u>	<u>2,889,911</u>

- (i) Subsidiary

Please refer to the consolidated financial statements for the years ended December 31, 2018.

- (ii) Associates

No publicly quoted prices were available for the above associates.

The financial information on associates of Company was as follows (before adjustment for the Company' s proportionate share):

	December 31, 2018	December 31, 2017
The equity of the non-significant associates	<u>\$ 85,590</u>	<u>97,596</u>

The Company does not share any contingent liabilities of an associate incurred jointly with other investors. The Company also does not have any contingent liabilities because the Company is severally liable for all or part of the liabilities of the associate.

There are no significant restrictions on the ability of associates to transfer funds to the Company.

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Notes to the Financial Statements

(iii) Guarantees

As of December 31, 2018 and 2017, there was no equity-accounted investment factored or provided as collateral.

(iv) Loss of impairment;

Due to the intense competition in the express market, the sales price and volume did not meet original expectation. Synergy from the acquisition of EXer Logistics Co., Ltd. was not as expected. Therefore, T.H.I Group (Shanghai) Ltd. recognized impairment loss of Goodwill amounted to \$31,892 thousand in 2017 based on the valuation report issued by external expert.

(g) Acquisition of subsidiaries

- (i) Via business combination and strategic alliance, the Group set up a total solution provider for freight, warehousing and custom clearing business in Mainland China. The Group acquired 60% ownership of Fresh Beauty Enterprises Ltd. (Fresh Beauty) on December 31, 2015. Furthermore, Fresh Beauty acquired 100% ownership of T Cube Global Logistics Co., Ltd. through Easter Union Holdings Limited. The primary businesses of T Cube Global Logistics Co., Ltd. are warehousing and transportation services. The acquisition price above includes cash and contingent considerations. The cash part has been paid as of 2016. According to the share purchase agreement, the upper limit of contingent considerations should be deposited into its designated trust account, and should be paid to original shareholders based on the operating performance. As of December 31, 2017, the upper limit of unpaid contingent consideration that should be deposited in the trust account was CNY 1,722 thousand. The fair value of the aforementioned contingent considerations on December 31, 2017, amounting to \$7,600 thousand, was recorded as other current liabilities respectively.

The valuation gain of fair value of the aforementioned contingent considerations for the year ended 2017, amounting to \$45,122 thousand, was recorded as other gains and losses.

As of December 31, 2017, the balance of the abovementioned contingent consideration deposited in the trust account amounting to \$54,410 thousand, was recorded as other current assets. The contingent consideration has been paid as of December 31, 2018. The valuation gain of fair value of the aforementioned contingent considerations for the year ended 2018, amounting to \$1,431 thousand, was recorded as other gains and losses.

On July 4, 2018, the Company paid \$24,578 thousand (CNY 5,400 thousand) to acquire non-controlling interest of Fresh Beauty Enterprises Ltd., increasing its percentage of shares held from 60% to 66%. The capital surplus of the Group decreased \$14,199 thousand.

- (ii) EXer Logistics Co., Ltd. increased its capital amounting to CNY16,765 thousand in 2017. All increased capital was subscribed by T.H.I GROUP Ltd. (Shanghai). The ownership of EXer Logistics Co., Ltd. held by T.H.I GROUP Ltd. (Shanghai) increased from 73.87% to 88.940% after the capital increase. Capital surplus and retained earnings of the Group decreased by \$5,937 thousand and \$6,034 thousand, respectively.

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Notes to the Financial Statements

- (iii) EXer Logistics Co., Ltd. increased its capital by CNY1,310 thousand on August 23, 2018. All increased capital was subscribed by T.H.I. Group Ltd. (Shanghai). The ownership of EXer Logistics Co., Ltd. held by T.H.I. Group Ltd. (Shanghai) increased from 88.94% to 93.51% after capital increase. The capital surplus and retain earning of the Company both increased \$227 thousands.
- (iv) T.H.I. Group Singapore Pte. Ltd. increased its capital by SGD530 thousand in 2017. All increased capital was subscribed by the Company. Percentage of shares held by the Company increased from 80% to 91.40%.
- (v) The Company purchased non-controlling interests of T.H.I. Group Vietnam Co, Ltd., wherein the percentage of shares held increased from 51% to 99%. The Company increased its capital surplus by \$25,703 thousand due to the changes in equity.

(h) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017, were as follows:

	Land	Buildings	Office and Other Equipment	Total
Cost or deemed cost:				
Balance on January 1, 2018	\$ 132,594	69,299	32,678	234,571
Additions	-	-	776	776
Disposals	-	-	(45)	(45)
Balance on December 31, 2018	<u>\$ 132,594</u>	<u>69,299</u>	<u>33,409</u>	<u>235,302</u>
Balance on January 1, 2017	\$ 132,594	69,299	31,580	233,473
Additions	-	-	1,098	1,098
Balance on December 31, 2017	<u>\$ 132,594</u>	<u>69,299</u>	<u>32,678</u>	<u>234,571</u>
Depreciation and impairment loss:				
Balance on January 1, 2018	\$ -	26,404	19,689	46,093
Depreciation	-	1,063	4,244	5,307
Disposals	-	-	(44)	(44)
Balance on December 31, 2018	<u>\$ -</u>	<u>27,467</u>	<u>23,889</u>	<u>51,356</u>
Balance on January 1, 2017	\$ -	25,340	15,138	40,478
Depreciation	-	1,064	4,551	5,615
Balance on December 31, 2017	<u>\$ -</u>	<u>26,404</u>	<u>19,689</u>	<u>46,093</u>
Net book value:				
At December 31, 2018	<u>\$ 132,594</u>	<u>41,832</u>	<u>9,520</u>	<u>183,946</u>
At December 31, 2017	<u>\$ 132,594</u>	<u>42,895</u>	<u>12,989</u>	<u>188,478</u>
At January 1, 2017	<u>\$ 132,594</u>	<u>43,959</u>	<u>16,442</u>	<u>192,995</u>

A summary of pledged assets as of December 31, 2018 and 2017 is found in note 8.

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Notes to the Financial Statements

(i) Intangible assets

The costs, amortization, and impairment loss of the intangible assets of the Company for the years ended December 31, 2018 and 2017, were as follows:

	Other Intangible Assets
Cost:	
Balance on January 1, 2018	\$ 48,060
Additions	<u>3,802</u>
Balance on December 31, 2018	<u>\$ 51,862</u>
Balance on January 1, 2017	\$ 30,809
Addition through acquisition	<u>17,251</u>
Balance on December 31, 2017	<u>\$ 48,060</u>
Amortization and impairment loss:	
Balance on January 1, 2018	\$ 25,446
Amortization	<u>4,640</u>
Balance on December 31, 2018	<u>\$ 30,086</u>
Balance on January 1, 2017	\$ 22,658
Amortization	<u>2,788</u>
Balance on December 31, 2017	<u>\$ 25,446</u>
Book value:	
At December 31, 2018	<u>\$ 21,776</u>
At December 31, 2017	<u>\$ 22,614</u>
At January 1, 2017	<u>\$ 8,151</u>

Amortization of intangible assets of the Company for the years ended December 31, 2018 and 2017, was recognized as operating expenses in the individual profit and loss.

