

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2019 AND 2018

Notice to readers:

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

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

To GLOBE UNION INDUSTRIAL CORP.

Introduction

We have reviewed the accompanying consolidated balance sheets of Globe Union Industrial Corp. and its subsidiaries as at 30 September 2019 and 2018, the related consolidated statements of comprehensive income for the three-month and nine-month periods ended 30 September 2019 and 2018 and changes in equity and cash flows for the nine-month periods ended 30 September 2019 and 2018, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 4.(3), the financial statements of certain insignificant subsidiaries were not reviewed by independent accountants. Those statements reflected total assets of NT\$0 and NT\$1,134,103 thousand, representing 0% and 9% of the consolidated total assets, and total liabilities of NT\$0 and NT\$562,601 thousand, representing 0% and 8% of the consolidated total liabilities as at 30 September 2019 and 2018, respectively; and total comprehensive income of NT\$1,311 thousand, NT\$(512) thousand, NT\$6,442 thousand and NT\$16 thousand, representing 7%, (1)%, 1% and 0% of the consolidated total comprehensive income for the three-month and nine-month periods ended 30 September 2019 and 2018, respectively. As explained in Note 6.(8), the financial statements of certain associates and joint ventures accounted for under the equity method were not reviewed by independent accountants. Those associates and joint ventures under equity method amounted to NT\$21,358 thousand and NT\$22,846 thousand as at 30 September 2019 and 2018, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT\$(207) thousand, NT\$25 thousand, NT\$(770) thousand and NT\$(267) thousand, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT\$(856) thousand, NT\$(818) thousand, NT\$(570) thousand and NT\$(686) thousand for the three-month and nine-month periods ended 30 September 2019 and 2018, respectively. The information related to the above subsidiaries, and associates and joint ventures accounted for under the equity method disclosed in Note 13 was also not reviewed by independent accountants.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant subsidiaries, associates and joint ventures accounted for using equity method and the information been reviewed by independent accountants described in the preceding paragraph, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at 30 September 2019 and 2018, their consolidated financial performance for the three-month and nine-month periods ended 30 September 2019 and 2018, and their consolidated cash flows for the nine-month periods ended 30 September 2019 and 2018, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by the Financial Supervisory Commission of the Republic of China.

Emphasis of Matter – Application of New Accounting Standards

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

Huang, Yu Ting

Huang, Tzu Ping

Ernst & Young, Taiwan

8 November 2019

Notice to Readers

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

30 September 2019, 31 December 2018 and 30 September 2018 (30 September 2019 and 2018 are unaudited)

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As at		
		30 Sep 2019	31 Dec 2018	30 Sep 2018
Current assets				
Cash and cash equivalents	4, 6(1)	\$3,263,502	\$3,101,792	\$2,968,921
Financial assets at fair value through profit or loss, current	4, 6(2)	416,183	10,492	4,847
Financial assets measured at amortized cost, current	4, 6(3), 8	91,955	263,344	266,416
Notes receivable, net	4, 6(4)	-	29,560	29,548
Accounts receivable, net	4, 6(5), 8	2,616,783	2,591,745	2,830,690
Inventories, net	4, 6(6)	3,018,095	3,322,556	3,241,491
Prepayment	6(7)	159,560	136,902	157,420
Other current assets	7	224,728	519,353	337,428
Total current assets		<u>9,790,806</u>	<u>9,975,744</u>	<u>9,836,761</u>
Non-current assets				
Investments accounted for under the equity method	4, 6(8)	21,358	22,698	22,846
Property, plant and equipment	4, 6(9), 8	1,259,996	1,541,094	1,624,815
Investment property, net	4, 6(10)	-	-	10,768
Right-of-use assets	4, 6(24)	1,373,716	-	-
Intangible assets	4, 6(11)	37,398	43,035	41,856
Goodwill	4, 6(11)(12)	698,255	780,187	796,804
Deferred tax assets	4, 6(28)	231,510	232,286	264,388
Deposits-out		213,528	33,986	32,210
Other non-current assets	6(13)	64,672	120,067	154,847
Long-term prepaid rent expenses	6(13)	-	64,084	119,470
Total non-current assets		<u>3,900,433</u>	<u>2,837,437</u>	<u>3,068,004</u>
Total assets		<u>\$13,691,239</u>	<u>\$12,813,181</u>	<u>\$12,904,765</u>

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

(continued)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

30 September 2019, 31 December 2018 and 30 September 2018 (30 September 2019 and 2018 are unaudited)

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As at		
		30 Sep 2019	31 Dec 2018	30 Sep 2018
Current liabilities				
Short-term loans	4, 6(14)	\$1,725,367	\$1,280,137	\$1,355,378
Financial liabilities at fair value through profit or loss, current	4, 6(15)	6,730	375	2,054
Contract liability, current	6(22)	46,359	276,008	292,586
Notes payable		72,153	86,376	84,374
Accounts payable		1,900,069	2,077,711	2,151,548
Other payables	6(16)	120,108	135,997	159,868
Accrued expenses	6(17)	901,591	1,156,626	1,077,427
Current tax liabilities	4, 6(28)	114,355	98,013	67,122
Lease liabilities, current	4, 6(24)	243,506	-	-
Current portion of long-term loans	4, 6(18)	138,260	61,100	61,080
Other current liabilities	6(19)	37,195	53,188	43,400
Total current liabilities		<u>5,305,693</u>	<u>5,225,531</u>	<u>5,294,837</u>
Non-current liabilities				
Long-term loans	4, 6(18)	1,340,852	1,425,533	1,447,066
Deferred tax liabilities	4, 6(28)	43,208	37,228	48,030
Lease liabilities, noncurrent	4, 6(24)	1,102,854	-	-
Other non-current liabilities		11,820	12,545	1,509
Net defined benefit obligation, noncurrent	4, 6(19)	88,613	137,529	231,064
Total non-current liabilities		<u>2,587,347</u>	<u>1,612,835</u>	<u>1,727,669</u>
Total liabilities		<u>7,893,040</u>	<u>6,838,366</u>	<u>7,022,506</u>
Equity attributable to the parent company	4, 6(20)			
Capital				
Common stock		3,567,430	3,681,600	3,677,080
Advance receipts for common stock		5,546	635	3,010
Total capital		<u>3,572,976</u>	<u>3,682,235</u>	<u>3,680,090</u>
Additional paid-in capital		<u>998,368</u>	<u>1,032,019</u>	<u>1,030,718</u>
Retained earnings				
Legal reserve		830,341	768,519	768,519
Special reserve		522,707	470,533	470,533
Retained earnings		<u>503,053</u>	<u>656,738</u>	<u>401,804</u>
Total retained earnings		<u>1,856,101</u>	<u>1,895,790</u>	<u>1,640,856</u>
Other components of equity				
Exchange differences on translation of foreign operations		(629,246)	(522,707)	(540,849)
Unearned employee salary		-	(3,500)	(4,667)
Total other components of equity		<u>(629,246)</u>	<u>(526,207)</u>	<u>(545,516)</u>
Treasury stock		-	(186,207)	-
Non-controlling interests	6(20)	-	77,185	76,111
Total equity		<u>5,798,199</u>	<u>5,974,815</u>	<u>5,882,259</u>
Total liabilities and equity		<u>\$13,691,239</u>	<u>\$12,813,181</u>	<u>\$12,904,765</u>

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three-month and nine-month periods ended 30 September 2019 and 2018
(Reviewed, Not Audited)
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	3-month periods ended 30 Sep		9-month periods ended 30 Sep	
		2019	2018	2019	2018
Net sales	6(22)	\$4,387,819	\$4,502,284	\$12,985,506	\$13,513,913
Cost of sales	6(6),6(25)	(3,071,425)	(3,192,206)	(9,294,751)	(9,901,470)
Gross profit		<u>1,316,394</u>	<u>1,310,078</u>	<u>3,690,755</u>	<u>3,612,443</u>
Operating expenses	6(24),6(25)				
Selling and marketing		(351,668)	(348,854)	(1,051,004)	(1,033,304)
General and administrative		(663,894)	(683,751)	(1,946,317)	(1,964,699)
Research and development		(71,062)	(60,287)	(189,131)	(171,445)
Expected credit losses	6(23)	(1,449)	(2,494)	(2,342)	(5,537)
Total operating expenses		<u>(1,088,073)</u>	<u>(1,095,386)</u>	<u>(3,188,794)</u>	<u>(3,174,985)</u>
Operating income		<u>228,321</u>	<u>214,692</u>	<u>501,961</u>	<u>437,458</u>
Non-operating income and expenses	6(26)				
Other revenue		40,132	24,543	151,424	85,372
Other gains and losses		24,026	26,221	26,931	38,469
Finance costs		(30,621)	(11,629)	(90,388)	(35,038)
Share of profit or loss of associates and joint ventures	4, 6(8)	(207)	25	(770)	(267)
Subtotal		<u>33,330</u>	<u>39,160</u>	<u>87,197</u>	<u>88,536</u>
Income from continuing operations before income tax		<u>261,651</u>	<u>253,852</u>	<u>589,158</u>	<u>525,994</u>
Income tax expense	6(28)	(66,711)	(56,081)	(132,054)	(127,707)
Income from continuing operations, net of tax		<u>194,940</u>	<u>197,771</u>	<u>457,104</u>	<u>398,287</u>
Other comprehensive income (loss)	6(27)				
Items that may not be reclassified subsequently to profit or loss					
Income tax related to items that may not be reclassified subsequently to profit or loss		-	-	-	1,331
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(198,863)	(138,891)	(105,969)	(77,797)
Share of other comprehensive of associates and joint ventures	6(8)	(856)	(818)	(570)	(686)
Total other comprehensive income (loss), net of tax		<u>(199,719)</u>	<u>(139,709)</u>	<u>(106,539)</u>	<u>(77,152)</u>
Total comprehensive income (loss)		<u><u>\$(4,779)</u></u>	<u><u>\$58,062</u></u>	<u><u>\$350,565</u></u>	<u><u>\$321,135</u></u>
Net income attributable to:					
Stockholders of the parent		\$194,785	\$197,698	\$456,222	\$397,763
Non-controlling interests		<u>155</u>	<u>73</u>	<u>882</u>	<u>524</u>
		<u><u>\$194,940</u></u>	<u><u>\$197,771</u></u>	<u><u>\$457,104</u></u>	<u><u>\$398,287</u></u>
Comprehensive income attributable to:					
Stockholder of the parent		\$(4,934)	\$57,989	\$349,683	\$320,611
Non-controlling interests		<u>155</u>	<u>73</u>	<u>882</u>	<u>524</u>
		<u><u>\$(4,779)</u></u>	<u><u>\$58,062</u></u>	<u><u>\$350,565</u></u>	<u><u>\$321,135</u></u>
Earnings per share (NTD)	6(29)				
Earnings per share-basic		<u>\$0.55</u>	<u>\$0.54</u>	<u>\$1.29</u>	<u>\$1.08</u>
Earnings per share-diluted		<u><u>\$0.54</u></u>	<u><u>\$0.53</u></u>	<u><u>\$1.28</u></u>	<u><u>\$1.07</u></u>

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the nine-month periods ended 30 September 2019 and 2018
(Reviewed, Not Audited)
(Expressed in Thousands of New Taiwan Dollars)

	Notes	Capital		Additional paid-in capital	Retained earnings			Other components of equity		Treasury stock	Total	Non-controlling interests	Total equity
		Common stock	Advance receipts for common stock		Legal reserve	Special reserve	Unappropriated Earnings	Exchange differences on translation of foreign operations	Unearned employee salary				
Balance as at 1 Jan 2018	6(20)	\$3,668,560	\$7,329	\$1,026,759	\$698,685	\$285,914	\$806,937	\$(462,366)	\$(8,167)	\$ -	\$6,023,651	\$75,587	\$6,099,238
Appropriations of earnings, 2017:													
Legal reserve					69,834		(69,834)				-		-
Special reserve						184,619	(184,619)				-		-
Cash dividends							(549,774)				(549,774)		(549,774)
Other changes in additional paid-in capital:													
Share of changes in net assets of associates and joint ventures accounted for using the equity method				192							192		192
Net income for the nine-month period ended 30 Sep 2018							397,763				397,763	524	398,287
Other comprehensive income (loss), net of tax for the nine-month period ended 30 Sep 2018							1,331	(78,483)			(77,152)	-	(77,152)
Total comprehensive income (loss) for the nine-month period ended 30 Sep 2018		-	-	-	-	-	399,094	(78,483)	-	-	320,611	524	321,135
Share-based payment transactions		8,520	(4,319)	3,767					3,500		11,468		11,468
Balance as at 30 Sep 2018	6(20)	<u>\$3,677,080</u>	<u>\$3,010</u>	<u>\$1,030,718</u>	<u>\$768,519</u>	<u>\$470,533</u>	<u>\$401,804</u>	<u>\$(540,849)</u>	<u>\$(4,667)</u>	<u>\$ -</u>	<u>\$5,806,148</u>	<u>\$76,111</u>	<u>\$5,882,259</u>
Balance as at 1 Jan 2019	6(20)	\$3,681,600	\$635	\$1,032,019	\$768,519	\$470,533	\$656,738	\$(522,707)	\$(3,500)	\$(186,207)	\$5,897,630	\$77,185	\$5,974,815
Appropriations of earnings, 2018:													
Legal reserve					61,822		(61,822)				-		-
Special reserve						52,174	(52,174)				-		-
Cash dividends							(461,808)				(461,808)		(461,808)
Net income for the nine-month period ended 30 Sep 2019							456,222				456,222	882	457,104
Other comprehensive income (loss), net of tax for the nine-month period ended 30 Sep 2019								(106,539)			(106,539)	-	(106,539)
Total comprehensive income (loss) for the nine-month period ended 30 Sep 2019		-	-	-	-	-	456,222	(106,539)	-	-	349,683	882	350,565
Retirement of treasury stock		(120,000)		(32,104)			(34,103)			186,207	-		-
Decrease in non-controlling interests	Note 1											(20,521)	(20,521)
Change in ownership of subsidiaries	Note 4			(3,122)							(3,122)	(57,546)	(60,668)
Share-based payment transactions-Exercise of employee stock option	Note 2		12,316								12,316		12,316
Share-based payment transactions-Conversion of advance receipts for common stock	Note 3	5,830	(7,405)	1,575							-		-
Share-based payment transactions-Share-based payment expense									3,500		3,500		3,500
Balance as at 30 Sep 2019	6(20)	<u>\$3,567,430</u>	<u>\$5,546</u>	<u>\$998,368</u>	<u>\$830,341</u>	<u>\$522,707</u>	<u>\$503,053</u>	<u>\$(629,246)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,798,199</u>	<u>\$ -</u>	<u>\$5,798,199</u>

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

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

Note 2: The Company issued employee share option in 2015. For the nine-month period ended 30 September 2019, the employees converted their options into 533,000 shares at NT\$12.7 per share and 470,000 shares at NT\$11.8. Total consideration received was \$12,316 thousand.

