

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED  
31 DECEMBER 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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## **REPORT OF INDEPENDENT ACCOUNTANTS**

### English Translation of a Report Originally Issued in Chinese

To Globe Union Industrial Corp.

#### **Opinion**

We have audited the accompanying consolidated balance sheets of Globe Union Industrial Corp. (the “Company”) and its subsidiaries as at 31 December 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2019 and 2018, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries (the “Group”) as at 31 December 2019 and 2018, and their consolidated financial performance and cash flows for the years ended 31 December 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



### Goodwill assessment

As at 31 December 2019, the goodwill was carried at NT\$719,664 thousand which accounted for 5% of the total assets. The Company performed impairment testing on the cash-generating units according to the International Financial Reporting Standards. The recoverable amount of the cash-generating units has been determined based on the value in use because their fair value cannot be reliably measured. The impairment testing indicated that the value in use of certain cash-generating units was higher than their carrying amount. We determined goodwill assessment to be a key audit matter because the carrying amounts of goodwill were material to the Group, the determination of value in use was complex, and high level of management judgment was involved when making assumptions about cash flow forecasts. Our audit procedures included, but were not limited to, evaluating whether the components of the cash-generating units have significantly changed, including analyzing the sales model and regions involved; evaluating the management’s assessment approaches and assumptions of value in use; involving internal expert to assist us in evaluating the reasonableness of key assumptions used by management such as growth rates, discount rates, and gross margin; involving internal expert to assist us in evaluating the reasonableness of key components of discount rates such as cost of equity, company-specific risk premium and market risk premium by comparing them to other companies of similar size with the cash-generating units; interviewing management and assessing the reasonableness of assumptions used in their model such as cash flows, gross margin, growth rates, and the expected future market and economic conditions; comparing the actual financials to date with previously forecast financials and analyzing the Company’s historical data and performance to assess the reasonableness of the cash flow forecast. We also assessed the adequacy of the disclosures related to result of impairment test and assumption’s sensitivity in Notes 4,5 and 6.

### Inventory valuation

As at 31 December 2019, the net inventories amounted to NT\$3,049,800 thousand, which accounted for 19% of the total consolidated assets. The determination of the provisions for obsolete inventories involved a high level of management judgment, and were subject to uncertainty due to product diversity. Furthermore, the cost of inventory included direct labor, raw material, and overhead, and the calculation and allocation were complex. Also, the allocation basis could have a material impact on the financial statements. As such, we determined this to be a key audit matter. Our audit procedures included, but were not limited to: understanding and testing the design and operating effectiveness of internal control over inventory cost and allowance for inventory; performing inventory price testing to verify the allocation of cost, direct labor, and overhead is reasonable; assessing the appropriateness of the policy of provision for excess and obsolete inventory by testing the accuracy of inventory ageing and analyzing movement of the ageing, analyzing the difference between the policy of the current year and the prior year, and analyzing the difference between the historical provisions and the actual write-off amount; verifying that inventories were valued at the lower of cost or net realizable value by comparing the book value of inventories at the balance sheet date with recent sales price on selected samples; verifying the existence and completeness of inventories by tracing items on the final inventory listing to the physical inventory compilation; attending inventory counts to understand the status of the inventories and evaluate the appropriateness of the excess and obsolescence provision. We also assessed the adequacy of the disclosures related to inventories in Notes 4,5 and 6.



### **Emphasis of Matter – Application of New Accounting Standards**

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

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

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

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

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

### **Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

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

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



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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as at and for the years ended 31 December 2019 and 2018.

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

#### Notice to Readers

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

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

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

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

(continued)

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

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

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



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the Years Ended 31 December 2019 and 2018  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