(j) Short-term borrowing

	December 31, 2018	December 31, 2017
Unsecured bank loans	\$ 890,000	880,000
Secured bank loans	<u>200,000</u>	-
Total	<u>\$ 1,090,000</u>	<u>880,000</u>
Unused credit facilities	<u>\$ 730,000</u>	<u>640,000</u>
Interest rate	<u>1.037%~1.22%</u>	<u>1.05%~1.37%</u>

Refer to note 8 for details of the related assets pledged as collateral.

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Notes to the Financial Statements

(k) Long-term borrowing

Long-term borrowings were as follows:

	December 31, 2018	December 31, 2017
Unsecured bank loans	\$ 200,000	-
Less: Current portion	-	-
Total	<u>\$ 200,000</u>	<u>-</u>
Unused credit facilities	<u>\$ 100,000</u>	<u>-</u>
Interest rate	<u>1.18%</u>	<u>-</u>

The borrowed amount is \$200,000 thousand dollars and interest rate is 1.18% in 2018. The expiration date is June 2020.

(l) Unsecured convertible bond

	December 31, 2018	December 31, 2017
Issue of convertible bond payable	\$ -	300,000
Bond discount	-	(2,596)
Cumulative redeemed amount	-	-
Cumulative converted amount	-	(500)
Carrying amount of liability	-	296,904
Less: Current portion	-	(296,904)
	<u>\$ -</u>	<u>-</u>
Embedded derivative — put and call options (accounted for as financial assets (liabilities) at fair value through profit or loss — current and non-current)	<u>\$ -</u>	<u>(2)</u>
Equity components — conversion options (accounted for as capital surplus)	<u>\$ -</u>	<u>14,657</u>
	<u>2018</u>	<u>2017</u>
Embedded derivative — put and call options (accounted for as evaluation gain (loss) on financial instruments)	<u>\$ -</u>	<u>-</u>
Interest expense	<u>\$ 2,558</u>	<u>6,373</u>

On January 23, 2014, and June 9, 2015, the Company issued 2nd and 3rd unsecured convertible bonds, respectively, both amounted to \$300,000 thousand dollars.

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The terms and conditions of the bonds are as follows:

(i) Coupon rate

Both are zero.

(ii) Issuance period

Both are three years.

(iii) Redemption option

There is no redemption option for the 2nd convertible bonds.

For the 3rd convertible bonds, at any time on or after July 10, 2015, and before April 30, 2018, when the closing price of the Company's common shares on TWSE is equal to or greater than 130% of the conversion price of the convertible bonds for 30 consecutive trading days, or more than 90% of the bonds have been redeemed, repurchased, or converted, the Company may redeem the bonds in cash at face value.

(iv) Put option of bondholders

There is no put option of bondholders for the 2nd and 3rd convertible bonds.

(v) Terms of conversion

1) At any time one month after the issuing date to ten days before the expiry date, bondholders may request the Company to convert the bonds into stock.

2) Conversion price

After the bonds were issued, whenever the numbers of common shares of the Company changes, or other convertible bonds are issued with a conversion price lower than the market price, the conversion price will be adjusted by the formula set in the terms.

Because of the expiration of 2nd and 3rd bonds on January 23, 2017 and June 9, 2018, the Company has paid \$65,400 and \$299,500 thousands dollars, respectively.

(m) Employee benefits

(i) Defined benefit plan

The Company determined the movement in the present value of defined benefit obligations and the fair value of plan assets as follows:

	December 31, 2018	December 31, 2017
Total present value of defined benefit obligations	\$ (27,362)	(36,302)
Fair value of plan assets	14,745	14,015
Net defined benefit (liability) asset	\$ (12,617)	(22,287)

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Notes to the Financial Statements

The Company employee benefit liabilities as follows:

	December 31, 2018	December 31, 2017
Paid vacation liability-current	<u>\$ 229</u>	<u>229</u>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan and to the manager pension fund account that provide pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2018, the pension fund account balance at Bank of Taiwan and the manager pension fund balance amounted to \$1,830 thousand and \$12,915 thousand, respectively. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in the present value of defined benefit obligation

The movements in the present value of the defined benefit obligation for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Defined benefit obligations at January 1	\$ 36,302	36,014
Current service costs and interest cost	708	386
Actuarial gain	(1,229)	(98)
Planned amendment benefits	(8,419)	-
Defined benefit obligations at December 31	<u>\$ 27,362</u>	<u>36,302</u>

Planned amendment benefits arised due to the revision of manager pension method by the Company in 2018.

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Notes to the Financial Statements

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Fair value of plan assets at January 1	\$ 14,015	13,727
Expected return on plan assets	170	146
Contributions	593	205
Actuarial losses	(33)	(63)
Fair value of plan assets at December 31	<u>\$ 14,745</u>	<u>14,015</u>

4) Expenses recognized in profit or loss

The Company's pension expenses recognized in profit or loss for the years ended December 31, 2018 and 2017, were as follows:

	2018	2017
Planned amendment benefits	\$ (8,187)	-
Net interest of net defined benefit liabilities	306	240
	<u>\$ (7,881)</u>	<u>240</u>

The above net pension gains and losses are recognized as operating cost.

5) Remeasurement of net defined benefit liability recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2018 and 2017 was as follows:

	2018	2017
Accumulated amount at January 1	\$ (2,906)	(2,871)
Recognized during the period	(1,196)	(35)
Accumulated amount at December 31	<u>\$ (4,102)</u>	<u>(2,906)</u>

6) Actuarial assumptions

The following are the Company's primary actuarial assumptions at the reporting date:

	December 31, 2018	December 31, 2017
Discount rate	1.125%	1.375%
Future salary increasing rate	3.000%	3.500%

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The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$68 thousand dollar. The weighted average lifetime of the defined benefit plans is 13.70 years.

7) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Company uses judgments and estimations to determine the actuarial assumptions, including the discount rates and future salary changes, as of the end of the reporting period. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

The changes in the main actuarial assumptions might have an impact on the present value of the defined benefit obligation:

	Effects to the defined benefit obligation	
	Increase by 0.25%	Decrease by 0.25%
December 31, 2018		
Discount rate	\$ (217)	221
Future salary increasing rate	208	(205)
December 31, 2017		
Discount rate	(283)	289
Future salary increasing rate	272	(266)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plan

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$1,373 thousand and \$1,428 thousand for the years ended December 31, 2018 and 2017, respectively.