Note 3: 583,000 shares under capital collected in advance in the amount of \$7,405 thousand have completed the registration process, and thus increased the common stock and the additional paid-in capital by \$5,830 thousand and \$1,575 thousand respectively.

Note 4: The board of directors approved the sale of 35,162,689 shares of Home Boutique International Co., Ltd. to Singular Point Ltd. on 2 August 2019, and the transaction of 27,422,937 shares was completed on 23 September 2019.

Therefore, the percentage of ownership that the Company held in Home Boutique International Co., Ltd. decreased from 86.319% to 19%. Since the Company lost control over it, the additional paid-in capital and non-controlling interest decreased by \$3,122 thousand and \$57,546 thousand respectively.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine-month periods ended 30 September 2019 and 2018
(Reviewed, Not Audited)
(Expressed in Thousands of New Taiwan Dollars)

	Notes	For the nine-month periods ended 30 September 2019	2018
Cash flows from operating activities:			
Net income before tax		\$589,158	\$525,994
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		422,395	192,278
Amortization		12,841	18,370
Expected credit losses		2,342	5,537
Net (gain) loss of financial assets/liabilities at fair value through profit or loss		(7,941)	11,123
Interest expense		90,388	35,038
Interest revenue		(51,238)	(52,907)
Share-based payment expense		3,500	4,226
Share of loss of subsidiaries, associates and joint ventures		770	267
Loss on disposal of property, plant and equipment		163	1,790
Gain on disposal of subsidiary and financial assets measured at fair value through profit or loss		(8,754)	(31)
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss, current		51,026	27,367
Notes receivable		426	11,378
Accounts receivable		(118,280)	180,666
Inventories, net		(61,026)	(174,679)
Prepayments		(59,348)	(35,571)
Other current assets		292,455	(99,027)
Other assets-others		18,465	533
Financial liabilities held for trading		(27,628)	(37,092)
Notes payable		(10,411)	2,594
Accounts payable		(84,469)	(177,739)
Other payables		(178,293)	(33,293)
Contract liabilities, current		34,468	25,660
Other current liabilities		10,758	13,471
Defined benefit obligation		(44,159)	(17,514)
Other liabilities-others		(725)	(329)
Cash generated from operations		876,883	428,110
Interest received		51,238	52,907
Interest paid		(90,259)	(35,106)
Income tax paid		(118,407)	(79,080)
Net cash generated from operating activities		719,455	366,831

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

(Continued)

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

For the nine-month periods ended 30 September 2019 and 2018

(Reviewed, Not Audited)

(Expressed in Thousands of New Taiwan Dollars)

		For the nine-month periods ended 30 September	
	Notes	2019	2018
(Continued)			
Cash flows from investing activities:			
Acquisition of financial assets measured at fair value through profit or loss		(363,000)	(50,000)
Disposal of financial assets measured at fair value through profit or loss		43,030	47,300
Disposal of subsidiaries		217,322	-
Acquisition of property, plant and equipment		(172,500)	(281,032)
Disposal of property, plant and equipment		8,307	2,362
(Increase) decrease in deposits-out		(186,738)	886
Decrease in financial assets measured at amortized cost, current		106,007	460,595
Acquisition of intangible assets		(8,597)	(8,451)
Net cash (used in) generated from investing activities		(356,169)	171,660
Cash flows from financing activities:			
Increase in short-term loans		963,229	938,000
Decrease in short-term loans		(517,999)	(941,093)
Increase in long-term loans		231,420	-
Decrease in long-term loans		(152,067)	(59,507)
Cash dividends		(461,808)	(549,774)
Decrease in lease liabilities		(195,743)	-
Exercise of employee stock option		12,316	7,242
Changes in non-controlling interests		(20,521)	-
Net cash used in financing activities		(141,173)	(605,132)
Effect of changes in exchange rate on cash and cash equivalents		(60,403)	(53,063)
Net increase (decrease) in cash and cash equivalents		161,710	(119,704)
Cash and cash equivalents at beginning of period	6(1)	3,101,792	3,088,625
Cash and cash equivalents at end of period		\$3,263,502	\$2,968,921

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the nine-month periods ended 30 September 2019 and 2018

(Reviewed, Not Audited)

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

1. HISTORY AND ORGANIZATION

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

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

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the nine-month periods ended 30 September 2019 and 2018 were authorized for issue by the board of directors on 8 November 2019.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(1) *IFRS 16 “Leases”*

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

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

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

B. For the definition of a lease, the Group elected not to reassess whether a contract was, or contained, a lease on 1 January 2019. The Group was permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after 1 January 2019, the Group needs to assess whether contracts are, or contain, leases applying IFRS 16. When compared with IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assessed most of the contracts are, or contain, leases and no significant impact arose.

C. The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Group measured and recognized those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 January 2019, and; the Group chose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- i. its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate on 1 January 2019; or
- ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before 1 January 2019.

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

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

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

- (b) Please refer to Note 4, Note 5 and Note 6 for additional disclosure of lessee and lessor which required by IFRS 16.
- (c) As at 1 January 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:
- i. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on 1 January 2019 was 4.605%.
 - ii. The explanation for the difference of NT\$18,904 thousand between: 1) operating lease commitments disclosed applying IAS 17 as at 31 December 2018, discounted using the incremental borrowing rate on 1 January 2019; and 2) lease liabilities recognized in the balance sheet as at 1 January 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as at 31 December 2018	<u>\$1,897,188</u>
Discounted using the incremental borrowing rate on 1 January 2019	\$1,543,857
Add/(less): adjustments to the options to extend or terminate the lease that is reasonably certain to exercise (if any)	<u>18,904</u>
The carrying value of lease liabilities recognized as at 1 January 2019	<u>\$1,561,951</u>

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Definition of a Business (Amendments to IFRS 3)	1 January 2020
b	Definition of Material (Amendments to IAS 1 and 8)	1 January 2020

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(a) *Definition of a Business* (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

(b) *Definition of a Material* (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2020. The standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are not endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2021
c	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020

- (a) *IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(b) IFRS 17 “*Insurance Contracts*”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (1) Estimates of future cash flows;
- (2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (3) A risk adjustment for non-financial risk

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

The amendments include:

(1) Highly probable requirement

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

(2) Prospective assessments

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

(3) IAS 39 retrospective assessment

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

(4) Separately identifiable risk components

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

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

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The new or amended standards and interpretations have no material impact on the Group.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The consolidated financial statements of the Group for the nine-month periods ended 30 September 2019 and 2018 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34 *Interim Financial Reporting* as endorsed and became effective by the FSC.

(2) Basis of Preparation

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

(3) Basis of consolidation

(a) Preparation principle of consolidated financial statements

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

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

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

If the Company loses control of a subsidiary, it:

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) The consolidated entities are as follows:

Investor	Subsidiary	Main Business	Percentage of ownership (%)			Note
			30 September 2019	31 December 2018	30 September 2018	
Globe Union Industrial Corp.	Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Holding company	100.00%	100.00%	100.00%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Shenzhen Globe Union Enterprise Co., Ltd.	Manufacturing and selling bathroom products	100.00%	100.00%	100.00%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Qingdao Globe Union Technology Industrial Corp.	Manufacturing faucets, kitchen products and related parts	-	-	100.00%	Note2
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	10.71%	10.71%	10.71%	Note1
Globe Union Industrial Corp.	Globe Union Cayman Corp.	Holding company	100.00%	100.00%	100.00%	
Globe Union Cayman Corp.	Globe Union Verwaltungs GmbH	Holding company	100.00%	100.00%	100.00%	
Globe Union Cayman Corp.	Globe Union Germany GmbH & Co.KG	Manufacturing and selling faucets and parts	100.00%	100.00%	100.00%	
Globe Union Industrial Corp.	Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Holding company	100.00%	100.00%	100.00%	
Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Globe Union Group, Inc.	Holding company	100.00%	100.00%	100.00%	
Globe Union Group, Inc.	Danze Inc.	Sales and maintenance center	100.00%	100.00%	100.00%	
Globe Union Group, Inc.	Globe Union (Canada) Inc.	Sales and customer service center	100.00%	100.00%	100.00%	
Globe Union Group, Inc.	Gerber Plumbing Fixtures, LLC	Manufacturing and selling faucets and sanitary ceramic wares	100.00%	100.00%	100.00%	
Globe Union Group, Inc.	Globe Union Services Inc.	Customer service center	100.00%	100.00%	100.00%	
Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	89.29%	89.29%	89.29%	Note1
Globe Union Cayman Corp.	Globe Union UK Ltd.	Holding company	100.00%	100.00%	100.00%	
Globe Union UK Ltd	PJH Trustees Limited	Trust industry	100.00%	100.00%	100.00%	
Globe Union UK Ltd	PJH Group Limited	Selling kitchen and bathroom products	100.00%	100.00%	100.00%	
Globe Union UK Ltd	PJH (HK) Limited	Holding company	100.00%	100.00%	100.00%	
PJH (HK) Limited	PJH Business Consultancy Shanghai Company Limited	Consulting industry	100.00%	100.00%	100.00%	
Globe Union Industrial Corp.	Home Boutique International Co., Ltd.	Selling sanitary ceramic wares	19.00%	86.319%	86.319%	Note 4
Home Boutique International Co., Ltd.	YI SHEH CO., LTD.	Selling and distributing kitchen and bathroom products	Note 4	100.00%	100.00%	
Home Boutique International Co., Ltd.	Great Hope Management Consulting Inc.	Holding company	-	100.00%	100.00%	Note 3
Home Boutique International Co., Ltd.	Home Boutique Co., Ltd.	Selling and distributing kitchen and bathroom products	Note 4	100.00%	100.00%	
Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	Manufacturing and selling sanitary ceramic wares	100.00%	-	-	Note 5

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

- Note 1: Globe Union (Bermuda) Ltd. increased share capital in Milim G&G Ceramics Co., Ltd. in the amount of US\$3 million, US\$3 million and US\$0.82 million on 11 April, 10 May and 20 June 2018. The total amount was US\$6.82 million. Milim G&G Ceramics Co., Ltd. completed change of registration in June 2018. The ownership of Globe Union (Bermuda) Ltd. Held in Milim G&G Ceramics Co., Ltd. increased from 86.01% to 89.29% and Globe Union Industrial (B.V.I.) Corp.'s ownership in Milim G&G Ceramics Co., Ltd. decreased from 13.99% to 10.71%.
- Note 2: One of the subsidiaries, Globe Union Industrial (B.V.I.) Corp., sold Qingdao Globe Union Technology Industrial Corp. to Qingdao Kaili Xiangtong Investment Management Co., Ltd. on December 2018. Therefore, the percentage of ownership that Globe Union Industrial (B.V.I.) Corp. held in Qingdao Globe Union Technology Industrial Corp. reduced from 100% to 0%.
- Note 3: One of the subsidiaries, Great Hope Management Consulting Inc. ceased to operate on February 2019. Therefore, the percentage of ownership that Home Boutique International Co., Ltd. held in Great Hope Management Consulting Inc. decreased from 100% to 0%.
- Note 4: The board of directors approved the sale of 35,162,689 shares of Home Boutique International Co., Ltd. to Singular Point Ltd. on 2 August 2019, and the transaction of 27,422,937 shares was completed on 23 September 2019. Therefore, the percentage of ownership that the Company held in Home Boutique International Co., Ltd. decreased from 86.319% to 19%. Due to the loss of control, Home Boutique International Co., Ltd. is no longer a subsidiary of the Company.
- Note 5: The Company established a subsidiary, GU PLUMBING de MEXICO S.A. de C.V., in Mexico in August 2019.

The financial statements of some of the consolidated subsidiaries listed above have not been reviewed by auditors. As at 30 September 2019 and 30 September 2018, the related assets of the subsidiaries which were unreviewed by auditors amounted to \$0 and \$1,134,103, respectively; and the related liabilities amounted to \$0 and \$562,601, respectively. The comprehensive income of these subsidiaries amounted to \$1,311, \$(512), \$6,442 and \$16 for the three-month and nine-month periods ended 30 September 2019 and 2018, respectively.

(4) Foreign Currency Transactions

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(5) Translation of financial statements in foreign currency

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

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

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

(8) Financial Instruments

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments (Before 1 January 2019: IAS 39 Financial Instruments: Recognition and Measurement) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial instruments: Recognition and Measurement

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

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

- A. The Group's business model for managing the financial assets
- B. The contractual cash flow characteristics of the financial asset

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

Financial asset measured at fair value through other comprehensive income

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

- (a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

Financial assets at fair value through profit or loss

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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(2) Impairment of financial assets

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

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

- A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- B. the time value of money
- C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The loss allowance is measured as follows:

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

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

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

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

(3) Derecognition of financial assets

A financial asset is derecognized when:

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

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

(4) Financial liabilities and equity

Classification between liabilities or equity

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

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Notes to Consolidated Financial Statements (Continued)

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Equity instruments

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

Compound instruments

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

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

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

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Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. A financial liability is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

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

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

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative instrument

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

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

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

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(10) Fair value measurement

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

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

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

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

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

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

(11) Inventories

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

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

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Raw materials – Purchase cost on weighted average method.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs on weighted average method.

Merchandise – Purchase cost on weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

(12) Investments accounted for under the equity method

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

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

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

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

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

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

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

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

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

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

(13) Property, plant and equipment

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

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

Items	Useful Lives
Buildings	5~54 years
Machinery and equipment	4~10 years
Transportation equipment	5 years
Furniture, fixtures and equipment	2~7 years
Right-of-use assets/leased assets (note)	2~34 years
Other equipment	2~7 years

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

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

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

(14) Investment property

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

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

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

Items	Useful Lives
Buildings	20 years

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

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

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

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

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

Items	Useful Lives
Buildings	20 years

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

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

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

(15) Leases

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

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

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

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

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

Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

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Group as a lessor

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

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

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

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

Group as a lessee

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

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

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

Group as a lessor

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

(16) Intangible assets

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

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

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

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

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

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

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

(17) Impairment of non-financial assets

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

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

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

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

(18) Post-employment benefits

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

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

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(19) Provisions

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(20) Revenue recognition

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

Sale of goods

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

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

The credit period of the Group's sale of goods is from 60 to 90 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

(21) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

(22) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(23) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

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

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(24) Income Tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

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Notes to Consolidated Financial Statements (Continued)

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

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved at the shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- ii. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

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Notes to Consolidated Financial Statements (Continued)

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

- i. where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- ii. in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follows annual financial reporting requirements in accordance with IAS 12. The Group recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging to profit or loss, other comprehensive income, or directly to equity.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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(25) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 *Financial Instruments* either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

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After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Investment Property

The purpose of some real estate held by the Group was to earn rentals or for capital appreciation, some others were for the Group's own use. If the parts can be sold separately, they are treated as investment property, and property, plant and equipment. If any of the parts cannot be sold separately, it is classified as investment property only when the part for the Group's own use is an insignificant portion.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

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

(b) Operating lease commitment — Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flow model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

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Notes to Consolidated Financial Statements (Continued)

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(c) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

(d) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

(e) Revenue recognition – sales returns and allowance

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Please refer to Note 6 for more details.