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

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

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

	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 in 2018							618,220				618,220	696	618,916
Other comprehensive income, net of tax in 2018							35,808	(60,341)			(24,533)	902	(23,631)
Total comprehensive income							654,028	(60,341)			593,687	1,598	595,285
Acquisition of treasury stock										(186,207)	(186,207)		(186,207)
Share-based payment transactions-Exercise of employee stock option	Note 2		10,606								10,606		10,606
Share-based payment transactions-Conversion of advance receipts for common stock	Note 3	13,040	(17,300)	4,260							-		-
Share-based payment transactions-Share-based payment expense				808					4,667		5,475		5,475
Balance as at 31 Dec 2018	6(20)	\$3,681,600	\$635	\$1,032,019	\$768,519	\$470,533	\$656,738	\$(522,707)	\$(3,500)	\$(186,207)	\$5,897,630	\$77,185	\$5,974,815
Balance as at 1 Jan 2019	6(20)	\$3,681,600	\$635	\$1,032,019	\$768,519	\$470,533	\$656,738	\$(522,707)	\$(3,500)	\$(186,207)	\$5,897,630	\$77,185	\$5,974,815
Appropriations of earnings, 2018:													
Legal reserve					61,822		(61,822)				-		-
Special reserve						52,174	(52,174)				-		-
Cash dividends							(461,808)				(461,808)		(461,808)
Net income in 2019							335,173				335,173	882	336,055
Other comprehensive income, net of tax in 2019							5,581	(205,507)			(199,926)	-	(199,926)
Total comprehensive income							340,754	(205,507)			135,247	882	136,129
Retirement of treasury stock		(120,000)		(32,104)			(34,103)			186,207	-		-
Decrease in non-controlling interests	Note 1											(20,521)	(20,521)
Change in ownership of subsidiaries	Note 4			(3,122)							(3,122)	(57,546)	(60,668)
Share-based payment transactions-Exercise of employee stock option	Note 2		16,163								16,163		16,163
Share-based payment transactions-Conversion of advance receipts for common stock	Note 3	10,530	(12,951)	2,421							-		-
Share-based payment transactions-Share-based payment expense									3,500		3,500		3,500
Retirement of Share options plan		(10,000)		(4,000)							(14,000)		(14,000)
Balance as at 31 Dec 2019	6(20)	\$3,572,130	\$3,847	\$995,214	\$830,341	\$522,707	\$387,585	\$(728,214)	\$ -	\$ -	\$5,573,610	\$ -	\$5,573,610

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

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

Note 2: The Company issued employee share option in 2015. During the year of 2018, employees converted their options into 205,000 shares at NT\$13.7 per share, and 614,000 shares at NT\$12.7 per share, respectively. Total consideration received was \$10,606 thousand. During the year of 2019, employees converted their options into 533,000 shares at NT\$12.7 per share, and 796,000 shares at NT\$11.8 per share, respectively. Total consideration received was \$16,163 thousand.

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

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

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

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

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

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

(Continued)



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

For the Years Ended 31 December 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

For the Years Ended 31 December 2019 and 2018

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

#### 1. HISTORY AND ORGANIZATION

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

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

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

#### 3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

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

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

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

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

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

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

## 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.

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

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

- (b) IFRS 17 Insurance Contracts

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (1) Statement of Compliance

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

##### (2) Basis of Preparation

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



## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (3) Basis of consolidation

##### (a) Preparation principle of consolidated financial statements

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

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

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

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

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

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

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

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

**GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements (Continued)

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

If the Company loses control of a subsidiary, it:

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

(b) The consolidated entities are as follows:

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

**GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

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

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

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

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

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

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (4) Foreign Currency Transactions

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

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

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

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

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

## 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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (8) Financial Instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

##### (1) Financial instruments: Recognition and Measurement

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

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

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

##### Financial assets measured at amortized cost

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

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

*Financial asset measured at fair value through other comprehensive income*

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
  - (i) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition
  - (ii) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Financial assets at fair value through profit or loss

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

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

(2) Impairment of financial assets

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

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

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



## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

The loss allowance is measured as follows:

- A. At an amount equal to 12-month expected credit losses: The credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: The credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16 (before 1 January 2019: IAS 17), the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

### (3) Derecognition of financial assets

A financial asset is derecognized when:

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

#### (4) Financial liabilities and equity

##### Classification between liabilities or equity

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

##### Equity instruments

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

##### Compound instruments

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

#### Financial liabilities

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

#### Financial liabilities at fair value through profit or loss

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

#### 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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### Derecognition of financial liabilities

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

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

#### (5) Offsetting of financial instruments

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

#### (9) Derivative instrument

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

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



## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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.

#### (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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (11) Inventories

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

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

Raw materials – Purchase cost on a weighted average method.

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

Merchandise – Purchase cost on weighted average method.

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

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

#### (12) Investments accounted for under the equity method

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

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

(13) Property, plant and equipment

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

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### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

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

#### (14) Investment property

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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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### Notes to Consolidated Financial Statements (Continued)

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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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### Notes to Consolidated Financial Statements (Continued)

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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.