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Notes to the Financial Statements

(n) Income tax

(i) The income tax expense for the years ended December 31, 2018 and 2017, were as follows:

	2018	2017
Current income tax expense	\$ 711	1,862
Income tax expense	<u>\$ 711</u>	<u>1,862</u>

Reconciliation of income tax expense and profit before tax for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Profit before income tax	\$ 355,641	241,972
Income tax using the Company' s domestic tax rate	71,128	41,135
Changes in unrecognized temporary differences	(63,189)	(33,332)
Gains that does not affect income tax expense	(3,363)	(8,950)
Undistributed earnings additional tax	-	636
Others	(3,865)	2,373
	<u>\$ 711</u>	<u>1,862</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2018 and 2017. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2018	December 31, 2017
Unrecognized deferred tax liabilities	<u>\$ 372,475</u>	<u>262,422</u>
Unrecognized deferred tax assets	<u>\$ 3,100</u>	<u>2,164</u>

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Notes to the Financial Statements

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2018 and 2017 were as follows:

	<u>Defined benefit plans</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:			
Balance, January 1, 2017	\$ 4,094	2,455	6,549
Balance, December 31, 2017	<u>\$ 4,094</u>	<u>2,455</u>	<u>6,549</u>
Balance, January 1, 2018	\$ 4,094	2,455	6,549
Balance, December 31, 2018	<u>\$ 4,094</u>	<u>2,455</u>	<u>6,549</u>

3) Assessment of tax

The Company's tax returns for the years through 2016 were assessed by the Taipei National Tax Administration.

(o) Share capital and other equity

(i) Ordinary shares

As of December 31, 2018 and 2017, the authorized capital of the Company consisted of \$1,200,000 thousand shares, of which \$80,000 thousand shares were reserved for employee share options, with a par value of 10 (dollars) per share, and the issued capital was 118,346 thousand shares and 118,565 thousand shares, respectively.

The movements in outstanding shares for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Beginning balance, January 1	\$ 118,566	119,526
Addition: Convertible bonds converted	-	1,376
Exercise of employee stock options	-	28
Decrease in treasure stock retirement	<u>(220)</u>	<u>(2,364)</u>
Ending balance, December 31	<u>\$ 118,346</u>	<u>118,566</u>

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Notes to the Financial Statements

(ii) Capital surplus

The components of capital surplus were as follows:

	December 31, 2018	December 31, 2017
Paid-in capital derived from premium on issuance of common shares	\$ 506,392	553,657
Surplus arising from bond conversion option	245,665	245,665
Surplus arising from treasury stock transactions	1,746	4,305
Surplus arising from long-term equity investments — donated surplus and others	11,731	25,703
Surplus arising from premium from merger	2,912	2,912
Surplus arising from stock options	40,512	40,512
	<u>\$ 808,958</u>	<u>872,754</u>

In accordance with the R.O.C. Company Act realized capital reserve can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned realized capital reserve includes share premiums and donation. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserve to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

The Company reported on the board of directors on March 26, 2018 and on June 26, 2018, the shareholders' meeting had passed the resolution to issue \$46,318 thousand capital reserve of the common stock premium in excess of the face value. The company distributed cash dividends of 0.4 dollar per share based on the proportion of the original share of the shareholders.

(iii) Retained earnings

According to the Company's articles of incorporation, 10% of annual net earnings (net of income taxes), after deducting accumulated deficits, must be set aside 10% as legal reserve. Unless and until the accumulated legal reserve equals the Company's total capital, the Company may set aside a special reserve in accordance to Article 41 of the Securities and Exchange Act. After the board of directors considers the Company's budget for funding needs, financial structures, current period earnings, and steady profit distribution when proposing the distribution of earnings, the proposal should be resolved during the stockholders' meeting.

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Notes to the Financial Statements

1) Legal reserve

In accordance with the Company Act, 10 percent of net income should be set aside as statutory legal reserve until it is equal to share capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory legal reserve, either by new shares or by cash, of the portion that exceeds 25 percent of the actual share capital.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 “First-time Adoption of International Financial Reporting Standards” during the Company’s first-time adoption of the International Financial Reporting Standards (IFRSs) endorsed by the Financial Supervisory Commission, cumulative translation adjustments (gains) shall be reclassified as retained earnings. The net increase in retained earnings due to the first-time adoption of IFRSs amounted to \$7,116 thousand dollars. In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, an increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as special earnings reserve during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special earnings reserve shall be reversed as distributable earnings proportionately. The carrying amount of special earnings reserve was \$7,116 thousand dollars on December 31, 2018 and 2017.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders’ equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders’ equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders’ equity shall qualify for additional distributions. Special earnings reserve amounted to \$130,401 thousand dollars at December 31, 2018

3) Earnings distribution

Earnings distribution for 2017 and 2016 was decided via the general meeting of the shareholders held on June 26, 2018 and June 19, 2017, respectively. The relevant dividend distributions to shareholders were as follows:

	2017		2016	
	Amount per share (dollars)	Total amount	Amount per share (dollars)	Total amount
Dividends distributed to common shareholders:				
Cash	\$ 0.9	<u>104,217</u>	0.800	<u>92,637</u>

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There is no difference between the total amount of surplus distribution and the resolution of the Board of Directors of the Company, and the relevant information can be found at the public information station.

(iv) Treasury stock

The Company has acquired treasury stock and transferred it to its employees as an incentive. For the years ended December 31, 2018 and 2017 the movements of the treasury stock were as below.

Item	2017	Increase	Decrease	December 31, 2018
Treasury stock acquired — shares (in thousand shares)	<u>\$ 2,769</u>	<u>-</u>	<u>(220)</u>	<u>2,549</u>
Treasury stock acquired — amount	<u>\$ 66,349</u>	<u>-</u>	<u>(5,706)</u>	<u>60,643</u>

Item	January 1, 2017	Increase	Decrease	December 31, 2017
Treasury stock acquired — shares (in thousand shares)	<u>2,512</u>	<u>2,621</u>	<u>2,364</u>	<u>2,769</u>
Treasury stock acquired — amount	<u>\$ 61,801</u>	<u>56,158</u>	<u>51,610</u>	<u>66,349</u>

As of December 31, 2018 and 2017, a total of \$2,549 thousands and \$2,769 thousands shares, respectively, were not yet cancelled.

In accordance with the Securities and Exchange Act requirements, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. As of December 31, 2018, the balance of treasury stock was in compliance with the requirement. In accordance with the Securities and Exchange Act requirements, treasury shares held by the Company cannot be pledged and do not have any shareholders' rights before their transfer.

(p) Share-based payment

As of December 31, 2018, the Company's share-based payment transaction has expired on July 10, 2018.

As of December 31, 2018 and 2017, outstanding units were all 0.

For the years ended December 31, 2014, 724 units were exercised at \$15.5 per unit.

The Company's expenses for share-based payment for the years ended December 31, 2018 and 2017 were all \$0.