(f) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

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Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(g) Accounts receivables – estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(h) Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

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6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As at		
	30 Sep. 2019	31 Dec. 2018	30 Sep. 2018
Cash on hand	\$1,195	\$1,245	\$1,075
Demand deposits	2,312,547	2,027,419	1,972,946
Time deposits	949,760	1,073,128	844,181
Cash equivalents:			
Bonds with repurchase agreements	-	-	150,719
Total	<u>\$3,263,502</u>	<u>\$3,101,792</u>	<u>\$2,968,921</u>

(2) Financial assets at fair value through profit or loss – Current

	As at		
	30 Sep. 2019	31 Dec. 2018	30 Sep. 2018
Financial assets designated at fair value through profit or loss:			
Derivatives not designated as hedging instruments			
Fund beneficiary certificate	\$320,010	\$-	\$2,736
Unlisted company stocks	94,648	-	-
Forward foreign exchange contracts	1,525	10,492	2,111
	<u>\$416,183</u>	<u>\$10,492</u>	<u>\$4,847</u>

Financial assets at fair value through profit or loss were not pledged.

Please refer to Note 12(8) for more details on forward foreign exchange contracts.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

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(3) Financial assets measured at amortized cost — Current

	As at		
	30 Sep. 2019	31 Dec. 2018	30 Sep. 2018
Bank deposits-time deposit (longer than three months)	\$-	\$107,800	\$107,800
Bank deposits-time deposit-pledged	46,530	47,101	46,656
Bank deposits-reserve account	45,425	108,443	111,960
Subtotal (total carrying amount)	91,955	263,344	266,416
Less: loss allowance	-	-	-
Total	<u>\$91,955</u>	<u>\$263,344</u>	<u>\$266,416</u>

The Group classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 8 for more details on financial assets measured at amortized cost under pledge. Please refer to Note 12 for more details on credit risk.

(4) Notes receivables, net

	As at		
	30 Sep. 2019	31 Dec. 2018	30 Sep. 2018
Notes receivables	\$-	\$29,560	\$29,548
Less: loss allowance	-	-	-
Total	<u>\$-</u>	<u>\$29,560</u>	<u>\$29,548</u>

Notes receivables were all generated from operating activities and were not pledged.

The Group adopted IFRS 9 for impairment assessment. Please refer to Note 6(23) for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

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

(5) Trade receivables, net

	As at		
	30 Sep. 2019	31 Dec. 2018	30 Sep. 2018
Trade receivables - non-related parties	\$2,803,632	\$2,851,655	\$3,116,825
Less: allowance for sales discounts	(154,202)	(223,583)	(247,197)
Less: loss allowance	(32,647)	(36,327)	(38,938)
Total	<u>\$2,616,783</u>	<u>\$2,591,745</u>	<u>\$2,830,690</u>

Trade receivables are generally on 60-90 day terms. The total carrying amount as at 30 September 2019, 31 December 2018 and 30 September 2018 were \$2,803,632, \$2,851,655 and \$3,116,825, respectively. Please refer to Note 6 (23) for more details on loss allowance of trade receivables for the nine-month periods ended 30 September 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

Please refer to Note 8 for more details on trade receivables under pledge.

(6) Inventories

(a) Details as follows

	As at		
	30 Sep. 2019	31 Dec. 2018	30 Sep. 2018
Raw materials	\$260,664	\$319,455	\$360,046
Supplies & parts	10,564	10,171	12,357
Work in progress	234,530	401,961	364,568
Finished goods	389,747	326,964	335,860
Merchandise	2,122,590	2,264,005	2,168,660
Total	<u>\$3,018,095</u>	<u>\$3,322,556</u>	<u>\$3,241,491</u>

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- (b) The cost of inventories recognized in expenses for the three-month periods ended 30 September 2019 and 2018 were \$3,071,425 and \$3,192,206; the cost of inventories recognized in expenses for the nine-month periods ended 30 September 2019 and 2018 were \$9,294,751 and \$9,901,470, respectively. The profit and loss related to cost of goods sold are as follows:

	3-month periods ended 30 September.		9-month periods ended 30 September.	
	2019	2018	2019	2018
Gain (loss) on obsolete inventory price recovery	\$(451)	\$(15,182)	\$2,373	\$(14,330)
Scraps	(3,221)	(3,581)	(20,749)	(11,503)
Net	<u>\$(3,672)</u>	<u>\$(18,763)</u>	<u>\$(18,376)</u>	<u>\$(25,833)</u>

No inventories were pledged.

The gain on obsolete inventory for the nine-month periods ended 30 September 2019 was due to the sale and scrap of obsolete inventory, which reduced the book quantities of obsolete inventory.

(7) Prepayments

	As at		
	30 Sep. 2019	31 Dec. 2018	30 Sep. 2018
Prepayment for purchases	\$18,818	\$31,322	\$37,060
VAT paid	4,963	19,650	-
Other prepayments	135,779	85,930	120,360
Total	<u>\$159,560</u>	<u>\$136,902</u>	<u>\$157,420</u>

Prepayments were not pledged.

(8) Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Group:

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Investees	As at					
	30 Sep. 2019		31 Dec. 2018		30 Sep. 2018	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in associates:						
Chengxinzhaoh (Zhangzhou) Hardware Co., Ltd.	\$21,358	49.00%	\$22,698	49.00%	\$22,846	49.00%
Arte En Bronce, S.A. DE C.V.	-	48.89%	-	48.89%	-	48.89%
Total	<u>\$21,358</u>		<u>\$22,698</u>		<u>\$22,846</u>	

After the interest in the associate - Arte En Bronce, S.A. DE C.V. was reduced to zero, additional losses were provided for, and a liability was recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

The Group's investments in Chengxinzhaoh (Zhangzhou) Hardware Co., Ltd. and Arte En Bronce, S.A. DE C.V. are not individually material. The aggregate financial information based on Group's share of associates is as follows:

	3-month periods ended 30 Sep.		9-month periods ended 30 Sep.	
	2019	2018	2019	2018
Gain (loss) from continuing operations	\$(207)	\$25	\$(770)	\$(267)
Other comprehensive loss	(856)	(818)	(570)	(686)
Total comprehensive loss	<u>\$(1,063)</u>	<u>\$(793)</u>	<u>\$(1,340)</u>	<u>\$(953)</u>

The associates had no contingent liabilities or capital commitments as at 30 September 2019, 31 December 2018 and 30 September 2018, and did not provide any guarantee.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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(9) Property, plant and equipment

	30 Sep. 2019 (Note)	31 Dec. 2018	30 Sep. 2018
Owner occupied property, plant and equipment	\$1,259,996		
Property, plant and equipment leased out under operating leases	-		
Total	<u>\$1,259,996</u>		

Note: The Group adopted IFRS 16 on 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(1) Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As at 1 Jan. 2019	\$139,340	\$982,405	\$1,722,471	\$53,779	\$539,916	\$646,569	\$50,569	\$4,135,049
Additions	-	9,329	21,470	1,261	15,178	17,233	108,029	172,500
Disposals	-	(25,222)	(19,028)	(1,342)	(5,613)	(32,771)	-	(83,976)
Transfers	-	-	79,496	89	-	29,403	(106,002)	(14)
Loss of control	(139,340)	(133,973)	-	(3,984)	(3,918)	-	(5,940)	(287,155)
Exchange differences	-	(15,391)	(43,839)	(924)	(3,703)	(12,301)	(1,248)	(77,406)
As at 30 Sep. 2019	<u>\$-</u>	<u>\$817,148</u>	<u>\$1,757,570</u>	<u>\$48,879</u>	<u>\$541,860</u>	<u>\$648,133</u>	<u>\$45,408</u>	<u>\$3,858,998</u>
Depreciation and impairment:								
As at 1 Jan. 2019	\$-	\$590,445	\$1,038,432	\$41,718	\$465,180	\$458,180	\$-	\$2,593,955
Depreciation	-	37,256	70,231	3,718	20,626	56,140	-	187,971
Disposals	-	(25,222)	(17,175)	(1,345)	(5,404)	(26,360)	-	(75,506)
Loss of control	-	(55,620)	-	(3,758)	(2,233)	-	-	(61,611)
Exchange differences	-	(10,198)	(21,784)	(792)	(3,236)	(9,797)	-	(45,807)
As at 30 Sep. 2019	<u>\$-</u>	<u>\$536,661</u>	<u>\$1,069,704</u>	<u>\$39,541</u>	<u>\$474,933</u>	<u>\$478,163</u>	<u>\$-</u>	<u>\$2,599,002</u>
Net carrying amount:								
30 Sep. 2019	<u>\$-</u>	<u>\$280,487</u>	<u>\$687,866</u>	<u>\$9,338</u>	<u>\$66,927</u>	<u>\$169,970</u>	<u>\$45,408</u>	<u>\$1,259,996</u>

Note: The Group adopted IFRS 16 on 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(2) Property, plant and equipment leased under operating leases (prior to the application of IFRS 16)

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As at 1 Jan. 2018	\$139,340	\$1,247,748	\$1,596,100	\$51,822	\$521,283	\$729,408	\$68,340	\$4,354,041
Additions	-	1,263	30,443	3,084	20,290	33,298	192,654	281,032
Disposals	-	(25,911)	(26,918)	(457)	(3,423)	(21,375)	-	(78,084)
Transfers	-	407	126,498	-	12,553	25,062	(166,017)	(1,497)
Exchange differences	-	(23,467)	(43,429)	(568)	(1,266)	(13,476)	(1,989)	(84,195)
As at 30 Sep. 2018	<u>\$139,340</u>	<u>\$1,200,040</u>	<u>\$1,682,694</u>	<u>\$53,881</u>	<u>\$549,437</u>	<u>\$752,917</u>	<u>\$92,988</u>	<u>\$4,471,297</u>
Depreciation and impairment:								
As at 1 Jan. 2018	\$-	\$676,641	\$1,062,519	\$40,328	\$463,516	\$529,244	\$6,921	\$2,779,169
Depreciation	-	47,288	66,704	2,725	18,760	56,127	-	191,604
Disposals	-	(25,809)	(24,428)	(457)	(3,335)	(19,903)	-	(73,932)
Exchange differences	-	(13,061)	(25,166)	(476)	(1,142)	(10,309)	(205)	(50,359)
As at 30 Sep. 2018	<u>\$-</u>	<u>\$685,059</u>	<u>\$1,079,629</u>	<u>\$42,120</u>	<u>\$477,799</u>	<u>\$555,159</u>	<u>\$6,716</u>	<u>\$2,846,482</u>
Net carrying amount:								
31 Dec. 2018	<u>\$139,340</u>	<u>\$391,960</u>	<u>\$684,039</u>	<u>\$12,061</u>	<u>\$74,736</u>	<u>\$188,389</u>	<u>\$50,569</u>	<u>\$1,541,094</u>
30 Sep. 2018	<u>\$139,340</u>	<u>\$514,981</u>	<u>\$603,065</u>	<u>\$11,761</u>	<u>\$71,638</u>	<u>\$197,758</u>	<u>\$86,272</u>	<u>\$1,624,815</u>

(a) Please refer to Note 8 for more details on property, plant and equipment under pledge.

(b) There is no occurrence of capitalization of interest due to purchasing property, plant and equipment for the nine-month periods ended 30 September 2019 and 2018.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(10) Investment property

	<u>Buildings</u>
Cost:	
As at 1 Jan. 2019	\$-
Additions from subsequent expenditure	-
Exchange differences	-
As at 30 Sep. 2019	<u>\$-</u>
As at 1 Jan. 2018	\$19,769
Additions from subsequent expenditure	-
Exchange differences	(584)
As at 30 Sep. 2018	<u>\$19,185</u>
Depreciation and impairment:	
As at 1 Jan. 2019	\$-
Depreciation	-
Exchange differences	-
As at 30 Sep. 2019	<u>\$-</u>
As at 1 Jan. 2018	\$8,006
Depreciation	674
Exchange differences	(263)
As at 30 Sep. 2018	<u>\$8,417</u>
Net carrying amount:	
30 Sep. 2019	<u>\$-</u>
31 Dec. 2018	<u>\$-</u>
30 Sep. 2018	<u>\$10,768</u>

Note: The Group adopted IFRS 16 on 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	3-month periods ended 30 Sep.		9-month periods ended 30 Sep.	
	2019	2018	2019	2018
Rental income from investment property	\$-	\$1,019	\$-	\$3,110
Less:				
Direct operating expenses from investment property generating rental income	-	(221)	-	(674)
Total	<u>\$-</u>	<u>\$798</u>	<u>\$-</u>	<u>\$2,436</u>

No investment property was pledged.

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of the investment properties was \$19,303 as at 30 September 2018. The Group contacted a real estate agency to investigate the final prices of the same types of buildings sold to determine the current fair value.