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### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

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

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

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### Notes to Consolidated Financial Statements (Continued)

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

#### Group as a lessor

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

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

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

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

#### Group as a lessee

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

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### Notes to Consolidated Financial Statements (Continued)

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

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

#### Group as a lessor

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

#### (16) Intangible assets

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

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

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

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Notes to Consolidated Financial Statements (Continued)

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

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

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

	<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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

#### (18) Post-employment benefits

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

#### (19) Provisions

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



## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (20) Treasury shares

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

#### (21) Revenue recognition

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

##### Sale of goods

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

Some rendering of services contracts of the Group, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

#### (22) Borrowing cost

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

#### (23) Government grants

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

#### (24) Share-based payment transactions

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

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

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

#### (25) Income Tax

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

##### 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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

#### Deferred tax

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

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

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

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

#### (26) Business combinations and goodwill

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

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

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

#### 5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

##### (1) Judgement

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (a) Investment Property

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

#### (b) Operating lease commitment – Group as the lessor

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

#### (2) Estimates and assumptions

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

#### (a) Fair value of financial instruments

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

#### (b) Impairment of goodwill

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit.



## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

#### (c) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the discount rate and expected salary raise/cut or changes. Please refer to Note 6 for more details.

#### (d) Share-based payment transactions

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

#### (e) Revenue recognition – estimation of sales returns and allowance

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (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.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for unrecognized deferred tax assets.

#### (g) Accounts receivables—estimation of impairment loss

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

#### (h) Evaluation of inventories

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As at 31 December	
	2019	2018
Cash on hand	\$1,298	\$1,245
Demand deposits	2,109,598	2,027,419
Time deposits	1,128,503	1,073,128
Total	<u>\$3,239,399</u>	<u>\$3,101,792</u>

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

	As at 31 December	
	2019	2018
Mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments		
Fund beneficiary certificate	\$10,081	\$-
Unlisted company stocks	94,648	-
Forward foreign exchange contracts	8,778	10,492
Total	<u>\$113,507</u>	<u>\$10,492</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.

(3) Financial assets measured at amortized cost- Current

	As at 31 December	
	2019	2018
Bank deposits-time deposit (longer than three months)	\$122,522	\$107,800
Bank deposits-time deposit-pledged	60,912	47,101
Bank deposits-reserve account	42,631	108,443
Subtotal (total carrying amount)	226,065	263,344
Less: loss allowance	-	-
Total	<u>\$226,065</u>	<u>\$263,344</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

(4) Notes receivables, net

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

(5) Trade receivables, net

	As at 31 December	
	2019	2018
Trade receivables	\$2,458,193	\$2,851,655
Less: allowance for sales discounts	(146,017)	(223,583)
Less: loss allowance	(24,392)	(36,327)
Total	<u>\$2,287,784</u>	<u>\$2,591,745</u>

Trade receivables are generally on 60-150 day terms. The total carrying amount as at 31 December 2019 and 31 December 2018 were \$2,458,193 and \$2,851,655, respectively. Please refer to Note 6 (23) for more details on loss allowance of trade receivables for the years ended 31 December 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(6) Inventories

(a) Details as follows

	As at 31 December	
	2019	2018
Raw materials	\$229,022	\$319,455
Supplies & parts	8,224	10,171
Work in progress	248,246	401,961
Finished goods	378,478	326,964
Merchandise	2,185,830	2,264,005
Total	<u>\$3,049,800</u>	<u>\$3,322,556</u>

- (b) The cost of inventories recognized in expenses for the years ended 31 December 2019 and 2018 were \$12,225,546 and \$12,984,762, respectively. The profit and loss related to cost of goods sold are as follows:

	For the years ended 31 December	
	2019	2018
Losses on obsolete inventory price recovery	\$(27,047)	\$(9,407)
Scraps	(25,969)	(15,942)
Net	<u>\$(53,016)</u>	<u>\$(25,349)</u>

No inventories were pledged.