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Notes to the Financial Statements

(q) Earnings per share (EPS)

(i) Basic earnings per share

The basic earnings per share for the years ended December 31, 2018 and 2017, were calculated on the basis of profit attributable to common shareholders and the weighted-average number of outstanding common shares. Calculations were as follows:

1) Profit attributable to common shareholders

	2018	2017
Profit attributable to common shareholders	<u>\$ 354,930</u>	<u>240,110</u>

2) Weighted-average number of outstanding common shares

	2018	2017
Common shares at January 1	\$ 118,566	119,526
Effect of treasury stock	(2,769)	(4,971)
Effect of employee stock options	-	23
Effect of conversion of convertible bonds	-	1,289
Weighted-average number of outstanding common shares at December 31	<u>\$ 115,797</u>	<u>115,867</u>

(ii) Diluted earnings per share

The diluted earnings per share for the years ended December 31, 2018 and 2017 were calculated on the basis of profit attributable to common shareholders and the weighted-average number of outstanding common shares, with all potential common shares retroactively adjusted. Calculations were as follows:

1) Profit attributable to common shareholders (diluted)

	2018	2017
Profit attributable to common shareholders (basic)	\$ 354,930	240,110
Interest on convertible bonds	2,558	6,373
Profit attributable to common shareholders (diluted)	<u>\$ 357,488</u>	<u>246,483</u>

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2) Weighted-average number of outstanding common shares (diluted)

	<u>2018</u>	<u>2017</u>
Weighted-average number of outstanding common shares (basic)	\$ 115,797	115,867
Effect of conversion of convertible bonds	5,069	11,650
Effect of employee stock dividends	88	59
Effect of stock options	<u>-</u>	<u>12</u>
Weighted-average number of outstanding common shares at December 31 (diluted)	<u>\$ 120,954</u>	<u>127,588</u>

When the dilutive effect of stock options is calculated, the average market value is decided on the basis of the market price of the option during the outstanding period.

(r) Employees and directors, supervisors reward

Pursuant to the Company's articles of incorporation, states if the Company profits this period they will set aside no less than 0.5% towards employee compensation and no more than 3% towards remuneration to directors and supervisors. If the Company has accumulated loss they must first reserve to cover the loss amount. The compensations mentioned afore include persons who meet the preset conditions of employees of the affiliate Company.

The Company accrued and recognized the employee compensation amounting to \$1,843 thousand dollars and \$1,253 thousand dollars for the year 2018 and 2017, respectively. And the directors' and supervisors' compensation is accrued and recognized amounting to \$11,056 thousand dollars and \$7,522 thousand dollars for the year 2018 and 2017, respectively. These amounts are calculated by using the Company's pre-tax net profit for the period before deducting the amount of the remuneration to the employees and directors, multiplied by the distribution ratio of remuneration to the employees and directors under the Company's articles of association, and expensed under operating costs or expenses for the year. If there would be any changes after the reporting date in the following year, the change of the amount would be treated as changes in accounting estimates and recognized as profit or loss in next year.

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2018</u>
	<u>Head office</u>
Primary geographical markets:	
Hong Kong and China area	\$ 339,201
Taiwan	80,129
Eastern Asia and other area	<u>16,161</u>
	<u>\$ 435,491</u>

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	<u>2018</u>
	<u>Head office</u>
Primary service:	
Management income	\$ 52,689
Profits of investing subsidiaries	<u>382,802</u>
	<u>\$ 435,491</u>

For details on revenue for the year ended December 31, 2017, please refer to note 6(t).

(ii) Contract balances

	<u>December 31,</u> <u>2018</u>	<u>January 1, 2018</u>
Accounts receivable (including related-parties)-measured at amortized cost	<u>\$ 41,148</u>	<u>45,726</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(e).

(t) Revenue

The Company's net revenue for the year ended December 31, 2017, was as follows:

	<u>2017</u>
Management income	\$ 54,967
Shares of profit of equity-accounted investees	<u>234,906</u>
	<u>\$ 289,873</u>

(u) Non-operation income and expenses

(i) Other gains and losses

The Company's other gains and losses for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Foreign exchange gains (losses)	\$ 214	(4,757)
Gains (losses) on valuation of fair value of financial assets and liabilities through profit or loss	(370)	24
Gain on disposal of investments	2,900	-
Gain on disposal of available-for-sale financial assets	-	6,887
Dividend income	1,328	1,690
Gain on evaluation of investment payable	1,431	45,122
Other	<u>39</u>	<u>-</u>
	<u>\$ 5,542</u>	<u>48,966</u>

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(ii) Other income

The Company' s other income for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Interest income	\$ 2,464	2,469
Rental income	3,564	3,564
Other income	-	34
	<u>\$ 6,028</u>	<u>6,067</u>

(iii) Finance costs

The Company' s financial costs for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Interest costs		
Bank borrowings	\$ 11,872	8,188
Amortization of the convertible bonds discount	2,558	6,373
Amortization of other financial liabilities	243	6,435
	<u>\$ 14,673</u>	<u>20,996</u>

(v) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the Company' s maximum credit exposure.

2) Concentration of credit risk

Based on the characteristic of the industry, the Company has no significant transactions with any single customer.

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(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flow	Within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
December 31, 2018							
Non-derivative financial liabilities							
Bank borrowings	\$ 1,290,000	(1,294,789)	(1,091,259)	-	(203,530)	-	-
Trade and other payable	126,705	(126,705)	(126,705)	-	-	-	-
	\$ 1,416,705	(1,421,494)	(1,217,964)	-	(203,530)	-	-
December 31, 2017							
Non-derivative financial liabilities							
Bank borrowings	\$ 880,000	(880,833)	(880,833)	-	-	-	-
Convertible bond payable	296,904	(299,500)	(299,500)	-	-	-	-
Trade and other payables	124,857	(124,857)	(124,857)	-	-	-	-
Investment payable (other current and non-current liabilities)	7,600	(7,600)	(7,600)	-	-	-	-
	\$ 1,309,361	(1,312,790)	(1,312,790)	-	-	-	-

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

Unit: thousand

	December 31, 2018		December 31, 2017			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary item</u>						
USD	\$ 350	30.7100	10,749	3,112	30.5192	94,975
<u>Non-monetary item</u>						
IDR	18,432,398	0.00213	39,261	20,417,891	0.00223	45,532
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD	1,364	30.7100	41,888	1,771	30.5192	54,050

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2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the foreign currency exchange gains and losses on the translation of cash and cash equivalents, accounts receivable and other receivables, that are denominated in foreign currency. A 1% depreciation of USD against TWD as of December 31, 2018 and 2017 would have decreased the net income before tax by \$311 thousand dollars and \$409 thousand dollars, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses on monetary items

The currency of the Company has a wide range of foreign currency items, so that the exchange of information on monetary items are disclosed. For the year 2018 and 2017, foreign exchange gains and losses (including realized and unrealized) are 214 thousand dollars and (4,757) thousand dollars.

(iv) Interest rate analysis

The following sensitivity analysis is based on the exposure to interest rate risk for derivative and non-derivative financial instruments on the reporting date.

For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year.

If the interest rate had increased/decreased by 1%, the Company's net income before tax would have decreased/increased by \$12,900 thousand dollars and \$8,800 thousand dollars for the years ended December 31, 2018 and 2017, respectively, assuming all other variable factors had remained constant. This is mainly due to the Company's variable-rate borrowing.