(11) Intangible assets and goodwill

	Computer software	Trademarks	Customer relationships	Goodwill	Total
Cost:					
As at 1 Jan. 2019	\$198,538	\$120,512	\$-	\$1,451,660	\$1,770,710
Addition-acquired separately	8,597	-	-	-	8,597
Loss of control	(2,903)	(43,663)	-	(108,279)	(154,845)
Exchange differences	(2,032)	(1,146)	-	(22,303)	(25,481)
As at 30 Sep. 2019	<u>\$202,200</u>	<u>\$75,703</u>	<u>\$-</u>	<u>\$1,321,078</u>	<u>\$1,598,981</u>
As at 1 Jan. 2018	\$187,208	\$122,718	\$508,553	\$1,493,356	\$2,311,835
Addition-acquired separately	8,451	-	-	-	8,451
Reclassification	(1,407)	-	-	-	(1,407)
Derecognitions	-	-	(505,261)	-	(505,261)
Exchange differences	(866)	(445)	(3,292)	(8,290)	(12,893)
As at 30 Sep. 2018	<u>\$193,386</u>	<u>\$122,273</u>	<u>\$-</u>	<u>\$1,485,066</u>	<u>\$1,800,725</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	Computer software	Trademarks	Customer relationships	Goodwill	Total
Amortization and impairment					
As at 1 Jan. 2019	\$175,849	\$100,166	\$-	\$671,473	\$947,488
Amortization	8,915	3,926	-	-	12,841
Loss of control	(1,823)	(43,663)	-	(37,729)	(83,215)
Exchange differences	(1,874)	(991)	-	(10,921)	(13,786)
As at 30 Sep. 2019	<u>\$181,067</u>	<u>\$59,438</u>	<u>\$-</u>	<u>\$622,823</u>	<u>\$863,328</u>
As at 1 Jan. 2018	\$161,122	\$96,287	\$508,553	\$692,500	\$1,458,462
Amortization	14,132	4,238	-	-	18,370
Reclassification	(943)	-	-	-	(943)
Derecognitions	-	-	(505,261)	-	(505,261)
Exchange differences	(694)	(339)	(3,292)	(4,238)	(8,563)
As at 30 Sep. 2018	<u>\$173,617</u>	<u>\$100,186</u>	<u>\$-</u>	<u>\$688,262</u>	<u>\$962,065</u>
Net carrying amount:					
30 Sep. 2019	<u>\$21,133</u>	<u>\$16,265</u>	<u>\$-</u>	<u>\$698,255</u>	<u>\$735,653</u>
31 Dec. 2018	<u>\$22,689</u>	<u>\$20,346</u>	<u>\$-</u>	<u>\$780,187</u>	<u>\$823,222</u>
30 Sep. 2018	<u>\$19,769</u>	<u>\$22,087</u>	<u>\$-</u>	<u>\$796,804</u>	<u>\$838,660</u>

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

	3-month periods ended 30 Sep.		9-month periods ended 30 Sep.	
	2019	2018	2019	2018
Operating costs	<u>\$215</u>	<u>\$473</u>	<u>\$654</u>	<u>\$1,444</u>
Operating expenses	<u>\$4,243</u>	<u>\$4,530</u>	<u>\$12,187</u>	<u>\$16,926</u>

(12) Impairment testing of goodwill

For the purpose of impairment testing, goodwill acquired through business combinations have been allocated to three cash-generating units which are also reportable operating segments. Carrying amount of goodwill allocated to each cash-generating units are as follows:

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	As at		
	30 Sep. 2019	31 Dec. 2018	30 Sep. 2018
Goodwill			
- Channel unit 1	\$616,442	\$627,251	\$643,868
- Channel unit 2 (Note)	-	70,550	70,550
- Manufacturing unit	81,813	82,386	82,386
Total	<u>\$698,255</u>	<u>\$780,187</u>	<u>\$796,804</u>

Note: The Company had sold channel unit 2 as at 30 September 2019.

Channel cash-generating unit

Channel cash-generating unit 1

The recoverable amount of the channel unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The discount rate applied to cash flow projections was 11.1% and 11% as at 31 December 2018 and 2017, respectively, and cash flows beyond the five-year period were extrapolated using both 0% growth rate as at 31 December 2018 and 2017 that was the same as the long-term average growth rate for its industry.

According to the assessment of management team, there was no significant change in the above assumption ratios. As a result of this analysis, there were no impairment for goodwill in the amount of \$616,442 and \$643,868 which was allocated to this cash-generating unit on 30 September 2019 and 2018, respectively.

Channel cash-generating unit 2

The recoverable amount of the channel unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The discount rate applied to cash flow projections was 12.1% and 11.9% as at 31 December 2018 and 2017, respectively, and cash flows beyond the five-year period were extrapolated using both 2% growth rate as at 31 December 2018 and 2017 that was the same as the long-term average growth rate for its industry.

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Notes to Consolidated Financial Statements (Continued)

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

According to the assessment of management team, there was no significant change in the above assumption ratios. As a result of this analysis, there was no impairment for goodwill in the amount of \$70,550 which was allocated to this cash-generating unit on 30 September 2018. The Company sold channel unit 2 on 30 September 2019.

Manufacturing cash-generating unit

The recoverable amount of the manufacturing unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The discount rate applied to cash flow projections was 14.4% and 14.5% as at 31 December 2018 and 2017, respectively, and cash flows beyond the five-year period were extrapolated using both 0% growth rate as at 31 December 2018 and 2017 that does not exceed the long-term average growth rate for its industry.

According to assessment of the management team, there was no significant change in the above assumption ratios. As a result of this analysis, there were no impairment for goodwill in the amount of \$81,813 and \$82,386 which was allocated to this cash-generating unit on 30 September 2019 and 2018, respectively.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for both channel and manufacturing units are most sensitive to the following assumptions:

- (a) Gross margin
- (b) Discount rates
- (c) Growth rate used to extrapolate cash flows beyond the budget period

Gross margins – Gross margins are based on average values achieved in the one year preceding the start of the budget period. These exclude the possibility of margin increase over the budget period for anticipated efficiency improvements. The gross margins applied for the channel unit and the manufacturing unit remained the same.

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Notes to Consolidated Financial Statements (Continued)

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

Discount rates – Discount rates reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Group, taking into account the particular situations of the Group and its operating segments. The WACC includes both the cost of liabilities and cost of equities. The cost of equities is derived from the expected returns of the Group's investors on capital, where the cost of liabilities is measured by the interest bearing loans that the Group has obligation to settle. Specific risk relating to the operating segments is accounted for by considering the individual beta factor which is evaluated annually and based on publicly available market information.

Growth rate estimates – Rates are based on industry average growth rates or local industry research. For the reasons explained above, the long-term average growth rates used to extrapolate the budget for the channel unit and the manufacturing unit have been adjusted based on industry average growth rates.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the channel unit and the manufacturing unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

The implications of the key assumptions for the recoverable amount are discussed below:

Raw materials price inflation – Management didn't consider the possibility of raw material price inflation. Budgeted price inflation remained the same because currently the international raw materials price movements were small. Management believed there was no raw material price deviating from the budget for the nine-month periods ended 30 September 2019 and 2018, and therefore no further impairment may arise.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Growth rate assumptions – Management recognizes that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts included in the budget. The estimated long-term growth rates of channel unit 1, channel unit 2 and manufacturing unit were 0%, 2%, 0%, and 0%, 2%, 0% for the years ended 31 December 2018 and 2017, respectively. Management deemed these growth rates reasonable after considering the long-term growth rate and the economic environment for the nine-month periods ended 30 September 2019 and 2018. Therefore, no further impairment may arise.

(13) Other non-current assets (including long-term prepaid rent)

	As at		
	30 Sep. 2019	31 Dec. 2018	30 Sep. 2018
Other assets	\$61,739	\$116,268	\$149,717
Others	2,933	3,799	5,130
Long-term prepaid rent (Note)	-	64,084	119,470
Total	<u>\$64,672</u>	<u>\$184,151</u>	<u>\$274,317</u>

Long-term prepaid rent included land use rights in the amount of \$64,084 and \$119,470 as at 31 December 2018 and 30 September 2018, respectively.

Note: The Group adopted IFRS 16 on 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(14) Short-term loans

	As at		
	30 Sep. 2019	31 Dec. 2018	30 Sep. 2018
Unsecured bank loans	\$1,403,244	\$998,000	\$998,000
Secured bank loans	322,123	282,137	357,378
Total	<u>\$1,725,367</u>	<u>\$1,280,137</u>	<u>\$1,355,378</u>
Interest Rates (%)	0.88%-2.95%	0.90%-3.00%	0.90%-2.25%

The Group's unused short-term lines of credits amounted to \$888,233, \$1,620,263 and \$1,556,442 as at 30 September 2019, 31 December 2018 and 30 September 2018, respectively.

Please refer to Note 8 for further details on secured loans

(15) Financial liabilities at fair value through profit or loss – current

	As at		
	30 Sep. 2019	31 Dec. 2018	30 Sep. 2018
Held for trading:			
Derivatives not designated as hedging			
Instruments			
Forward foreign exchange contracts	<u>\$6,730</u>	<u>\$375</u>	<u>\$2,054</u>

Please refer to Note 12(8) for more details on forward foreign exchange contracts.

(16) Other payables

	As at		
	30 Sep. 2019	31 Dec. 2018	30 Sep. 2018
Accrued VAT payables	\$24,863	\$33,030	\$29,703
Others	95,245	102,967	130,165
Total	<u>\$120,108</u>	<u>\$135,997</u>	<u>\$159,868</u>

(17) Accrued expenses

	As at		
	30 Sep. 2019	31 Dec. 2018	30 Sep. 2018
Accrued sales discounts	\$277,909	\$288,004	\$237,641
Accrued payroll and bonus	266,846	373,861	335,729
Accrued freight	77,981	106,851	102,200
Others	278,855	387,910	401,857
Total	<u>\$901,591</u>	<u>\$1,156,626</u>	<u>\$1,077,427</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(18) Long-term loans

Details of long-term loans as at 30 September 2019, 31 December 2018 and 30 September 2018 are as follows:

Lenders	Type	As at 30 Sep. 2019	Maturity date and terms of repayment	Guarantee
CTBC Bank (Leading Bank of Syndicated Loan)	Syndicated bank loans	\$1,000,000	2018/07-2023/07 Interest is paid monthly; repayable annually starting from 2 years after the drawdown of the loan. The annual payment of each year is 100 million, 200 million, 300 million, and 400 million.	None
CTBC Bank	Credit	100,000	2018/12-2020/12 Interest is paid monthly.	None
Far Eastern International Bank	Credit	100,000	2018/12-2020/12 Interest is paid monthly.	None
Yuanta Bank	Credit	100,000	2019/04-2022/04 Interest is paid monthly.	None
HSBC Bank	Credit	76,420	2019/09-2022/03 Interest is paid monthly. Payable quarterly.	None
KGI Bank	Credit	40,000	2019/09-2021/09 Interest is paid monthly.	None
O-Bank	Credit	30,000	2019/09-2021/09 Interest is paid monthly.	None
The Shanghai Commercial & Savings Bank, Ltd.	Credit	25,000	2019/06-2021/06 Interest is paid monthly.	None
O-Bank	Credit	7,692	2014/11-2019/10 Interest is paid monthly. With a grace period of 2 years. Payable quarterly after the grace period.	None
Subtotal		1,479,112		
Less: current portion		(138,260)		
Total		\$1,340,852		
Interest rate		1.230%-2.250%		

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Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Lenders	Type	As at 31 Dec. 2018	Maturity date and terms of repayment	Guarantee
CTBC Bank (Leading Bank of Syndicated Loan)	Syndicated bank loans	\$1,000,000	2018/07-2023/07 Interest is paid monthly; repayable annually starting from 2 years after the drawdown of the loan. The annual payment of each year is 100 million, 200 million, 300 million, and 400 million.	None
KGI Bank	Credit	140,000	2018/10-2020/10 Interest is paid monthly.	None
CTBC Bank	Credit	100,000	2018/12-2020/12 Interest is paid monthly.	None
Far Eastern International Bank	Credit	100,000	2018/12-2020/12 Interest is paid monthly.	None
Chang Hwa Commercial Bank	Secured loan	90,864	2014/03-2034/03 Interest is paid monthly, with a grace period of 36 months. Payable monthly after the grace period. Due within 204 payments.	Land and buildings, Time deposits
O-Bank	Credit	30,769	2014/11-2019/10 Interest is paid monthly. With a grace period of 2 years. Payable quarterly after the grace period	None
The Shanghai Commercial & Savings Bank, Ltd.	Credit	25,000	2016/12-2019/12 Interest is paid monthly. With a grace period of 1 year. Payable in principle 12.5 million half of a year after the grace period.	None
Subtotal		1,486,633		
Less: current portion		(61,100)		
Total		<u>\$1,425,533</u>		
Interest rate		1.263%-1.797%		

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Notes to Consolidated Financial Statements (Continued)

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

Lenders	Type	As at 30 September. 2018	Maturity date and terms of repayment	Guarantee
CTBC Bank (Leading Bank of Syndicated Loan)	Syndicated bank loans	\$1,000,000	2018/07-2023/07 Interest is paid monthly; repayable annually starting from 2 years after the drawdown of the loan. The annual payment of each year is 100 million, 200 million, 300 million, and 400 million.	None
KGI Bank	Credit	140,000	2017/09-2019/10 Interest is paid monthly.	None
CTBC	Credit	100,000	2017/12-2019/12 Interest is paid monthly.	None
Far Eastern International Bank	Credit	100,000	2017/12-2019/12 Interest is paid monthly.	None
Chang Hwa Commercial Bank	Secured loan	92,184	2014/03-2034/03 Interest is paid monthly, with a grace period of 36 months. Payable monthly after the grace period. Due within 204 payments.	Land and buildings
O-Bank	Credit	38,462	2014/11-2019/10 Interest is paid monthly. With a grace period of 2 years. Payable quarterly after the grace period.	None
The Shanghai Commercial & Savings Bank, Ltd.	Credit	37,500	2016/12-2019/12 Interest is paid monthly. With a grace period of 1 year. Payable in principle 12.5 million half of a year after the grace period.	None
Subtotal		1,508,146		
Less: current portion		(61,080)		
Total		<u>\$1,447,066</u>		
Interest rate		1.263%-1.797%		

Please refer to Note 8 for further details on secured loans. Please refer to Note 9(3) for further details on syndicated bank loans.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(19) Post-employment benefits

Defined contribution plan

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

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the three-month and nine-month periods ended 30 September 2019 and 2018 were \$47,263, \$53,888, \$137,829 and \$144,919, respectively.

Defined benefits plan

The Company and its domestic subsidiaries adopted a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

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

Expenses under the defined benefits plan for the three-month and nine-month periods ended 30 September 2019 and 2018 were \$3,321, \$4,056, \$9,971 and \$12,147, respectively.

(20) Equities

(a) Common stock

As at 31 December 2017, the Company's authorized capital was \$6,000,000, divided into 600,000,000 shares with par value of NT\$10 each. The paid-in capital amounted to \$3,668,560, divided into 367,390,962 shares. Among the issued and outstanding shares, 535,000 shares have not completed the registration process and were booked as collection in advance in the amount of \$7,329. Each share has one voting right and a right to receive dividends.

A summary of the employee stock options and the bondholders' exercising conversions for the year ended 31 December 2018 is as follows:

	Employee stock option certificates
Shares conversion	
First quarter	185,000 shares
Second quarter	20,000 shares
Third quarter	349,000 shares
Fourth quarter	265,000 shares
Total	<u>819,000 shares</u>

A summary of the employee stock options and the bondholders' exercising conversions for the nine-month period ended 30 September 2019 is as follows:

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	Employee stock <u>option certificates</u>
Shares conversion	
First quarter	27,000 shares
Second quarter	506,000 shares
Third quarter	470,000 shares
Total	<u>1,003,000 shares</u>

The Company issued employee share option in 2015. As at 30 September 2018, the employees converted their options into 2,707,000 shares at NT\$13.7 per share and 349,000 shares at NT\$12.7 per share. The above share options executed was 3,056,000 shares, among them, 2,819,000 shares have completed the registration process while 237,000 shares have not and were booked as collection in advance in the amount of \$3,010.