(7) Prepayments

	As at 31 December	
	2019	2018
Prepayment for purchases	\$28,493	\$31,322
VAT paid	-	19,650
Other prepayments	111,635	85,930
Total	<u>\$140,128</u>	<u>\$136,902</u>

Prepayments were not pledged.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(8) Investments accounted for using the equity method

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

Investees	As at 31 December			
	2019		2018	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in associates:				
Chengxinzhao (Zhangzhou) Hardware Co., Ltd.	\$22,030	49.00%	\$22,698	49.00%
Arte En Bronce, S.A. DE C.V.	-	48.89%	-	48.89%
Total	<u>\$22,030</u>		<u>\$22,698</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 Chengxinzhao (Zhangzhou) Hardware Co., Ltd. and Arte En Bronce, S.A. DE C.V. are not individually material. The aggregate financial information based on Group's share of associates is as follows:

	For the years ended 31 December	
	2019	2018
Gain(Loss) from continuing operations	\$33	\$(550)
Other comprehensive loss	(701)	(551)
Total comprehensive loss	<u>\$(668)</u>	<u>\$(1,101)</u>

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(9) Property, plant and equipment

	31 Dec. 2019 (Note)	31 Dec. 2018
Owner occupied property, plant and equipment	\$2,516,758	
Property, plant and equipment leased out under operating leases	-	
<b>Total</b>	<b>\$2,516,758</b>	

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

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

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
<b>Cost:</b>								
As at 1 Jan. 2019	\$139,340	\$982,405	\$1,722,471	\$53,779	\$539,916	\$646,569	\$50,569	\$4,135,049
Additions	-	15,599	1,203,188	4,048	24,237	129,382	138,617	1,515,071
Disposals	-	(28,118)	(27,675)	(1,353)	(7,660)	(36,255)	-	(101,061)
Transfers	-	-	134,180	88	-	34,205	(168,487)	(14)
Loss of control	(139,340)	(133,973)	-	(3,984)	(3,918)	-	(5,940)	(287,155)
Exchange differences	-	(18,889)	(54,534)	(209)	(7,363)	(15,752)	(1,509)	(98,256)
<b>As at 31 Dec. 2019</b>	<b>\$-</b>	<b>\$817,024</b>	<b>\$2,977,630</b>	<b>\$52,369</b>	<b>\$545,212</b>	<b>\$758,149</b>	<b>\$13,250</b>	<b>\$5,163,634</b>
<b>Depreciation and impairment:</b>								
As at 1 Jan. 2019	\$-	\$590,445	\$1,038,432	\$41,718	\$465,180	\$458,180	\$-	\$2,593,955
Depreciation	-	44,859	110,677	4,670	26,946	79,362	-	266,514
Disposals	-	(27,834)	(25,093)	(1,355)	(7,331)	(29,448)	-	(91,061)
Loss of control	-	(55,620)	-	(3,758)	(2,233)	-	-	(61,611)
Exchange differences	-	(13,127)	(27,796)	(171)	(6,848)	(12,979)	-	(60,921)
<b>As at 31 Dec. 2019</b>	<b>\$-</b>	<b>\$538,723</b>	<b>\$1,096,220</b>	<b>\$41,104</b>	<b>\$475,714</b>	<b>\$495,115</b>	<b>\$-</b>	<b>\$2,646,876</b>
<b>Net carrying amount:</b>								
31 Dec. 2019	\$-	\$278,301	\$1,881,410	\$11,265	\$69,498	\$263,034	\$13,250	\$2,516,758

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

	Land and land Improvements	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As at 1 Jan. 2018	\$139,340	\$1,247,748	\$1,596,100	\$51,822	\$521,283	\$729,408	\$68,340	\$4,354,041
Additions	-	15,800	36,816	4,903	29,685	44,450	258,177	389,831
Disposals	-	(34,327)	(37,084)	(1,647)	(10,140)	(33,956)	-	(117,154)
Transfers	-	913	224,905	-	13,331	26,749	(267,585)	(1,687)
Loss of control	-	(227,727)	(61,586)	(133)	(11,473)	(108,013)	(6,756)	(415,688)
Exchange differences	-	(20,002)	(36,680)	(1,166)	(2,770)	(12,069)	(1,607)	(74,294)
As at 31 Dec. 2018	<u>\$139,340</u>	<u>\$982,405</u>	<u>\$1,722,471</u>	<u>\$53,779</u>	<u>\$539,916</u>	<u>\$646,569</u>	<u>\$50,569</u>	<u>\$4,135,049</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	-	60,351	91,003	3,834	25,747	75,159	-	256,094
Disposals	-	(32,483)	(33,369)	(1,369)	(10,015)	(28,882)	-	(106,118)
Transfers	-	-	-	-	-	-	-	-
Loss of control	-	(102,856)	(61,586)	(133)	(11,473)	(108,013)	(6,756)	(290,817)
Exchange differences	-	(11,208)	(20,135)	(942)	(2,595)	(9,328)	(165)	(44,373)
As at 31 Dec. 2018	<u>\$-</u>	<u>\$590,445</u>	<u>\$1,038,432</u>	<u>\$41,718</u>	<u>\$465,180</u>	<u>\$458,180</u>	<u>\$-</u>	<u>\$2,593,955</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>

(c) There is no property, plant and equipment pledged as at 31 December 2019. Please refer to Note 8 for more details on property, plant and equipment under pledge as at 31 December 2018.