(v) Fair value of financial instruments

1) Fair value hierarchy

a) Categories and fair value of financial instruments

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

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		December 31, 2018				
		Book value	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:						
Financial assets designated as fair value through profit or loss	\$	28,925	28,925	-	-	28,925
Financial assets as fair value through other comprehensive income:						
Stock in listed companies	\$	152,294	75,894	76,400	-	152,294
Loans and receivables:						
Cash and cash equivalent	\$	44,807				
Note and accounts receivables, and other receivables		161,148				
Subtotal		205,955				
Refundable deposits	\$	336				
Financial liabilities at amortized cost:						
Short term borrowings	\$	1,090,000				
Note payables		1,007				
Other payables		125,698				
Long term borrowings		200,000				
Subtotal		1,416,705				
		December 31, 2017				
		Book value	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:						
Non-Derivative financial assets	\$	7,131	7,131	-	-	7,131
Available-for-sale financial assets:						
Stock in listed companies	\$	219,218	126,818	92,400	-	219,218
Loans and receivables :						
Cash and cash equivalent	\$	66,898				
Note and accounts receivables, and other receivables		145,726				
Other current and non-current assets		64,912				
Subtotal		277,536				
Refundable deposits	\$	426				
Financial liabilities at fair value through profit of loss:						
Financial liabilities designated as fair value through profit or loss	\$	2	-	2	-	2
Financial liabilities at amortized cost:						
Short term borrowings		880,000				
Company bonds		296,904				
Note payables		981				
Other payable		123,876				
Payables on investments (other current and noncurrent-liabilities)		7,601				
Subtotal		1,309,362				

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Notes to the Financial Statements

- 2) Valuation techniques to measure fair value of financial instruments not measured at fair value

Financial instruments of the Group not measured at fair value are financial assets and liabilities valued at amortized cost. Measurement of fair value of these financial instruments is based on recent transaction prices. When market price are unavailable, valuation is based on discounted cash flow.

- 3) Valuation techniques for financial instruments measured at fair value

- a) Non-derivative financial instruments

Fair value measurement of financial instruments is based on quoted market prices if these prices are available in an active market. Quoted prices on stock exchanges are regarded as the fair value of equity instruments in a listed market.

A financial instrument is regarded as being quoted in an active market if quoted market prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. If these conditions can not be met, then the market is considered as non-active. In general, a market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The fair value of financial assets and liabilities with standard terms and conditions and trading in active markets is based on quoted market prices. These include investments in stocks of listed entities.

The measurements of fair value of equity instruments without an active market are based on the market comparable listed company approach, which assumes that the fair value is measured by the book value per share of the investee and the price-book ratio of market comparable listed companies. The estimation of the fair value of equity instruments has been adjusted due to the effect of the discount arising from the lack of marketability.

- b) Derivative financial instruments

The fair value is based on quoted prices. When quoted prices are unavailable, the fair value is in accordance with third-party pricing information.

- 4) Movement between Level 1 and Level 2

There were no movement between Level 1 and Level 2 for the years ended December 31, 2018 and 2017.

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Notes to the Financial Statements

(w) Financial risk management

(i) Overview

The nature and the extent of the Company's risks arising from financial instruments, which include credit risk, liquidity risk, and market risk, are discussed below. Also, the Company's objectives, policies, and procedures for measuring and managing risks are discussed below.

1) Credit risk

2) Liquidity risk

3) Market risk

For more quantitative information about financial instruments, please refer to related notes to the financial statements.

(ii) Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors oversees how management monitors the risks, which should be in compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation of the risks faced by the Company. Internal Audit undertakes regular reviews of the risk management controls and procedures and exception management, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk means the potential loss to the Company if the client or the counterparty involved in a financial instrument transaction defaults. The primary potential credit risk is from the accounts receivable and investments of the Company.

1) Accounts receivable and other receivables

For the years ended December 31, 2018 and 2017, there was no significant concentration of credit risk from the sales of the Group.

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The source of revenue of the Company is from the Group and its subsidiaries, as such, there is no credit risk.

The Company establishes an impairment allowance that represents its estimate of incurred losses in respect of trade receivables, other receivables, and investment. The components of this impairment allowance are a specific loss component that relates to individually significant exposure and a collective loss component for which a loss was incurred but not identified. The collective component is based on historical payment experience of similar financial assets.

2) Investments

The credit risk exposure of the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. As the Company deals with banks and other external parties with good credit standing and financial institutions, corporate organizations, and government agencies which are graded above investment level, the management believes that the Company does not have any compliance issues, and therefore, there is no significant credit risk.

3) Guarantees

The Company has determined that financial guarantees can only be provided to the following companies:

- a) Companies with a transaction relationship with the Company.
- b) Companies in which the Company has more than 50% of the voting shares.
- c) Companies which directly or indirectly hold more than 50% of the voting shares of T3EX Global Holdings Corp.

4) Liquidity risk

Liquidity risk is a risk that the Company is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as much as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Company actively expands its business to generate operating cash flow while it simultaneously manages the accounts receivable in a strict manner and controls its expenditure. In addition, the Company keeps good relationships with banks to obtain a sufficient credit limit for necessary cash demands in the operating cycle. Generally, the Company ensures that there is sufficient cash to cover expected operating expenditure, but excluding the potential influence of unexpected extreme conditions (i.e. nature disasters). The total amount of unused credit as of December 31, 2018, was \$830,000 thousand dollars.

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Notes to the Financial Statements

5) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The types of financial assets at fair value through profit or loss held by the Company are open-end funds and convertible bonds which are measured at fair value. Therefore, the Company is exposed to the risk of price changes in the beneficiary certificate market. The Company engages a professional agent to manage its financial assets. Parts of bank deposits, accounts receivable, and accounts payable are evaluated for foreign currency exposure. To manage the currency risk, the Company maintains its foreign currency net position within a certain limit. The convertible bonds held and issued by the Company are measured at fair value. This results in exposure to the risk of price changes in the equity and bond markets.

a) Currency risk

Interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company, which mainly uses the TWD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates.

b) Interest rate risk

Except for bank loans, there are no financial assets or financial liabilities with floating interest rates. The Company negotiates the price case by case to control the interest rate risk.

(x) Capital management

The board's policy is to maintain a strong capital base in order to maintain investor, creditor, and market confidence and to sustain future development of the business. Capital consists of common shares, capital surplus, retained earnings, and non-controlling interests of the Company. The board of directors monitors the level of dividends to common shareholders.

The distribution of dividends of the Company follows the earnings of the year and is on a sustainable basis. When the board of directors drafts a proposal on appropriation and distribution of retained earnings, the dividend distribution shall not be lower than 50% of current earnings or unappropriated earnings, whichever is lower. However, the cash dividend shall not be lower than 10% of the total distribution of dividends.