The Company issued employee share option in 2015. As at 31 December 2018, the employees converted their options into 2,707,000 shares at NT\$13.7 per share and 614,000 shares at NT\$12.7 per share. The above share options exercised amounted to 3,321,000 shares, among them, 3,271,000 shares have completed the registration process while 50,000 shares have not and were booked as collection in advance in the amount of \$635.

The Company resolved at its board of directors meeting held on 11 March 2019 to retire 12,000,000 shares of treasury stock. The record date of capital decrease was 14 March 2019. The abovementioned transaction was approved by the competent authority on 22 March 2019.

The Company issued employee share option in 2015. As at 30 September 2019, the employees converted their options into 2,707,000 shares at NT\$13.7 per share, 1,147,000 shares at NT\$12.7 per share and 470,000 shares at NT\$11.8 per share. The above share options exercised amounted to 4,324,000 shares, among them, 3,854,000 shares have completed the registration process while 470,000 shares have not and were booked as collection in advance.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

As at 30 September 2019, the Company's authorized capital was \$6,000,000, divided into 600,000,000 shares with par value of NT\$10 each. The paid-in capital amounted to \$3,567,430, divided into 357,212,962 shares. Among the issued and outstanding shares, 470,000 shares have not completed the registration process and were booked as collection in advance in the amount of \$5,546. Each share has one voting right and a right to receive dividends.

(b) Capital surplus

	As at		
	30 Sep. 2019	31 Dec. 2018	30 Sep. 2018
Additional paid-in capital	\$954,087	\$984,616	\$983,397
Share of changes in net assets of associates and joint ventures accounted for using the equity method	6,005	9,127	9,127
Premium from merger	1,895	1,895	1,895
Share-based payment transactions	32,381	32,381	32,299
Restricted stock for employees	4,000	4,000	4,000
Total	<u>\$998,368</u>	<u>\$1,032,019</u>	<u>\$1,030,718</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(c) Treasury stock

	Buying back to write off the stock (in thousand shares)	Total (in thousand dollars)
1 Jan. 2019	12,000	\$186,207
Increase	-	-
Decrease	(12,000)	(186,207)
30 Sep. 2019	<u>-</u>	<u>\$-</u>

According to Securities and Exchange Act, the treasury stock held by the Company cannot be pledged, and has no voting right nor right to receive dividends.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(d) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- A. Payment of all taxes and dues
- B. Offset prior years' operation losses
- C. Set aside 10% of the remaining amount
- D. Set aside or reverse special reserve in accordance with law and regulations
- E. The distribution of the remaining portion, if any, will be recommended by the board of directors and resolved in the shareholders' meeting

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The board of directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that no more than 90% of the dividends to shareholders, if any, could be paid in the form of share dividends. Accordingly, at least 10% of the dividends must be paid in the form of cash.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the Company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Company did not have any special reserve due from first-time adoption of the TIFRS.

Details of the 2018 and 2017 earnings distribution and dividends per share as resolved by the shareholders' meeting on 31 May 2019 and 25 May 2018, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2018	2017	2018	2017
Legal reserve	\$61,822	\$69,834		
Special reserve	52,174	184,619		
Common stock -cash dividend	461,808	549,774	\$1.30	\$1.50

Please refer to Note 6(25) for further details on employees' compensation and remuneration to directors and supervisors.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(e) Unearned employee salary

The issuance of restricted stocks for employees was resolved by the shareholder's meeting. Please refer to Note 6 (21) for details.

	9-month periods ended 30 Sep.	
	2019	2018
Beginning balance	\$(3,500)	\$(8,167)
Recognized shared-based payment expense	3,500	3,500
Ending balance	\$-	\$(4,667)

(f) Non-controlling interests

	9-month periods ended 30 Sep.	
	2019	2018
Beginning balance	\$77,185	\$75,587
Net income attributable to non-controlling interests	882	524
Subsidiary of the Company carried out capital reduction and returned capital	(20,521)	-
Disposal of subsidiary accounted for under the equity method	(57,546)	-
Ending balance	\$-	\$76,111

(21) Share-based payment plans

- (a) On 2 October 2015, the Company was authorized by the Financial Supervisory Commission Republic of China (Taiwan), Executive Yuan, to issue non-compensatory employee share options with a total number of 10,500 units. Each unit entitles an optionee to subscribe for 1,000 shares of the Company's common shares. Settlement upon the exercise of the options will be made through the issuance of new shares. The exercise price of the option was set at the closing price of the Company's common share on the grant date. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan. The contractual term of each option granted is five years. If there are changes in the common shares of the Company, the exercise price of share options will be recalculated and adjusted in proportion to the number of shares being held by each of the optionee.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

- a. For the 1,800 units firstly issued, the optionee may exercise 50% of the options starting two years and three years from the grant date. The contractual term of each option granted is five years. If there are changes in the common shares of the Company, the exercise price of share options will be recalculated and adjusted in proportion to the number of shares being held by each of the optionee.
- b. For the 8,700 units secondly issued, the optionee may exercise 100% of the options starting two years from the grant date. The contractual term of each option granted is five years. If there are changes in the common shares of the Company, the exercise price of share options will be recalculated and adjusted in proportion to the number of shares being held by each of the optionee.

As at 30 September 2019, the Company has not cancelled or modified the share-based payment plan proposed for employees. The relevant details of the aforementioned share-based payment plan are as follows:

Date of grant	Total number of share options granted (unit)	Total number of share options outstanding (unit)	Shares to be subscribed (unit)	Exercise price of share options (NT\$)
29 Oct 2015	10,500	3,531	3,531	\$11.80

- c. The following table contains further details on the aforementioned share-based payment plan:

	9-month periods ended 30 Sep.			
	2019		2018	
	Number of share options outstanding (unit)	Weighted average exercise price of share options (NT\$)	Number of share options outstanding (unit)	Weighted average exercise price of share options (NT\$)
Outstanding at beginning of period	4,534	\$12.70	5,753	\$13.70
Converted	(1,003)	12.28	(554)	13.70
Forfeited	-	11.80	-	12.70
Outstanding at end of period	3,531	\$11.80	5,199	\$12.70
Weighted average fair value of share options (NT\$)	\$-		\$-	

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

- d. The following table contains further details on the aforementioned share-based payment plan as at 30 September 2019:

Share options	Range of exercise price	Number	Maturity date	Share options outstanding		Share options exercisable	
				Weighted average remaining contractual life	Weighted average exercise price of share options (NT\$)	Weighted average exercise price of share options (NT\$)	Weighted average exercise price of share options (NT\$)
	(NT\$)	(unit)		(Years)		(unit)	
2015/10/29 Share options plan-1,800 units firstly issued	\$11.80	450	2020/10/28	1.08	\$11.80	450	\$11.80
2015/10/29 Share options plan-8,700 units secondly issued	11.80	3,081	2020/10/28	1.08	11.80	3,081	11.80

Note: If there are changes in the common shares of the Company (such as capital increase by cash or capitalization of retained earnings), the exercise price of share options will be adjusted according to the employee share options plan.

The compensation cost is accounted for under the fair value method. The fair value of the share options is estimated at the grant date using a Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. The Company recognized compensation expense of \$0, \$242, \$0, and \$726 in the three-month and nine-month periods ended 30 September 2019 and 2018, respectively. The following table lists the inputs to the model used for the plan:

For the 1,800 units first issued:

	Share-based payment plan
Dividend yield (%)	0%
Expected volatility (%)	33.42% ; 33.99%
Risk-free interest rate (%)	0.6227% ; 0.6769%
Expected option life (Years)	3.5years ; 4years

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

For the 8,700 units secondly issued:

	<u>Share-based payment plan</u>
Dividend yield (%)	0%
Expected volatility (%)	33.42%
Risk-free interest rate (%)	0.6227%
Expected option life (Years)	3.5years

(b) The Company issued restricted stocks for employees in the amount of NT\$10,000, up to 1,000,000 shares in total. The Company will issue these shares at one time within one year following shareholder's meeting.

a. The vesting condition of restricted stocks for employees is as follows:

- i. Employees must remain in service for 3 years or more after being vested
- ii. Performance period is from 2016 to 2018
- iii. Employees could be vested 50% of the shares when the average return on equity is more than 8% in performance period; 100%, when average return on equity is more than 10% in performance period.

b. The restricted rights before being vested shares are as follows:

- i. Employees may not sell, pledge (as collateral or security), assign, give away, or in any other manner dispose of the restricted stocks.
- ii. The restricted stocks are not entitled to receive cash or stock dividends, cash or stocks from capital reserves and participate in cash capital increase.
- iii. Employees are not entitled to attend shareholders' meetings, propose, speak, vote and engage in any other matters related to shareholders' rights and interests.

If employees do not meet the vesting condition, the Company will withdraw the shares without compensation and then cancel them.

The price of the restricted stock for employees at grant date was NT\$14 per share. The record date of capital increase was 6 October 2016. The Company will issue restricted stocks and grant to employees 1,000,000 shares, each at par value of NT\$10 totaling \$10,000.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(22) Operating revenue

	3-month periods ended 30 Sep		9-month periods ended 30 Sep.	
	2019	2018	2019	2018
Revenue from contracts with customers				
Sale of goods	<u>\$4,387,819</u>	<u>\$4,502,284</u>	<u>\$12,985,506</u>	<u>\$13,513,913</u>

Analysis of revenue from contracts with customers during the nine-month periods ended 30 September 2019 and 2018 is as follows:

(a) Disaggregation of revenue

2019.7.1~2019.9.30

	Taiwan Segment	China Segment	America Segment	Europe Segment	Total
Sale of goods	<u>\$1,535,819</u>	<u>\$27,165</u>	<u>\$1,336,266</u>	<u>\$1,488,569</u>	<u>\$4,387,819</u>
Timing of revenue recognition					
At a point in time	\$1,355,549	\$27,165	\$1,336,266	\$1,488,569	\$4,207,549
Over time	180,270	-	-	-	180,270
Total	<u>\$1,535,819</u>	<u>\$27,165</u>	<u>\$1,336,266</u>	<u>\$1,488,569</u>	<u>\$4,387,819</u>

2018.7.1~2018.9.30

	Taiwan Segment	China Segment	America Segment	Europe Segment	Total
Sale of goods	<u>\$1,581,625</u>	<u>\$37,958</u>	<u>\$1,465,639</u>	<u>\$1,417,062</u>	<u>\$4,502,284</u>
Timing of revenue recognition					
At a point in time	\$1,402,747	\$37,958	\$1,465,639	\$1,417,062	\$4,323,406
Over time	178,878	-	-	-	178,878
Total	<u>\$1,581,625</u>	<u>\$37,958</u>	<u>\$1,465,639</u>	<u>\$1,417,062</u>	<u>\$4,502,284</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

2019.1.1~2019.9.30

	Taiwan Segment	China Segment	America Segment	Europe Segment	Total
Sale of goods	<u>\$4,223,001</u>	<u>\$118,537</u>	<u>\$3,973,674</u>	<u>\$4,670,294</u>	<u>\$12,985,506</u>
Timing of revenue recognition					
At a point in time	\$3,671,923	\$118,537	\$3,973,674	\$4,670,294	\$12,434,428
Over time	<u>551,078</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>551,078</u>
Total	<u>\$4,223,001</u>	<u>\$118,537</u>	<u>\$3,973,674</u>	<u>\$4,670,294</u>	<u>\$12,985,506</u>

2018.1.1~2018.9.30

	Taiwan Segment	China Segment	America Segment	Europe Segment	Total
Sale of goods	<u>\$4,782,465</u>	<u>\$247,676</u>	<u>\$4,077,075</u>	<u>\$4,406,697</u>	<u>\$13,513,913</u>
Timing of revenue recognition					
At a point in time	\$4,255,386	\$247,676	\$4,077,075	\$4,406,697	\$12,986,834
Over time	<u>527,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>527,079</u>
Total	<u>\$4,782,465</u>	<u>\$247,676</u>	<u>\$4,077,075</u>	<u>\$4,406,697</u>	<u>\$13,513,913</u>

(b) Contract balances

Contract liabilities - current

	2019.9.30	2018.12.31	2018.9.30	2018.1.1
Sales of goods	<u>\$46,359</u>	<u>\$276,008</u>	<u>\$292,586</u>	<u>\$266,926</u>

For the nine-month period ended 30 September 2019, contract liabilities decreased due to the loss of control amounted to \$264,117 and increased as the new performance obligation was not yet satisfied. For the nine-month period ended 30 September 2018, contract liabilities increased as the new performance obligation was not yet satisfied.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(23) Expected credit losses

	3-month periods ended 30 Sep.		9-month periods ended 30 Sep.	
	2019	2018	2019	2018
Operating expenses – Expected credit losses				
Notes receivables	\$-	\$-	\$-	\$-
Accounts receivables	1,449	2,494	2,342	5,537
Total	<u>\$1,449</u>	<u>\$2,494</u>	<u>\$2,342</u>	<u>\$5,537</u>

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at 30 September 2019, 31 December 2018 and 30 September 2018 is as follows:

The Group considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follows:

As at 30 September 2019

	Not yet due	Overdue				
	(Note)	1-90 days	91-180 days	181-365 days	Upon 366 days	Total
Gross carrying amount	\$2,394,003	\$210,632	\$23,112	\$9,573	\$12,110	\$2,649,430
Loss ratio	0.34%	4.57%	-%	27.80%	100%	
Lifetime expected credit losses	(8,243)	(9,633)	-	(2,661)	(12,110)	(32,647)
Carrying amount	<u>\$2,385,760</u>	<u>\$200,999</u>	<u>\$23,112</u>	<u>\$6,912</u>	<u>\$-</u>	<u>\$2,616,783</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

As at 31 December 2018

	Not yet due	Overdue				
	(Note)	1-90 days	91-180 days	181-365 days	Upon 366 days	Total
Gross carrying amount	\$2,289,342	\$304,355	\$34,213	\$16,441	\$13,281	\$2,657,632
Loss ratio	0.45%	3.27%	0.54%	15.29%	100%	
Lifetime expected credit losses	(10,400)	(9,946)	(186)	(2,514)	(13,281)	(36,327)
Carrying amount	<u>\$2,278,942</u>	<u>\$294,409</u>	<u>\$34,027</u>	<u>\$13,927</u>	<u>\$-</u>	<u>\$2,621,305</u>

As at 30 September 2018

	Not yet due	Overdue				
	(Note)	1-90 days	91-180 days	181-365 days	Upon 366 days	Total
Gross carrying amount	\$2,496,450	\$318,329	\$39,829	\$30,714	\$13,854	\$2,899,176
Loss ratio	0.43%	2.80%	1.87%	15.37%	100%	
Lifetime expected credit losses	(10,707)	(8,911)	(745)	(4,721)	(13,854)	(38,938)
Carrying amount	<u>\$2,485,744</u>	<u>\$309,418</u>	<u>\$39,084</u>	<u>\$25,992</u>	<u>\$-</u>	<u>\$2,860,238</u>

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

The movement in the provision for impairment of note receivables, and trade receivables as at 30 September 2019 and 2018 is as follows:

	Note receivables	Trade receivables
Beginning balance at 2019.1.1	\$-	\$36,327
Addition for the current period	-	2,342
Write off	-	(4,190)
Loss of control	-	(1,464)
Exchange differences	-	(368)
Ending balance at 2019.9.30	<u>\$-</u>	<u>\$32,647</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	Note receivables	Trade receivables
Beginning balance at 2018.1.1 (in accordance with IAS 39)	\$-	\$35,890
Transition adjustment to retained earnings at 2019.1.1	-	-
Beginning balance at 2018.1.1 (in accordance with IFRS 9)	-	35,890
Addition for the current period	-	5,537
Write off	-	(2,716)
Exchange differences	-	227
Ending balance at 2018.9.30	\$-	\$38,938

(24) leases

(1) Group as a lessee (applicable to the disclosure requirement under IFRS 16)

The Group leases various properties, including real estate such as land and buildings, machinery and equipment, transportation equipment, office equipment and other equipment. The lease terms range from 2 to 47 years. There are no restrictions placed upon the Group by entering into these leases.