(d) There is no occurrence of capitalization of interest due to purchasing property, plant and equipment for the years ended 31 December 2019 and 2018.



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 31 Dec. 2019	<u>\$-</u>	
As at 1 Jan. 2018	\$19,769	
Additions from subsequent expenditure	-	
Effect of losing control of a subsidiary	(19,298)	
Exchange differences	(471)	
As at 31 Dec. 2018	<u>\$-</u>	
Depreciation and impairment:		
As at 1 Jan. 2019	\$-	
Depreciation	-	
Exchange differences	-	
As at 31 Dec. 2019	<u>\$-</u>	
As at 1 Jan. 2018	\$8,006	
Depreciation	892	
Effect of losing control of a subsidiary	(8,684)	
Exchange differences	(214)	
As at 31 Dec. 2018	<u>\$-</u>	
Net carrying amount:		
As at 31 Dec. 2019	<u>\$-</u>	
As at 31 Dec. 2018	<u>\$-</u>	
	<u>2019</u>	<u>2018</u>
Rental income from investment property	\$-	\$4,116
Less: Direct operating expenses from investment property generating rental income	-	(892)
Total	<u>\$-</u>	<u>\$3,224</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(11) Intangible assets and goodwill

	Computer software	Trademarks	Customer relationships	Goodwill	Total
Cost:					
As at 1 Jan. 2019	\$198,538	\$120,512	\$-	\$1,451,660	\$1,770,710
Addition-acquired separately	21,114	-	-	-	21,114
Loss of control	(2,903)	(43,663)	-	(108,279)	(154,845)
Exchange differences	(736)	1,129	-	20,785	21,178
As at 31 Dec. 2019	<u>\$216,013</u>	<u>\$77,978</u>	<u>\$-</u>	<u>\$1,364,166</u>	<u>\$1,658,157</u>
As at 1 Jan. 2018	\$187,208	\$122,718	\$508,553	\$1,493,356	\$2,311,835
Addition-acquired separately	13,335	-	-	-	13,335
Derecognitions	-	-	(492,221)	-	(492,221)
Exchange differences	(2,005)	(2,206)	(16,332)	(41,696)	(62,239)
As at 31 Dec. 2018	<u>\$198,538</u>	<u>\$120,512</u>	<u>\$-</u>	<u>\$1,451,660</u>	<u>\$1,770,710</u>
Amortization and impairment:					
As at 1 Jan. 2019	\$175,849	\$100,166	\$-	\$671,473	\$947,488
Amortization	12,399	5,256	-	-	17,655
Loss of control	(1,823)	(43,663)	-	(37,729)	(83,215)
Exchange differences	(768)	899	-	10,758	10,889
As at 31 Dec. 2019	<u>\$185,657</u>	<u>\$62,658</u>	<u>\$-</u>	<u>\$644,502</u>	<u>\$892,817</u>
As at 1 Jan. 2018	\$161,122	\$96,287	\$508,553	\$692,500	\$1,458,462
Amortization	16,575	5,570	-	-	22,145
Derecognitions	-	-	(492,221)	-	(492,221)
Exchange differences	(1,848)	(1,691)	(16,332)	(21,027)	(40,898)
As at 31 Dec. 2018	<u>\$175,849</u>	<u>\$100,166</u>	<u>\$-</u>	<u>\$671,473</u>	<u>\$947,488</u>
Net carrying amount:					
31 Dec. 2019	<u>\$30,356</u>	<u>\$15,320</u>	<u>\$-</u>	<u>\$719,664</u>	<u>\$765,340</u>
31 Dec. 2018	<u>\$22,689</u>	<u>\$20,346</u>	<u>\$-</u>	<u>\$780,187</u>	<u>\$823,222</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

	<u>For the years ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
Operating costs	<u>\$863</u>	<u>\$1,911</u>
Operating expenses	<u>\$16,792</u>	<u>\$20,234</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:

	<u>As at 31 December</u>	
	<u>2019</u>	<u>2018</u>
Goodwill		
- Channel unit 1	\$637,899	\$627,251
- Channel unit 2 (Note)	-	70,550
- Manufacturing unit	<u>81,765</u>	<u>82,386</u>
Total	<u>\$719,664</u>	<u>\$780,187</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 10.5% and 11.1% as at 31 December 2019 and 2018, respectively, and cash flows beyond the five-year period were extrapolated using both 0% growth rate as at 31 December 2019 and 2018, that was the same as the long-term average growth rate for the electronics industry. As a result of this analysis, management did not identify any impairment for goodwill of \$637,899 which is allocated to this cash-generating unit.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### Channel cash-generating unit 2

The recoverable amount of the channel unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The discount rate applied to cash flow projections was 12.1% as at 31 December 2018, respectively, and cash flows beyond the five-year period were extrapolated using 2% growth rate that does not exceed the long-term average growth rate for the electronics industry. The Company sold channel unit 2 on 30 September 2019.

#### Manufacturing cash-generating unit

The recoverable amount of the manufacturing unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The discount rate applied to cash flow projections was both 14.4% as at 31 December 2019 and 2018, respectively, and cash flows beyond the five-year period were extrapolated using both 0% growth rate as at 31 December 2019 and 2018, that does not exceed the long-term average growth rate for the electronics industry. As a result of this analysis, management did not identify any impairment for goodwill of \$81,765 which is allocated to this cash-generating unit.

#### Key assumptions used in value-in-use calculations

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

#### Sensitivity to changes in assumptions

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Raw materials price inflation – Management didn't consider the possibility of raw material price inflation. Budgeted price inflation remains the same because currently the international raw materials price movements are small. Management believes there is no raw materials price deviating from the budget for the years ended 31 December 2019 and 2018, and therefore no further impairment may arise.

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

The estimated long-term growth rate of channel unit 2 were 2% for the years ended 31 December 2018 . Management deemed these growth rates reasonable after considering the long-term growth rate and the economic environment for the years ended 31 December 2018. Therefore, no further impairment may result. The Company sold channel unit 2 on 30 September 2019.

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

	As at 31 December	
	2019	2018
Other assets	\$644,853	\$116,268
Others	2,733	3,799
Long-term prepaid rent (Note)	-	64,084
Total	<u>\$647,586</u>	<u>\$184,151</u>

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

The group set up a new subsidiary GU PLUMBING de MEXICO S.A. de C.V. in August 2019 and acquired the machinery, equipment and inventory of ceramic works of NAMCE, S. DE R. L. DE C.V. in the amount of \$187,890 (US\$60,000 thousand). However, the group has not completed the legal transfer of some of its assets, so it was temporarily recorded under other assets. The group accounts for other assets as of December 31, 2019 in the amount of \$577,596 (US\$19,202 thousand). A balance of \$561,721(US\$18,674 thousand) has not been paid and was recorded under other non-current liabilities.

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

(14) Short-term loans

	As at 31 December	
	2019	2018
Unsecured bank loans	\$1,235,000	\$998,000
Secured bank loans	325,566	282,137
Total	<u>\$1,560,566</u>	<u>\$1,280,137</u>
Interest Rates (%)	0.88%-2.95%	0.90%-3.00%

The Group's unused short-term lines of credits amounted to \$1,741,834 and \$1,620,263 as at 31 December 2019 and 2018, respectively.

Please refer to Note 8 for further details on secured loans.

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

	As at 31 December	
	2019	2018
Held for trading:		
Derivatives not designated as hedging Instruments		
Forward foreign exchange contracts	<u>\$793</u>	<u>\$375</u>

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(16) Other payables

	As at 31 December	
	2019	2018
Accrued VAT payables	\$25,520	\$33,030
Others	100,296	102,967
Total	<u>\$125,816</u>	<u>\$135,997</u>

(17) Accrued expenses

	As at 31 December	
	2019	2018
Accrued payroll and bonus	\$344,395	\$373,861
Accrued sales discounts	303,376	288,004
Accrued freight	51,822	106,851
Others	308,454	387,910
Total	<u>\$1,008,047</u>	<u>\$1,156,626</u>