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Notes to the Financial Statements

The Company's debt-to-equity ratios at the end of the reporting periods were as follows.

	December 31, 2018	December 31, 2017
Total liabilities	\$ 1,429,519	1,332,390
Less: cash and cash equivalents	44,807	66,898
Net debt	<u><u>\$ 1,384,712</u></u>	<u><u>1,265,492</u></u>
Total equity	\$ 2,483,219	2,279,473
Less: amounts accumulated in equity relating to cash flow hedges	-	-
Adjusted capital	<u><u>\$ 2,483,219</u></u>	<u><u>2,279,473</u></u>
Debt-to-equity ratio	<u><u>55.76%</u></u>	<u><u>55.52%</u></u>

From time to time, the Company purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily, the shares are intended to be used for issuing shares under the Company's share option scheme for employees. The purchase of treasury stock did not impact the Company's capital management.

There were no changes in the Company's approach to capital management during the year.

- (y) Investing and financing activities without cash flows

Convertible bonds were converted into common stock. Please refer to notes 6(l) and (o).

(7) Related-party transactions:

- (a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Company.

- (b) Name and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of subsidiary	Relationship to the Group
T.H.I Group Ltd. (in B.V.I.)	Subsidiary company
GREATLINE INTERNATIONAL LIMITED (GREATLINE)	Subsidiary company
T.H.I Group Vietnam Co., Ltd.	Subsidiary company
T.H.I. Group (Bangkok) Company Limited	Subsidiary company
Taiwan Express Logistics Co., Ltd. (TEC)	Subsidiary company
T.H.I Logistics Co., Ltd.	Subsidiary company
T.H.I. Group (Cambodia) Co., Ltd.	Subsidiary company
T.H.I. Group Singapore Pte. Ltd. (Singapore)	Subsidiary company
T.H.I. & Maruzen Co. Ltd.	Subsidiary company

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Name of subsidiary	Relationship to the Group
Fresh Beauty Enterprises Ltd.	Subsidiary company
Eastern Union Holdings Limited	Subsidiary company
T-Cube Global Logistics Co., Ltd.	Subsidiary company
T.H.I. Group Limited (HK) (T.H.I. HK)	Subsidiary company
T.H.I. Group (Shanghai) Ltd. (T.H.I. Shanghai)	Subsidiary company
Shanghai Yaohwa International Forwarder Co., Ltd. (Shanghai Yaohwa)	Subsidiary company
Exer Logistics Co., Ltd.	Subsidiary company
Taiwan Express (HK) Co., Ltd. (TEC HK)	Subsidiary company
Taiwan Express (USA) INC.	Subsidiary company
TEC Logistics Co., Ltd.	Subsidiary company
TEC LOGISTICS (USA), INC	Subsidiary company
Hiview Logistics Co., Ltd.	Subsidiary company
TEC Logistics (Shenzhen) Co., Ltd.	Subsidiary company
Wai Hung Cargo Transport Co., Ltd.	Subsidiary company
T.H.I. Logistics (Malaysia) SDN. BHD	Subsidiary company
PT Dexter Eurekatama	Investment under equity method
LOGI International Co., Ltd.	Investment under equity method
Shanghai Shangijum International Logistic Co., Ltd.	Investment under equity method

(c) Transactions with key management personnel

Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	\$ 12,640	10,372
Post-employment benefits	522	211
	\$ 13,162	10,583

(d) Other related-party transactions

(i) Revenue

The Significant operating income of the Company and its outstanding balance are as follows:

	Revenue		Accounts receivable	
	2018	2017	December 31, 2018	December 31, 2017
T.H.I. Group (Shanghai) Ltd. (T.H.I. Shanghai)	\$ 31,620	34,662	31,620	34,662
Taiwan Express Logistics Co., Ltd. (TEC)	8,532	8,104	4,196	4,355
Other subsidiaries	12,537	12,201	5,332	6,709
	\$ 52,689	54,967	41,148	45,726

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Trading terms of the above transactions require payments within 30 to 60 days or depending on the funding needs.

(ii) Other payables

	December 31, 2018	December 31, 2017
T.H.I. Group (Shanghai) Ltd. (T.H.I Shanghai)	\$ 75,605	80,140
Other subsidiaries	14,804	19,264
Subsidiary	<u>\$ 90,409</u>	<u>99,404</u>

Amounts received on benefit of subsidiary.

(iii) Loans to subsidiary (recorded in other receivables due from related parties)

The Company's loans to subsidiary and interest income are as follow:

	2018	2017
Taiwan Express Logistics Co., Ltd. (TEC)	<u>\$ 120,000</u>	<u>100,000</u>
Interest income (recorded in other income)	<u>\$ 2,055</u>	<u>2,152</u>

The Company's loan and relationship are accrued as the average interest rate of the short-term borrowings of the financial institutions in the current year, and are unsecured loans, and no bad debts are required after the assessment.

(8) Pledged assets:

Pledged assets	Object	December 31, 2018	December 31, 2017
Property, plant, and equipment	Credit facility	\$ 174,426	175,490
Refundable deposits	Rental deposit and official car deposit	336	426
		<u>\$ 174,762</u>	<u>175,916</u>

(9) Commitments and contingencies:

- (a) The sub-subsidiary company T.H.I Group (Shanghai) Ltd. received a notification in 2016 from the court regarding a client claiming the damage of CNY\$4,212 thousands for its loss on cargo. As of the reporting date, this case was still progress. The Company did not accrue any provision for this case based on its assessment.

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- (b) The sub-subsidiary of the Company, Taiwan Express Logistic Co., Ltd., received a notification from the court stating that a client claimed a loss on stock damage of the Company amount to USD1,207 thousands. This case has been settled in 2018.
- (c) Promissory notes issued to the bank as collateral for short-term bank borrowings, logistics business, etc., were as follows.

	December 31, 2018	December 31, 2017
Promissory notes	<u>\$ 1,090,000</u>	<u>880,000</u>

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

In order to develop a supply chain finance business, to build a complete supply chain logistics platform, and to consider the funds needed for future growth, the Board of Directors decided to invest T-SC Factoring Co., Ltd., through T.H.I. Group (Shanghai) Ltd. on March 26, 2019. The investment amount is CNY 30,000 thousand, and the Group will acquire 100% ownership.

(12) Other:

The personnel cost and depreciation and amortization expenses, categorized by function, were as follows.

	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel cost						
Salaries	40,284	-	40,284	38,815	-	38,815
Labor and health insurance	2,440	-	2,440	2,452	-	2,452
Pension	1,911	-	1,911	1,668	-	1,668
Remuneration of directors	11,056	-	11,056	7,522	-	7,522
Others	1,267	-	1,267	1,196	-	1,196
Depreciation expenses	5,307	-	5,307	5,615	-	5,615
Amortization expenses	4,640	-	4,640	2,788	-	2,788

In 2018 and 2017, the average number of employees were 36 and 37, respectively, of which the number of directors who were not concurrently employed were both 9.