The Group's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

		As at	
	30 Sep. 2019	31 Dec. 2018 (Note)	30 Sep. 2018 (Note)
Land	\$66,174		
Buildings	1,126,083		
Machinery and equipment	38,742		
Transportation equipment	36,964		
Other equipment	105,753		
Total	\$1,373,716		

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Note: The Group adopted IFRS 16 on 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

During the nine-month period ended 30 September 2019, the Group's additions to right-of-use assets amounted to NT\$55,086 thousand.

b. Lease liabilities

		As at	
	30 Sep. 2019	31 Dec. 2018 (Note)	30 Sep. 2018 (Note)
Lease liabilities	<u>\$1,346,360</u>		
Current	<u>\$243,506</u>		
Non-current	<u>\$1,102,854</u>		

Please refer to Note 6 (26)(c) for the interest on lease liabilities recognized during the nine-month period ended 30 September 2019 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at 30 September 2019.

Note: The Group adopted IFRS 16 on 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	3-month periods ended 30 Sep.		9-month periods ended 30 Sep.	
	2019	2018 (Note)	2019	2018 (Note)
Land	\$714		\$2,156	
Buildings	55,362		166,454	
Machinery and equipment	3,454		10,362	
Transportation equipment	5,557		13,526	
Other equipment	<u>13,229</u>		<u>41,926</u>	
Total	<u>\$78,316</u>		<u>\$234,424</u>	

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Note: The Group adopted IFRS 16 since 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Income and costs relating to leasing activities

	3-month period ended 30 Sep.		9-month period ended 30 Sep.	
	2019	2018 (Note)	2019	2018 (Note)
The expenses relating to short-term leases	\$11,048		\$23,478	
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	1,440		4,353	
The expenses relating to variable lease payments not included in the measurement of lease liabilities	2,173		6,411	
Total	<u>\$14,661</u>		<u>\$34,242</u>	

Note: The Group adopted IFRS 16 on 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

D. Cash outflow relating to leasing activities

During the nine-month period ended 30 September 2019, the Group's total cash outflows for leases amounted to NT\$283,120 thousand.

(2) Operating lease commitments – Group as lessee (applicable to the disclosure requirement in IAS17)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

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The Group has entered into commercial leases on certain offices and warehouses. These leases have an average life of three to five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 September 2019, 31 December 2018, and 30 September 2018 are as follows:

	As at		
	30 Sep. 2019	31 Dec. 2018	30 Sep. 2018
	(Note)		
Not later than one year		\$329,273	\$174,333
Later than one year but not later than five years		887,104	414,293
Later than five years		680,811	152,668
Total		<u>\$1,897,188</u>	<u>\$741,294</u>

Operating lease expenses recognized are as follows:

	3-month periods ended 30		9-month periods ended 30	
	Sep.		Sep.	
	2019	2018	2019	2018
	(Note)		(Note)	
Minimum lease payments		<u>\$46,643</u>		<u>\$136,877</u>

Note: The Group has adopted IFRS16 since 1 January 2019 and has chosen not to reedit the comparing period in accordance with the transition provision in IFRS 16.

E. Other information relating to leasing activities

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

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

(i) Variable lease payments

Some of the Group's warehouse rental agreements contain variable payment terms that are linked to daily usage of pallets in warehouses, which is common in the industry of the Group. As such variable lease payments do not meet the definition of lease payments, those payments are not included in the measurement of the assets and liabilities. The Group expects that, for every usage of thousand of pallets, the rental payments will increase by NT\$7 thousand.

(ii) Extension and termination options

Some of the Group's property rental agreement contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group.

After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

- (25) Summary statement of employee benefits, depreciation and amortization expenses by function for the three-month and nine-month periods ended 30 September 2019 and 2018:

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Function Nature	3-month periods ended 30 Sep.					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$269,271	\$407,000	\$676,271	\$279,068	\$401,592	\$680,660
Labor and health insurance	4,669	31,048	35,717	5,752	32,117	37,869
Pension	30,921	19,663	50,584	36,707	21,237	57,944
Other employee benefits expense	1,625	6,321	7,946	1,854	6,180	8,034
Depreciation	50,896	88,893	139,789	42,328	22,311	64,639
Amortization	215	4,243	4,458	473	4,530	5,003

Function Nature	9-month periods ended 30 Sep.					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$757,499	\$1,185,538	\$1,943,037	\$845,973	\$1,175,645	\$2,021,618
Labor and health insurance	14,920	98,382	113,302	16,975	96,865	113,840
Pension	96,337	51,463	147,800	102,681	54,385	157,066
Other employee benefits expense	4,932	18,543	23,475	5,880	18,105	23,985
Depreciation	154,868	267,527	422,395	123,804	68,474	192,278
Amortization	654	12,187	12,841	1,444	16,926	18,370

According to the Company's Articles of Incorporation, when there is profit in current year, the Company shall set no less than 2% as employees' compensation and no higher than 2% as directors' remuneration. However, profit should be used to offset against any accumulated deficit prior to the aforementioned compensation and remuneration. The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or cash. Such distribution shall be reported at the shareholders' meeting. Information on the board of directors' resolution regarding the employees' compensation and directors' remuneration can be obtained from the "Market Observation Post System" on the website of the TWSE.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Based on profit of the nine-month period ended 30 September 2019, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the nine-month period ended 30 September 2019 to be 2.80% and 0.49% of profit of the current nine-month period, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the three-month period ended 30 September 2019 amount to \$6,205 and \$1,095, respectively. Employees' compensation and remuneration to directors and supervisors for the nine-month period ended 30 September 2019 amount to \$14,705 and \$2,595, respectively. The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the nine-month period ended 30 September 2018 to be 3.27% and 0.58% of profit of the current nine-month period, respectively. The employees' compensation and remuneration to directors and supervisors for the three-month period ended 30 September 2018 amount to \$5,440 and \$960, respectively, and for the nine-month period ended 30 September 2018 to be \$13,515 and \$2,385, respectively, recognized as salary expense.

A resolution was passed at a board meeting held on 11 March 2019 to distribute \$23,973 and \$4,505 in cash as 2018 employees' compensation and remuneration to directors and supervisors, respectively. The difference of \$1,508 between the actual employee bonuses and the estimated amount of \$26,970 was recognized as an adjustment to current income in 2019.

A resolution was passed at a board meeting held on 27 February 2018 to distribute \$26,500 and \$5,007 in cash as 2017 employees' compensation and remuneration to directors and supervisors, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2017.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(26) Non-operating income and expenses

(a) Other income

	3-month periods ended 30 Sep.		9-month periods ended 30 Sep.	
	2019	2018	2019	2018
Interest income				
Financial assets measured at amortized cost	\$16,169	\$16,769	\$51,238	\$52,907
Others	23,963	7,864	100,186	32,465
Total	<u>\$40,132</u>	<u>\$24,543</u>	<u>\$151,424</u>	<u>\$85,372</u>

(b) Other gains and losses

	3-month periods ended 30 Sep.		9-month periods ended 30 Sep.	
	2019	2018	2019	2018
Losses on disposal of property, plant and equipment	\$(481)	\$(358)	\$(163)	\$(1,790)
Gains on disposal of investment	8,724	22	8,754	31
Foreign exchange gains, net	35,126	79,359	21,964	98,163
Gains on financial assets at fair value through profit or loss	1,454	1,611	42,069	26,517
Losses on financial liabilities at fair value through profit or loss	(17,549)	(17,413)	(34,128)	(37,640)
Others	(3,248)	(37,000)	(11,565)	(46,812)
Total	<u>\$24,026</u>	<u>\$26,221</u>	<u>\$26,931</u>	<u>\$38,469</u>

(c) Finance costs

	3-month periods ended 30 Sep.		9-month periods ended 30 Sep.	
	2019	2018	2019	2018
Interest on borrowings from bank	\$13,289	\$11,629	\$37,253	\$35,038
Interest on lease liabilities	17,332	(Note)	53,135	(Note)
Total	<u>\$30,621</u>	<u>\$11,629</u>	<u>\$90,388</u>	<u>\$35,038</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Note: The Group adopted IFRS 16 on 1 January 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(27) Components of other comprehensive income

For the three-month period ended 30 September 2019:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	\$(198,863)	\$-	\$(198,863)	\$-	\$(198,863)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(856)	-	(856)	-	(856)
Total of other comprehensive income	<u>\$(199,719)</u>	<u>\$-</u>	<u>\$(199,719)</u>	<u>\$-</u>	<u>\$(199,719)</u>

For the three-month period ended 30 September 2018:

	Arising during the period	Reclassification n adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	\$(138,891)	\$-	\$(138,891)	\$-	\$(138,891)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(818)	-	(818)	-	(818)
Total of other comprehensive income	<u>\$(139,709)</u>	<u>\$-</u>	<u>\$(139,709)</u>	<u>\$-</u>	<u>\$(139,709)</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the nine-month period ended 30 September 2019:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$-	\$-	\$-	\$-	\$-
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(105,969)	-	(105,969)	-	(105,969)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(570)	-	(570)	-	(570)
Total of other comprehensive income	<u>\$(106,539)</u>	<u>\$-</u>	<u>\$(106,539)</u>	<u>\$-</u>	<u>\$(106,539)</u>

For the nine-month period ended 30 September 2018:

	Arising during the period	Reclassification n adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$-	\$-	\$-	\$1,331	\$1,331
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(77,797)	-	(77,797)	-	(77,797)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(686)	-	(686)	-	(686)
Total of other comprehensive income	<u>\$(78,483)</u>	<u>\$-</u>	<u>\$(78,483)</u>	<u>\$1,331</u>	<u>\$(77,152)</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(28) Income tax

Based on the amendments to the Income Tax Act announced on 7 February 2018, the Company's applicable corporate income tax rate for the year ended 31 December 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

The major components of income tax expense (income) are as follows:

(a) Income tax expense (income recognized in profit or loss)

	<u>3-month periods ended 30 Sep.</u>		<u>9-month periods ended 30 Sep.</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current income tax expense:				
Current income tax charge	\$69,127	\$34,272	\$134,676	\$77,154
Adjustment of previous current income tax in the current period	-	20,000	-	20,000
Deferred tax expense (income):				
Deferred tax expense (income) relating to origination and reversal of temporary differences	(2,416)	(3,955)	(2,622)	42,038
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	-	-	-	(7,755)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	-	5,764	-	(3,730)
Total income tax expense	<u>\$66,711</u>	<u>\$56,081</u>	<u>\$132,054</u>	<u>\$127,707</u>

(b) Income tax relating to components of other comprehensive income

	<u>3-month periods ended</u>		<u>9-month periods ended</u>	
	<u>30 Sep.</u>		<u>30 Sep.</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Deferred tax expense (income):				
Remeasurements of defined benefit plans	\$-	\$-	\$-	\$(1,331)
Income tax relating to components of other comprehensive income	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(1,331)</u>

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Notes to Consolidated Financial Statements (Continued)
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(c) The assessment of income tax returns

As at 30 September 2019, the assessment of the income tax returns of the Company is as follows:

	The assessment of income tax returns
Globe Union Industrial Corp.	Assessed and approved up to 2016
As at 30 September 2019, all foreign subsidiaries governed by foreign tax authorities have filed income tax returns up to 2018.	

(29) Earnings per share

	3-month periods ended 30 Sep.		9-month periods ended 30 Sep.	
	2019	2018	2019	2018
(a) Basic earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$194,785	\$197,698	\$456,222	\$397,763
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand)	355,715	366,786	354,224	367,061
Basic earnings per share (NT\$)	\$0.55	\$0.54	\$1.29	\$1.08
	3-month periods ended 30 Sep.		9-month periods ended 30 Sep.	
	2019	2018	2019	2018
(b) Diluted earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$194,785	\$197,698	\$456,222	\$397,763
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	\$194,785	\$197,698	\$456,222	\$397,763
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand)	355,715	366,786	354,224	367,061
Effect of dilution:				
Employee compensation—stock (in thousand)	375	368	888	824
Employee stock options (in thousand)	653	202	1,193	1,383
Restricted stock for employees (in thousand)	1,000	40	1,000	752
Weighted average number of ordinary shares outstanding after dilution (in thousand)	357,743	367,396	357,305	370,020
Diluted earnings per share (NT\$)	\$0.54	\$0.53	\$1.28	\$1.07

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

(30) Disposal of subsidiary

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

(a) Analysis of assets and liabilities that are out of control

	Disposal of Home Boutique International Co., Ltd.
Current assets	
Cash	\$118,030
Financial assets measured at amortized cost - current	65,382
Notes receivables	29,134
Accounts receivables	78,743
Inventories	339,122
Prepayments	16,499
Other current assets	2,170
Non-current assets	
Property, plant and equipment	225,543
Right of use assets	71,942
Goodwill	9,229
Deferred tax assets	10,867
Refundable deposits	7,196
Deferred expenses	1,086
Other non-current assets - others	35,004

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	Disposal of Home Boutique International Co., Ltd.
Current liabilities	
Financial assets held for trading	(145)
Contract liabilities - current	(264,117)
Notes payables	(3,812)
Accounts payables	(56,495)
Other payables	(3,053)
Accrued expenses	(69,947)
Lease liabilities - current	(26,085)
Long term loans due within one year	(5,393)
Other current liabilities - others	(5,927)
Non-current liabilities	
Long term bank loans	(81,481)
Deferred tax liabilities - non-current	(1,416)
Lease liabilities - non-current	(45,872)
Accrued pension liabilities	(25,581)
Minority interest	(57,546)
Disposal of net assets	<u>\$363,077</u>

(b) Gain on disposal of subsidiary

	108.1.1~108.09.30
Consideration received	\$335,352
Additional paid-in capital - share of changes in net assets of associates and joint ventures accounted for using the equity method	3,122
Disposal of goodwill	(61,321)
Stocks of Home Boutique International Co., Ltd. (19%) (Note)	94,648
Disposal of net assets	(363,077)
Gain on disposal	<u>\$8,724</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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Note: Due to the sales of ownership and subsequent loss of control over the subsidiary, the remaining ownership was reclassified to financial assets at fair value through profit or loss. Please refer to 6(2) for details.