(18) Long-term loans

(a) As at 31 Dec. 2019

Lenders	Type	As at 31 Dec. 2019	Maturity date and terms of repayment	Guarantee
CTBC Bank (Leading Bank of Syndicated Loan)	Syndicated bank loans	\$1,000,000	2018/07-2023/07 Interest is paid monthly; repayable annually starting from 2 years after the drawdown of the loan. The annual payment of each year is 100 million, 200 million, 300 million, and 400 million.	None
CTBC Bank (Leading Bank of Syndicated Loan)	Syndicated bank loans	350,000	2019/10-2023/07 Interest is paid monthly.	None
Yuanta Bank	Credit	300,000	2019/04-2022/03 Interest is paid monthly.	None
CTBC Bank	Credit	200,000	2019/10-2021/12 Interest is paid monthly.	None
KGI Bank	Credit	180,000	2019/09-2021/09 Interest is paid monthly.	None
The Shanghai Commercial & Savings Bank, Ltd.	Credit	100,000	2019/06-2021/06 Interest is paid monthly.	None



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

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

Lenders	Type	As at 31 Dec. 2019	Maturity date and terms of repayment	Guarantee
Taishin International Bank	Credit	100,000	2019/11-2021/11 Interest is paid monthly.	None
Bank SinoPac	Credit	100,000	2019/10-2022/05 Interest is paid monthly.	
Taipei Fubon Commercial Bank	Credit	100,000	2019/12-2022/11 Interest is paid monthly.	
O-Bank	Credit	100,000	2019/09-2021/09 Interest is paid monthly.	None
The Hongkong and Shanghai Banking Corporation Ltd	Credit	71,172	2019/09-2022/03 Interest is paid monthly. Payable quarterly after the grace period.	None
Subtotal		2,601,172		
Less: current portion		(131,632)		
Total		<u>\$2,469,540</u>		
Interest rate		1.230%-2.250%		

(b) As at 31 Dec. 2018

Lenders	Type	As at 31 Dec. 2018	Maturity date and terms of repayment	Guarantee
CTBC Bank (Leading Bank of Syndicated Loan)	Syndicated bank loans	\$1,000,000	2018/07-2023/07 Interest is paid monthly; repayable annually starting from 2 years after the drawdown of the loan. The annual payment of each year is 100 million, 200 million, 300 million, and 400 million.	None
KGI Bank	Credit	140,000	2018/10-2020/10 Interest is paid monthly.	None
CTBC Bank	Credit	100,000	2018/12-2020/12 Interest is paid monthly.	None
Far Eastern International Bank	Credit	100,000	2018/12-2020/12 Interest is paid monthly.	None
Chang Hwa Commercial Bank	Secured loan	90,864	2014/03-2034/03 Interest is paid monthly, with a grace period of 36 months. Payable monthly after the grace period. Due within 204 payments.	Land and buildings, Time deposits

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

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
O-Bank	Credit	30,769	2014/11-2019/10 Interest is paid monthly. With a grace period of 2 years. Payable quarterly after the grace period.	None
The Shanghai Commercial & Savings Bank, Ltd.	Credit	25,000	2016/12-2019/12 Interest is paid monthly. With a grace period of 1 year. Payable in principle 12.5 million half of a year after the grace period.	None
Subtotal		1,486,633		
Less: current portion		(61,100)		
Total		\$1,425,533		
Interest rate		1.263%-1.797%		

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

(19) Post-employment benefits

Defined contribution plan

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

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

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

Expenses under the defined contribution plan for the years ended 31 December 2019 and 2018 were \$174,906 and \$190,706 respectively.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is managed by the in-house managers or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute \$37,256 to its defined benefit plan in the next year starting from 31 December 2019.

The average duration of the defined benefits plan obligation as at 31 December 2019 and 2018, were 18 years and 21.1 years.

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Notes to Consolidated Financial Statements (Continued)

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

Pension costs recognized in profit or loss for the years ended 31 December 2019 and 2018:

	For the years ended	
	31 December	
	2019	2018
Current period service costs	\$1,009	\$4,259
Interest income or expense	10,783	10,093
Prior period service costs	-	9,175
Total	<u>\$11,792</u>	<u>\$23,527</u>

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As at		
	31 December 2019	31 December 2018	1 January 2018
Defined benefit obligation	\$1,253,624	\$1,167,359	\$1,403,916
Plan assets at fair value	(1,150,896)	(1,009,006)	(1,153,776)
Defined benefit obligation	\$102,728	\$158,353	\$250,140
Other non-current liabilities	-	-	(3,188)
Other non-current liabilities - the Group expects to contribute in the coming year	(37,256)	(20,824)	(28,563)
Other non-current liabilities - defined benefit obligation	<u>\$65,472</u>	<u>\$137,529</u>	<u>\$218,389</u>