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(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties:

No (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	Taiwan Express Logistic Co., Ltd.	Other receivables-related parties	Yes	270,000	270,000	120,000	Quarterly changes in interest rates	2	-	Trading turnover	-		-	496,644	993,288
4	T.H.I. Group Limited (HK) (T.H.I. HK)	Taiwan Express (HK) Co., Ltd. (TEC HK)	Other receivables-related parties	Yes	61,840	61,420	61,420	Quarterly changes in interest rates	2	-	Trading turnover	-		-	277,183	554,366

Note 1: The numbers indicated above represent the following: 0 for investor, 1 to 4 for investee.

Note 2:: Nature of lending: 1 for counterparties with transactions, and 2 for short-term operating capital.

Note 3: The ceiling on total loans granted by the Company to all parties is 40% of the net assets in the financial statements; the ceiling on total loans granted by the Company to each entity is 20% of the net assets in the financial statements.

Note 4: Ending facility balance approved by BOD.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Shanghai Yaohwa International Forwarder Co., Ltd.	2	496,644	42,093	13,424	-	-	0.54%	993,288	Y	N	Y
0	The Company	T.H.I. Group (Shanghai) Ltd. (T.H.I. Shanghai)	2	496,644	89,998	75,456	-	-	3.04%	993,288	Y	N	Y
0	The Company	Exer Logistics Co., Ltd	2	496,644	46,770	22,373	-	-	0.90%	993,288	Y	N	Y
0	The Company	T Cube Global Logistics Co., Ltd.	2	496,644	170,996	170,035	37,015	-	6.85%	993,288	Y	N	Y
0	The Company	Taiwan Express Logistic Co., Ltd.	2	496,644	108,220	107,485	-	-	4.33%	993,288	Y	N	N
2	Shanghai Yaohwa International Forwarder Co., Ltd.	T.H.I. Group (Shanghai) Ltd.	4	11,452	3,274	3,132	2,339	-	2.74%	45,808	N	N	Y

Note 1: The numbers indicated above represent the following: 0 for investor, 1 onwards for investee

Note 2: The relationship between the guarantee provider and the receiver is as follows:

- (1)The Company has transactions with its counterparties.
- (2)The Company holds more than 50% of common shares of its subsidiary.
- (3)The Company and its subsidiaries hold more than 50% of common shares of the investee company.
- (4)The parent company holds more than 50% of its outstanding common shares (directly or indirectly) through a subsidiary.

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(5) Companies within the same architectural field have signed a contractual agreement to provide mutual endorsements/ guarantees for the need of a specific construction project.

(6) The shareholders provide endorsements and/or guarantees for their mutually invested company in proportion to their shareholding percentage.

(7) Within the trade performance guarantees for preconstruction-sales contract in accordance with the Consumer Protection Law is jointly guaranteed.

Note 3: (1) Total guarantees amount should not exceed 40% of the Company's net assets in the financial statements if the following conditions are met:

Ownership of the Company should exceed 50%:

Guarantee amount should not exceed 20% of the Company's net assets

Ownership of the Company should not exceed 50%:

Guarantee amount should not exceed 20% of the Company's net assets

The net assets stated above refer to the net assets from the Company's most recently audited financial statements.

(2) Apart from the conditions listed above, guarantees for the purpose of business relations should not exceed the total amount of business transactions between the two parties, whichever is lower. The definition of business transactions could either be purchases or sales, whichever is higher.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Fund Yuanta Wan Tai Fund	-	Financial assets at fair value through profit or loss – current	473,454	7,161	-	7,161	
The Company	Stock Dimerco Express Corporation	-	Financial assets at fair value through profit or loss – current	-	15,233	-	15,233	
The Company	Stock Farglory FTZ Investment Holding Co., Ltd.	-	Financial assets at fair value through profit or loss – current	447,000	13,365	1.700	13,365	
The Company	Stock Aerospace Industrial Development Corporation	-	Financial assets at fair value through other comprehensive income-current	10,000,000	76,400	0.43	76,400	(Note 1)
The Company	Bond Yang Ming Marine Transport Corp.	-	Financial assets at fair value through profit or loss – current	7,105,577	62,529	0.31	62,529	
The Company	Stock Yang Ming Marine Transport Corp.	-	Financial assets at fair value through other comprehensive income-current	334,000	6,531	0.26	6,531	
The Company	Stock Yang Ming Marine Transport Corp.	-	Financial assets at fair value through other comprehensive income-current	3,880,000	89,007	12.90	89,007	
Taiwan Express Logistic Co., Ltd.	Stock Central Taiwan Science Park Logistics Co., Ltd.	-	Financial assets at fair value through other comprehensive income-non-current	364	3	-	3	

Note 1: Private placement stock.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock: None

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(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
T.H.I. Group (Shanghai) Ltd	T.H.I. Group Limited(in Limited)	Associates	Other receivables 206,446	-	-		42,793	-
The Company	Taiwan Express Logistic Co., Ltd.(TEC)	Associates	Other receivables 120,000	-	-		-	-

(ix) Trading in derivative instruments:Please refer to notes 6(b) & (l).