7. RELATED PARTY TRANSACTIONS

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Chengxinzhaoh (Zhangzhou) Hardware Co., Ltd.	Associate

(1) Significant transactions with related parties

(a) Other receivables – related parties (recorded under other current assets)

	As at		
	<u>30 Sep. 2019</u>	<u>31 Dec. 2018</u>	<u>30 Sep. 2018</u>
Chengxinzhaoh (Zhangzhou) Hardware Co., Ltd.	<u>\$1,692</u>	<u>\$1,692</u>	<u>\$1,692</u>

(b) Key management personnel compensation

	<u>3-month periods ended 30 Sep.</u>		<u>9-month periods ended 30 Sep.</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$42,825	\$48,526	\$138,621	\$146,574
Post-employment benefits	805	1,731	2,443	5,185
Total	<u>\$43,630</u>	<u>\$50,257</u>	<u>\$141,064</u>	<u>\$151,759</u>

8. ASSETS PLEDGED AS SECURITY

The following table lists assets of the Group pledged as security:

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Assets pledged for security	Carrying amount as at			Secured liabilities
	30 Sep.2019	31 Dec. 2018	30 Sep. 2018	
Accounts receivable	\$322,123	\$282,137	\$357,378	Secured for loans
Financial assets measured at amortized cost	91,955	155,544	158,616	Secured for loans
Land	-	139,340	139,340	Secured for loans
Buildings	-	42,908	43,147	Secured for loans
Total	<u>\$414,078</u>	<u>\$619,929</u>	<u>\$698,481</u>	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- (1) On 1 October 2013, the Company has entered into a land lease agreement with the Taichung Branch of the Export Processing Zone Administration. The lease term is ten years, starting from 1 October 2013 to 31 March 2023. The rent is adjusted based on the land price, and current monthly rent is \$72.
- (2) The Company and its subsidiaries provided endorsement/guarantee to related parties. Please refer to Note 13(1) (b) for more details.
- (3) In June 2018, the Company has entered into a syndicated loan agreement with CTBC Bank and ten other lending institutions of syndicated credits, such as O-Bank, E.SUN Commercial Bank, and Taipei Fubon Commercial Bank. The agreement contains the following restrictive covenants:
 - (a) The current ratio shall not be lower than 100%.
 - (b) The liability ratio shall not be higher than 180%.
 - (c) The interest coverage ratio shall not be lower than 2.

The company should review these ratios every half year based on the audited annual and semi-annual consolidated financial statements.

- (4) The Company established the Mexican subsidiary, GU PLUMBING de MEXICO SA de CV, in August 2019. The subsidiary is expected to lease both the ceramic factory and the land of NAMCE. S.DE RLDE CV. which is located in Mexico in October 2019. Furthermore, the acquisition of the ceramic factory's machineries and inventories in the amount of US\$60 million (equivalent to NT\$1,878.9 million) is also expected. As at 30 September 2019, the transaction has not been paid.

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(a) Categories of financial instruments

Financial assets

	As at		
	30 Sep. 2019	31 Dec. 2018	30 Sep. 2018
Financial assets at fair value through profit or loss:			
Mandatorily measured at Fair value through profit or loss	\$416,183	\$10,492	\$4,847
Financial assets measured at amortized cost (Note 1)	5,971,045	5,985,196	6,094,500

Financial liabilities

	As at		
	30 Sep. 2019	31 Dec. 2018	30 Sep. 2018
Financial liabilities at amortized cost:			
Short-term borrowings	\$1,725,367	\$1,280,137	\$1,355,378
Notes and accounts payable	1,972,222	2,164,087	2,235,922
Long-term loans (including current portion with maturity less than 1 year)	1,479,112	1,486,633	1,508,146
Lease liabilities (including current portion with maturity less than 1 year)	1,346,360	(Note 2)	(Note 2)
Financial liabilities at fair value through profit or loss:			
Held for trading	6,730	375	2,054

Note 1: Including cash and cash equivalents (exclude cash on hand), financial assets measured at amortized cost, notes receivable, trade receivables.

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

Note 2: The Group has adopted IFRS16 since 1 January 2019 and has chosen not to reedit the comparing period in accordance with the transition provision in IFRS 16.

(b) Financial risk management objectives and policies

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

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk and interest rate risk.

In practice, it is rarely the case that a single risk variable will change interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

a. Foreign currency risk

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

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

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD and CNY. The information of the sensitivity analyses as follows:

(i) When NTD strengthens against USD by 1%:

	Increase (decrease) in equity	Decrease (increase) in profit or loss
Nine-month period ended 30 Sep. 2019	\$-	\$8,876
Nine-month period ended 30 Sep. 2018	\$-	\$11,447

(ii) When NTD strengthens against CNY by 1%:

	Increase (decrease) in equity	Decrease (increase) in profit or loss
Nine-month period ended 30 Sep. 2019	\$-	\$3,572
Nine-month period ended 30 Sep. 2018	\$-	\$(7,224)

For a 1% weakening of NTD against the relevant currencies when all the other factors remain the same, there would be a comparable impact on the pre-tax profit or equity, and the balances above would be negative.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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b. Equity price risk

The fair value of the Group's listed and unlisted equity securities and conversion rights of the Euro-convertible bonds issued are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed and unlisted equity securities are classified under held for trading financial assets or available-for-sale financial assets, while conversion rights of the Euro-convertible bonds issued are classified as financial liabilities at fair value through profit or loss as it does not satisfy the definition of an equity component. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's board of directors reviews and approves all equity investment decisions.

Please refer to Note 12 (8) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

c. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the nine-month periods ended 30 September 2019 and 2018 to decrease/increase by \$3,204 and \$2,864, respectively.

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(d) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

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

As at 30 September 2019, 31 December 2018 and 30 September 2018, amounts receivables from top ten customers represented 46.54%, 45.57% and 45.36% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counterparties.

(e) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank loans and convertible bonds. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as at the end of the reporting period.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As at 30 Sep. 2019					
Short-term borrowings	\$1,728,264	\$-	\$-	\$-	\$1,728,264
Notes and accounts payable	1,972,222	-	-	-	1,972,222
Long-term borrowings (including current portion with maturity less than 1 year)	162,227	971,733	405,391	-	1,539,351
Other payables	120,108	-	-	-	120,108
Lease liabilities	306,565	493,732	256,214	622,481	1,678,992
As at 31 Dec. 2018					
Short-term borrowings	\$1,282,025	\$-	\$-	\$-	\$1,282,025
Notes and accounts payable	2,164,087	-	-	-	2,164,087
Long-term borrowings (including current portion with maturity less than 1 year)	85,178	688,864	726,846	68,513	1,569,401
Other payables	135,997	-	-	-	135,997
As at 30 Sep. 2018					
Short-term borrowings	\$1,357,701	\$-	\$-	\$-	\$1,357,701
Notes and accounts payable	2,235,922	-	-	-	2,235,922
Long-term borrowings (including current portion with maturity less than 1 year)	85,364	408,522	1,033,315	70,184	1,597,385
Other payables	159,868	-	-	-	159,868

Derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As at 30 Sep. 2019					
Inflows	\$786,129	\$-	\$-	\$-	\$786,129
Outflows	(792,859)	-	-	-	(792,859)
Net	<u>\$ (6,730)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$ (6,730)</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 Dec. 2018					
Inflows	\$54,815	\$-	\$-	\$-	\$54,815
Outflows	(55,190)	-	-	-	(55,190)
Net	<u>\$(375)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(375)</u>
As at 30 Sep. 2018					
Inflows	\$679,228	\$-	\$-	\$-	\$679,228
Outflows	(681,282)	-	-	-	(681,282)
Net	<u>\$(2,054)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(2,054)</u>

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

(f) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the nine-month period ended 30 September 2019:

	Short-term borrowings	Long-term borrowings	Leases liabilities	Total liabilities from financing activities
As at 1 Jan. 2019	\$1,280,137	\$1,486,633	\$1,561,951	\$4,328,721
Cash flows	445,230	79,353	(195,743)	328,840
Non-cash flows (Note)	-	(86,874)	(19,848)	(106,722)
As at 30 Sep. 2019	<u>\$1,725,367</u>	<u>\$1,479,112</u>	<u>\$1,346,360</u>	<u>\$4,550,839</u>

Note: During the nine-month period ended 30 September 2019, the Group's right-of-use assets increased by \$52,109, while long term loans and lease liabilities decreased by \$86,874 and \$71,957, respectively, due to loss of control.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Reconciliation of liabilities for the nine-month period ended 30 September 2018:

	Short-term	Long-term	Total liabilities
	borrowings	borrowings	from financing
			activities
As at 1 Jan. 2018	\$1,358,471	\$1,567,653	\$2,926,124
Cash flows	(3,093)	(59,507)	(62,600)
As at 30 Sep. 2018	<u>\$1,355,378</u>	<u>\$1,508,146</u>	<u>\$2,863,524</u>

(g) Fair values of financial instruments

- a. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- i. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

- iv. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- v. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

- b. Fair value of financial instruments measured at amortized cost

The carrying amounts of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

- c. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(h) Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at 30 September 2019, 31 December 2018 and 30 September 2018 is as follows:

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
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Forward currency contracts

The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

Items (by contract)	Notional Amount (in thousand)	Contract Period
As at 30 Sep. 2019		
Forward currency contract	Sell USD 27,300	From Oct, 2019 to Dec, 2019
Forward currency contract	Sell EUR 3,000	From Oct, 2019 to Dec, 2019
Forward currency contract	Sell GBP 1,881	From Sep, 2019 to Nov, 2019
As at 31 Dec. 2018		
Forward currency contract	Sell USD 39,500	From Jan, 2019 to Mar, 2019
Forward currency contract	Buy USD 490	From Jan, 2019 to Mar, 2019
Forward currency contract	Buy EUR 85	Jan, 2019
Forward currency contract	Sell GBP 1,579	From Jan, 2018 to Mar, 2019
As at 30 Sep. 2018		
Forward currency contract	Sell USD 29,500	From Oct, 2018 to Nov, 2018
Forward currency contract	Sell EUR 300	Oct 2018
Forward currency contract	Sell GBP 2,539	From Jan, 2018 to Dec, 2018

With regard to the forward foreign exchange contracts, as they have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Group has sufficient operating funds, the cash flow risk is insignificant.

(i) Fair value measurement hierarchy

a. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

b. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As at 30 Sep. 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	\$320,010	\$-	\$-	\$320,010
Forward foreign exchange contracts	-	1,525	-	1,525
Stocks	-	-	94,648	94,648
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	6,730	-	6,730

As at 31 Dec. 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$-	\$10,492	\$-	\$10,492
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	375	-	375

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

As at 30 Sep. 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Fund beneficiary certificate	\$2,736	\$-	\$-	\$2,736
Forward foreign exchange contracts	-	2,111	-	2,111
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	2,054	-	2,054

Transfers between Level 1 and Level 2 during the period

During the nine-month periods ended 30 September 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

- c. Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed.

As at 30 Sep. 2019: None.

As at 31 Dec. 2018: None.

As at 30 Sep. 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties	\$-	\$-	\$19,303	\$19,303

- (j) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Unit: Thousand								
	As at 30 September 2019			As at 31 December 2018			As at 30 September 2018		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>									
Monetary items:									
USD	\$36,675	31.02	\$1,137,659	\$45,054	30.720	\$1,384,059	\$48,347	30.530	\$1,476,034
CNY	345,104	4.345	1,499,477	207,886	4.464	928,003	130,912	4.438	580,987
EUR	7,205	33.95	244,610	4,873	35.19	171,481	4,753	35.500	168,732
CAD	7,187	23.46	168,607	7,662	22.58	173,008	7,256	23.480	170,371
GBP	20,115	38.21	768,594	17,678	38.88	687,321	17,957	39.910	716,664
<u>Financial liabilities</u>									
Monetary items:									
USD	\$8,060	31.02	\$250,021	\$11,826	30.720	\$363,295	\$10,852	30.530	\$331,312
CNY	262,886	4.345	1,142,240	308,090	4.464	1,375,314	293,691	4.438	1,303,401
EUR	1,764	33.95	59,888	1,171	35.19	41,207	1,309	35.500	46,470
CAD	1,306	23.46	30,639	1,099	22.58	24,815	1,305	23.480	30,641
GBP	24,986	38.21	954,715	17,788	38.88	691,597	20,928	39.910	835,236

The Group is unable to disclose foreign exchange gains or losses on significant assets and liabilities denominated in foreign currencies because the Group entities have too many functional currencies. The exchange gains (losses) for the nine-month periods ended 30 September 2019 and 2018 were \$21,964 and \$98,163, respectively.

(k) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize the shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

13. OTHER DISCLOSURE

(1) Information regarding significant transactions

(a) Financing provided to others for the nine-month period ended 30 September 2019: All transactions below were between consolidated entities and have been eliminated in consolidation.