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2018			Net income (loss) of the Investee	Share of profit loss of invest	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying value			
The Company	T.H.I. Group Ltd.(in B.V.I)	British Virgin Islands	Offshore settlement center	35,000 (USD1,000)	35,000 (USD1,000)	1,000,000	100.00%	99,423	22,108	22,108	Subsidiaries
The Company	Greatline International Limited (Greatline)	British Virgin Islands	Offshore holding company	134,428 (USD4,050)	134,428 (USD4,050)	4,050,000	100.00%	1,753,741	289,302	289,302	Subsidiaries
The Company	T.H.I Group Vietnam Co., Ltd.	Vietnam	Air & sea freight forwarding and packaging	8,362 (USD275)	8,362 (USD159)	4,950,000,000	99.00%	53,348	(7,352)	(7,278)	Subsidiaries
The Company	T.H.I. Group (Bangkok) Co., Ltd.	Thailand	Air & sea freight forwarding and packaging	2,372 (USD72)	2,372 (USD72)	-	49.00%	16,412	3,386	1,659	Subsidiaries
The Company	T.H.I. & Maruzen Co., Ltd.	Japan	Air & sea freight forwarding	10,365 (JPY31,130)	10,365 (JPY31,130)	3,060	51.00%	18,973	6,951	3,545	Subsidiaries
The Company	Taiwan Express Logistic Co., Ltd. (TEC)	Taiwan	Air & sea freight forwarding and customs clearance	704,200	704,200	35,958,400	100.00%	801,012	66,969	60,969	Subsidiaries
The Company	T.H.I. Logistics Co. Ltd.	Taiwan	Air & sea freight forwarding	130,000	130,000	13,000,000	100.00%	147,453	5,886	5,886	Subsidiaries
The Company	T.H.I. Group (Cambodia) Co., Ltd.	Cambodia	Air & sea freight forwarding	4,462 (USD150)	4,462 (USD150)	-	100.00%	9,738	1,310	1,310	Subsidiaries
The Company	PT. Dexter Eurekatama	Indonesia	Air & sea freight forwarding	47,381 (USD1,598)	47,381 (USD1,598)	12,000	30.00%	39,261	2,366	(2,414)	Investment under equity method
The Company	T.H.I. Group Singapore Pte. Ltd. (Singapore)	Singapore	Air & sea freight forwarding	19,032 (USD850)	19,032 (USD320)	850,000	91.40%	9,924	(3,409)	(3,116)	Subsidiaries
The Company	LOGI International Co., Ltd.	Korea	Air & sea freight forwarding	9,666 (USD300)	9,666 (USD300)	16,285	30.00%	5,586	(1,393)	(418)	Investment under equity method
The Company	Fresh Beauty Enterprises Ltd. (Fresh Beauty)	Samoa	Offshore holding company	307,353 (CNY60,979)	282,775 (CNY55,579)	66	66.00%	341,493	20,470	10,484	Subsidiaries
The Company	T.H.I. Logistics (Malaysia) SDN. BHD	Malaysia	Air & sea freight forwarding	10,381 (USD315)	10,381 (USD315)	180,000	90.00%	6,193	850	765	Subsidiaries
GREATLINE INTERNATIONAL LIMITED	T.H.I. Group Limited (HK) (T.H.I. HK)	Hong Kong	Air & sea freight forwarding	139,948 (USD4,314)	139,948 (USD4,314)	12,480,000	100.00%	1,752,145	289,318	289,318	Subsidiaries
Fresh Beauty Enterprises Ltd.	Eastern Union Holdings Limited (Eastern Union)	Hong Kong	Offshore holding company	57,411 (HKD1,751)	57,411 (HKD1,751)	-	100.00%	164,920	20,470	20,470	Subsidiaries
TEC	Taiwan Express (HK) Co., Ltd. (TEC HK)	Hong Kong	Freight forwarding, customs clearance, and distribution	266,807 (HKD70,550)	266,807 (HKD70,550)	-	100.00%	350,870	19,221	19,221	Subsidiaries
TEC	TEC Logistic Co., Ltd.	Taiwan	Freight forwarding, customs clearance, and delivery services	6,000	6,000	1,000,000	100.00%	-	-	-	Subsidiaries
TEC	Orient Air General Sales Agent Co., Ltd.	Taiwan	Freight forwarding, customs clearance, and delivery services	600	600	60,000	30.00%	4,438	9,464	2,839	Investment under equity method
TEC	Hiview Logistics Co., Ltd.	Taiwan	Freight forwarding, customs clearance, and distribution	76,590	76,590	5,000,000	97.51%	100,548	17,876	17,431	Subsidiaries
TEC	Taiwan Express (USA), Inc.	United States	Freight forwarding, customs clearance, and distribution	31,629 (USD1,000)	31,629 (USD1,000)	100,000	100.00%	34,559	-	-	Subsidiaries
TEC	TEC LOGISTICS (USA) INC.	United States	Freight forwarding, customs clearance, and distribution	8,549 (USD290)	8,549 (USD290)	200	100.00%	13,332	-	-	Subsidiaries
TEC HK	Airtropolis Express(s) Pte Ltd.	Singapore	Air freight forwarding	76,640 (3,413SGD)	0	553	65.00%	78,239	4,467	1,663	Subsidiaries

(c) Information on investment in mainland China

(i) Name, major operations and related information of investee in Mainland China:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment (note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Shanghai Yaohwa International Forwarder Co., Ltd.	Air & sea freight forwarding and customs clearance	55,031 (1,700USD)	Note 1	55,031 (1,700USD)	-	-	55,031 (1,700USD)	3,474	100.00%	3,474	14,752	-
T.H.I. Group (Shanghai) Ltd.	Air & sea freight forwarding and customs clearance	92,883 (2,600USD)	Note1	84,861 (2,600USD)	-	-	84,861 (2,600USD)	134,006	100.00%	134,006	1,059,861	-
Shanghai Shangium International Logistic Co., Ltd.	Air & sea freight forwarding and customs clearance	22,460 (5,000USD)	Note2& 5	-	-	-	-	2,728	60.00%	(545)	17,184	-
T-Cube Global Logistics Co., Ltd.	Warehousing and company	54,610 (11,000CNY)	Note1	243,746 (7,363USD)	30,843 (1,028USD)	-	274,589 (8,391USD)	20,470	66.00%	20,470	260,814	-
EXer Logistics Co., Ltd.	Express logistics company	58,023 (11,123CNY)	Note5	-	-	-	-	2,911	93.51%	861	67,028	-
TEC Logistics (Shenzhen) Co., Ltd.	Freight forwarding, customs clearance, and distribution	183,901 (48,550HKD)	Note6	183,901 (48,550HKD)	-	-	183,901 (48,550HKD)	21,748	100.00%	21,748	176,877	-

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2018 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 4)	Upper Limit on Investment
The Company	421,011 (12,891USD thousand)	483,007 (15,728USD thousand)	1,489,931

Note 1: Investment in Mainland Chain via remittance through a third region.

Note 2: Shanghai Sangium International Logistics Co., Ltd was consolidated which T.H.I Group (Shanghai) Ltd. Acquisition of control by increasing shareholding, for three month ended June, 2018. Before acquisition of control, the Group's loss from disposal of investment amounting \$783 thousand.

Note 3: The actual amount invested by the Company in Mainland Chain at the end of this period.

Note 4: At the reporting date, the exchange between USD and TWD rate was 1:30.71.

Note 5: T.H.I. Group (Shanghai) Ltd. directly invested in EXer Logistics Co., Ltd. and Shanghai Shangium International Logistic Co., Ltd. Accumulated Investment in Mainland China as of September 30, 2018 also included 6,530 thousand (USD 200 thousand) remitted to T.H.I. Group (Shanghai) Logistic Ltd.

Note 6: The Company’ s subsidiary, Taiwan Express Logistic Co., Ltd., invested in Mainland China via remittance through a third region. The upper limit of the investments is 60% of Taiwan Express Logistic Co., Ltd.’ s net assets in the financial statements based on the “REGULATIONS GOVERNING THE APPROVAL OFINVESTMENT OR TECHNICAL COOPERATION INMAINLAND CHINA” and have been approved by the Investment Commission Ministry of Economic Affairs amounting to \$183,901 thousand (HKD48,550 thousand).

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of financial statements, are disclosed in “Information on significant transactions” .

(14) Segment information:

Please refer to the consolidated financial statements for the years ended December 31, 2018.

Representation Letter

The entities that are required to be included in the combined financial statements of T3EX GLOBAL HOLDINGS CORP. as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, “Consolidated and Separate Financial Statements” . In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, T3EX GLOBAL HOLDINGS CORP. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: T3EX GLOBAL HOLDINGS CORP.
Chairman: David Yen
Date: March 26, 2019

T3EX GLOBAL HOLDINGS CORP.



Chairman David Yen