No	Lender	Counterparty	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Amount drawn	Interest rate	Nature of financing (Note 4)	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
1	Globe Union Industrial (BVI) Corp.	Globe Union (UK) Ltd.	Other receivable	Yes	\$81,700 GBP 2,000,000	\$-	\$-	-	2	\$-	For operating	\$-	-	\$-	\$590,064 (Note 2)	\$1,573,504 (Note1)
1	Globe Union Industrial (BVI) Corp.	Globe Union Cayman Corp.	Other receivable	Yes	\$40,850 GBP 1,000,000	\$-	\$-	-	2	\$-	For operating	\$-	-	\$-	\$590,064 (Note 2)	\$1,573,504 (Note 1)
1	Globe Union Industrial (BVI) Corp.	Globe Union Industrial Corp.	Other receivable	Yes	\$257,656 RMB56,000,000	\$243,320 RMB 56,000,000	\$243,320 RMB 56,000,000	-	2	\$-	For operating	\$-	-	\$-	\$590,064 (Note2)	\$1,573,504 (Note1)
2	Home Boutique International Co., Ltd.	Home Boutique Co., Ltd	Other receivable	Yes	\$3,000	\$3,000	\$3,000	-	2	\$-	For operating	\$-	-	\$-	\$84,124 (Note3)	\$168,249 (Note1)

Note 1: Total financing was limited to 40% of net equity of the lender as at 30 September 2019.

Note 2: Financing to individual counterparty was limited to 15% of the net equity of the lender as at 30 September 2019.

Note 3: Financing to individual counterparty was limited to 20% of the net equity of the lender as at 30 September 2019.

Note 4: Code 1 represents an intercompany transaction calls for a loan arrangement; code 2 represents short-term financing.

(b) Endorsement/Guarantee provided to others for the nine-month period ended 30 September 2019: None.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(c) Securities held as at 30 September 2019 (excluding subsidiaries, associates and joint venture):

Company Name	Securities Held	Relationship between Issuer and the Company (Note 1)	Account Stated	As at 30 September 2019			
				Number of shares	Book Value	Ratio%	Fair Value
Globe Union Industrial Corp.	Stocks Home Boutique International Co., Ltd.	-	Financial assets at fair value through profit or loss	7,739,752	\$94,648	19%	\$94,648
Globe Union Industrial Corp.	Fund beneficiary certificates Fuh Hwa Yu Li money market fund	-	Financial assets at fair value through profit or loss	11,104,777	\$150,004	-	\$150,004
Globe Union Industrial Corp.	Fund beneficiary certificates JihSun money market fund	-	Financial assets at fair value through profit or loss	11,144,112	170,006	-	170,006
				Total	<u>\$414,658</u>		<u>\$414,658</u>

Note 1 : The column is exempt if the issuer of the securities is not a related person.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the nine-month period ended 30 September 2019:

Company Name	Securities	Account Stated (Note 1)	Counter-party	Relationship	As at 1 January 2019		Purchases		Sales				As at 30 September 2019 (Note 2)	
					Shares	Amount	Shares	Amount	Shares	Selling Price	Book Cost	Profit or Loss on Disposal	Shares	Amount
Globe Union Industrial Corp.	Stocks Home Boutique International Co., Ltd.	Investment accounted for using equity method	Singular Point Ltd.	Non-related party	62,150,000	\$548,315	-	\$-	27,422,937	\$335,352	\$326,628	\$8,724	7,739,752	\$94,648

Note 1: The percentage of ownership that Globe Union Industrial Corp. held in Home Boutique International Co., Ltd. decreased from 86.319% to 19%. Since the Company no longer has control over Home Boutique International Co., Ltd., the stated account of stocks held in the period end should be revised to financial assets at fair value through profit or loss.

Note 2: During the year, Home Boutique International Co., Ltd. reduced capital to return capital to shareholders and offset its accumulated loss .

(e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the nine-month period ended 30 September 2019: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the nine-month period ended 30 September 2019: None.

(g) Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock for the nine-month period ended 30 September 2019:

Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd.	Investee company	Purchase	\$2,768,665	29.79%	180 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences. For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	\$(1,667,333)	(84.54%)	-
Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	Investee company	Purchase	\$1,572,243	16.92%	30 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences. For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	\$(43,265)	(2.19%)	-
Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	Investee company	Sales	\$(2,333,306)	(17.97%)	7 days after Invoice date	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	\$18,703	0.71%	-
Globe Union Industrial Corp.	Globe Union (Canada) Inc..	Investee company	Sales	\$(184,608)	(1.42%)	90 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	\$75,920	2.90%	-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	\$(2,768,665)	(21.32%)	180 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	\$1,667,333	63.72%	-

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	Group direct parent company	Purchase	\$2,333,306	25.10%	7 days after Invoice date	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences. For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	\$(18,703)	(0.95%)	-
Globe Union (Canada) Inc..	Globe Union Industrial Corp.	Group direct parent company	Purchase	\$184,608	1.99%	90 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences. For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	\$(75,920)	(3.85%)	-
Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	\$(1,572,243)	(12.11%)	30 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	\$43,265	1.65%	-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co.KG	Affiliate company	Sales	\$(227,361)	(1.75%)	120 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	\$81,888	3.13%	-
Globe Union Germany GmbH & Co.KG	Shenzhen Globe Union Enterprise Co., Ltd.	Affiliate company	Purchase	\$227,361	2.45%	120 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences. For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	\$(81,888)	(4.15%)	-

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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- (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as at the nine-month period ended 30 September 2019:

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for bad debts
					Amount	collection status		
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	\$1,667,333 RMB 386,295,588	1.84 times	\$-	-	\$156,847 RMB 36,098,320	\$-

- (i) Financial instruments and derivative transactions:

Please refer to Note 6(2) and 12(h) for more details on forward foreign exchange contracts.

- (j) Significant intercompany transactions between consolidated entities are as follows:
(amount exceeding the lower of NT\$100 million or 20 percent of the capital stock)

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

No (Note1)	Company Name	Counter Party	Nature of Relationship (Note2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note3)
0	Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd	1	Purchases	\$2,768,665	Note4(1)	21.32%
0	Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd	1	Accounts payable	(1,667,333)	Note4(3)	(12.18%)
0	Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	1	Purchases	1,572,243	Note4(1)	12.11%
0	Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	1	Sales	(2,333,306)	Note4(2)	(17.97%)
0	Globe Union Industrial Corp.	Globe Union (Canada) Inc.	1	Sales	(184,608)	Note4(2)	(1.42%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Sales	(2,768,665) RMB (611,883,695)	Note4(2)	(21.32%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Accounts receivable	1,667,333 RMB 386,295,588	Note4(3)	12.18%
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH &Co.KG	3	Sales	(227,361) RMB (49,957,264)	Note4(2)	(1.75%)
2	Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	2	Purchases	2,333,306 USD 75,244,983	Note4(1)	17.97%
3	Globe Union (Canada) Inc.	Globe Union Industrial Corp.	2	Purchases	184,608 CAD 7,940,736	Note4(1)	1.42%
4	Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	2	Sales	(1,572,243) RMB (345,827,856)	Note4(2)	(12.11%)
5	Globe Union Germany GmbH &Co.KG	Shenzhen Globe Union Enterprise Co., Ltd.	3	Purchases	227,361 EUR 6,501,599	Note4(1)	1.75%

Note 1: The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Note 2: (1) represents the transactions from the parent company to a subsidiary.

(2) represents the transactions from a subsidiary to the parent company.

(3) represents the transaction between subsidiaries.

Note 3: The ratio of transaction amount to the consolidated income or assets is recognized as follows: for assets or liability, the ratio is accounted as the ending balance to consolidated total assets; however, for income or loss accounts, the ratio is based on mid-term accumulated amount to consolidated income.

Note 4: (1) A small portion of the purchase prices were different from the general purchase price due to technical and quality differences. The other products were purchased solely from related parties and thus the purchase price can't be compared with other goods purchased from the third parties.

(2) A small portion of the selling prices between related parties were the same as the general selling price. For the other selling prices, there were no comparable goods sold to the third parties.

(3) Assets and liabilities were offset against each other.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(2) Information on investees:

(a) Names, locations, main businesses and products, original investment amount, investment as at 30 September 2019, net income (loss) of investee company and investment income (loss) recognized as at 30 September 2019 (excluding investees in Mainland China):

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment Amount		Investment as at 30 September 2019			Net income (loss) of investee company	Investment income (loss) recognized	Note
				30 September 2019	31 December 2018	Number of shares	Percentage of ownership (%)	Book value			
Globe Union Industrial Corp.	Globe Union Industrial (B.V.I.) Corp.	P.O. Box 3340, Road Town, Tortola, British Virgin Islands	Holding company	\$1,434,538	\$1,434,538	44,427,680	100%	\$3,922,178	\$29,995	\$50,401	Note 1
Globe Union Industrial Corp.	Globe Union (Bermuda) Ltd.	21 Laffan Street, Hamilton HM09, Bermuda	Holding company	\$3,098,447	\$3,098,447	93,449,027	100%	\$3,569,334	\$106,848	\$86,240	Note 1
Globe Union Industrial Corp.	Globe Union Cayman Corp.	ScotiaCenter, 4 th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	Holding company	\$3,066,924	\$3,066,924	97,113,389	100%	\$1,104,374	\$143,414	\$143,414	
Globe Union Industrial Corp.	Home Boutique International Co., Ltd.	1F., No. 260, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	Selling and distributing kitchen and bathroom products	\$-	\$705,269	-	-%	\$-	\$6,442	\$5,562	Note 2

Note 1: Current investment income from investees recognized by the Company included investment gain/loss recognized by these investees from upstream/downstream transactions.

Note 2 : The board of directors approved the sale of 35,162,689 shares of Home Boutique International Co., Ltd. to Singular Point Ltd. on 2 August 2019, and the transaction of 27,422,937 shares was completed on 23 September, 2019. Therefore, the percentage of ownership that Globe Union Industrial Corp. held in Home Boutique International Co., Ltd. decreased from 86.319% to 19% and the Company thus lost control over it.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousand of New Taiwan Dollars unless Otherwise Specified)

(3) Information on investments in mainland China

**(a) Information on investments in mainland China from the Company through
Globe Union Industrial (B.V.I) Corp. and Globe Union (Bermuda) Ltd. as at 30
September 2019:**

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as at 1 January 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as at 30 September 2019	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as at 30 September 2019	Accumulated Inward Remittance of Earnings as at 30 September 2019
					Outflow	Inflow						
Shenzhen Globe Union Enterprise Co., Ltd.	Manufacturing and selling plumbing products	\$1,653,098 (RMB 380,459,896)	Investment in Mainland China companies through a company invested and established in a third region	\$-	\$-	\$-	\$-	\$70,379	100%	\$70,379 (Note 1)	\$2,740,202	\$188,508
Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	\$972,469 (RMB 223,813,280)	Investment in Mainland China companies through a company invested and established in a third region	\$520,647 (USD 16,784,252)	\$-	\$-	\$520,647 (USD 16,784,252)	\$56,063	100%	\$56,063 (Note 1)	\$1,292,999	\$-

Accumulated Investment in Mainland China as at 30 September 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$967,341 (USD 31,184,435)	\$1,478,134 (USD 47,650,991)	Not applicable (Note 2)

Note 1: The financial statements were reviewed by the public accountants of the parent company in Taiwan.

Note 2: According to Letter No. Shen-Zi-09704604680 issued by Ministry of Economic Affairs, R.O.C., the Company's investment in Mainland China is not limited to 60% of net worth or consolidated net worth specified by the Investment Commission.

(b) Please refer to Note 13(1) and (2) for more details on the significant transactions between the Company and investees in Mainland China.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousand of New Taiwan Dollars unless Otherwise Specified)

14. SEGMENT INFORMATION

For the purpose of operation, the Company operates in a single industry segment by different strategic segments, and they are classified into two segments as follows:

- (1)Segment A: In charge of selling faucets and other plumbing products and providing related services.
- (2)Segment B: In charge of manufacturing faucets and other plumbing products.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, the financial costs, financial income and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

- (1)The reportable segments' profit and loss, information are listed as follows:

- (a) For the three-month period ended 30 September 2019

	Segment A	Segment B	Adjustment and elimination	Consolidated
Revenue				
External customer	\$4,360,654	\$27,165	\$-	\$4,387,819
Inter-segment	901,517	1,688,820	(2,590,337)	-
Total revenue	<u>\$5,262,171</u>	<u>\$1,715,985</u>	<u>\$(2,590,337)</u>	<u>\$4,387,819</u>
Segment profit	<u>\$357,190</u>	<u>\$20,272</u>	<u>\$(115,811)</u>	<u>\$261,651</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(b) For the three-month period ended 30 September 2018

	Segment A	Segment B	Adjustment and elimination	Consolidated
Revenue				
External customer	\$4,464,326	\$37,958	\$-	\$4,502,284
Inter-segment	1,102,089	1,883,099	(2,985,188)	-
Total revenue	<u>\$5,566,415</u>	<u>\$1,921,057</u>	<u>\$(2,985,188)</u>	<u>\$4,502,284</u>
Segment profit	<u>\$249,163</u>	<u>\$106,866</u>	<u>\$(102,177)</u>	<u>\$253,852</u>

(c) For the nine-month period ended 30 September 2019

	Segment A	Segment B	Adjustment and elimination	Consolidated
Revenue				
External customer	\$12,866,969	\$118,537	\$-	\$12,985,506
Inter-segment	2,561,280	4,586,372	(7,147,652)	-
Total revenue	<u>\$15,428,249</u>	<u>\$4,704,909</u>	<u>\$(7,147,652)</u>	<u>\$12,985,506</u>
Segment profit	<u>\$757,583</u>	<u>\$130,567</u>	<u>\$(298,992)</u>	<u>\$589,158</u>

(d) For the nine-month period ended 30 September 2018

	Segment A	Segment B	Adjustment and elimination	Consolidated
Revenue				
External customer	\$13,266,237	\$247,676	\$-	\$13,513,913
Inter-segment	2,633,352	5,532,071	(8,165,423)	-
Total revenue	<u>\$15,899,589</u>	<u>\$5,779,747</u>	<u>\$(8,165,423)</u>	<u>\$13,513,913</u>
Segment profit	<u>\$568,512</u>	<u>\$268,484</u>	<u>\$(311,002)</u>	<u>\$525,994</u>

(2) The following table presents segment assets and liabilities of the Group' operating segments as at 30 September 2019, 31 December 2018, and 30 September 2018:

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(a) Segment assets

	Segment A	Segment B	Adjustment and elimination	Consolidated
30 Sep. 2019	\$18,222,559	\$6,769,622	\$(11,300,942)	\$13,961,239
31 Dec. 2018	\$18,380,970	\$7,124,860	\$(12,692,649)	\$12,813,181
30 Sep. 2018	\$18,630,122	\$6,877,030	\$(12,602,387)	\$12,904,765

(b) Segment liabilities

	Segment A	Segment B	Adjustment and elimination	Consolidated
30 Sep. 2019	\$8,557,223	\$1,624,678	\$(2,288,861)	\$7,893,040
31 Dec. 2018	\$8,195,119	\$1,786,557	\$(3,143,310)	\$6,838,366
30 Sep. 2018	\$8,610,000	\$1,663,706	\$(3,251,200)	\$7,022,506