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	As at		
	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As at 1 January 2018	\$1,403,916	\$(1,153,776)	\$250,140
Current period service costs	4,259	-	4,259
Net interest expense (income)	31,354	(21,261)	10,093
Past period service costs	9,175	-	9,175
Subtotal	<u>\$1,488,704</u>	<u>\$(1,175,037)</u>	<u>\$273,667</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		
	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(6,399)	-	(6,399)
Actuarial gains and losses arising from changes in financial assumptions	(84,423)	-	(84,423)
Experience adjustments	(14,971)	-	(14,971)
Remeasurements of the net defined benefit asset	-	62,359	62,359
Subtotal	\$(105,793)	\$62,359	\$(43,434)
Payments from the plan	(142,879)	142,879	-
Contributions by employee	428	(428)	-
Contributions by employer	-	(67,921)	(67,921)
Effect of changes in foreign exchange rates	(33,101)	29,142	(3,959)
As at 31 December 2018	\$1,167,359	\$(1,009,006)	\$158,353
Acquisition and disposal of subsidiaries	(25,898)	9,704	(16,194)
As at 31 December 2018, adjusted	1,141,461	(999,302)	142,159
Current period service costs	1,009	-	1,009
Net interest expense (income)	31,562	(20,779)	10,783
Past service cost	-	-	-
Subtotal	1,174,032	(1,020,081)	153,951
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(19,646)	-	(19,646)
Actuarial gains and losses arising from changes in financial assumptions	171,630	-	171,630
Experience adjustments	(41,570)	-	(41,570)
Remeasurements of the net defined benefit asset	-	(115,198)	(115,198)
Subtotal	110,414	(115,198)	(4,784)
Payments from the plan	(45,149)	44,983	(166)
Contributions by employee	-	-	-
Contributions by employer	-	(48,497)	(48,497)
Effect of changes in foreign exchange rates	14,327	(12,103)	2,224
As at 31 December 2019	<u>\$1,253,624</u>	<u>\$(1,150,896)</u>	<u>\$102,728</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As at 31 December	
	2019	2018
Discount rate	0.80%-4.25%	1.05%-4.25%
Expected rate of salary increases	0.00%-3.00%	0.00%-3.00%

A sensitivity analysis for significant assumption as at 31 December 2019 and 2018 is, as shown below:

	Effect on the defined benefit obligation			
	2019		2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	\$-	\$6,792	\$-	\$7,378
Discount rate decrease by 0.5%	7,414	-	8,821	-
Future salary increase by 0.5%	7,212	-	8,668	-
Future salary decrease by 0.5%	-	6,684	-	7,331

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(20) Equities

(a) Common stock

The Company's authorized capital was \$6,000,000 on 1 January 2018, divided into 600,000,000 shares with par value of NT\$10 each. The paid-in capital amounted to \$3,668,560, with 367,390,962 shares issued. Among the issued and outstanding shares, 535,000 shares have not completed the registration process and were booked as collection in advance in the amount of \$7,329. Each share has one voting right and a right to receive dividends.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

The Company issued employee share option in 2015. As of 1 January 2018, the employees converted their options into 2,502,000 shares at NT\$13.7 per share. The above share options executed amounted to 535,000 shares which have completed the registration process in the first quarter of 2018 and have converted into common stock.

For the year ended 31 December 2018, the employees converted their options into 205,000 shares at NT\$13.7 per share and 614,000 shares at NT\$12.7 per share, a total of 819,000 shares were converted. As at 31 December 2018, the above share options executed amounted to 3,321,000 shares, among them, 3,271,000 shares have completed the registration process while 50,000 shares have not and were booked as collection in advance.

As at 31 December 2018, the Company's authorized capital was \$6,000,000, divided into 600,000,000 shares with par value of NT\$10 each. The paid-in capital amounted to \$3,681,600, with 368,209,962 shares issued. Among the issued and outstanding shares, 50,000 shares have not completed the registration process and were booked as collection in advance in the amount of \$635. Each share has one voting right and a right to receive dividends. The above share options executed was 50,000 shares have completed the registration process in the first quarter of 2019 and have converted into common stock.

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

The Company resolved at its board meeting held on 8 November 2019 to retire 1,000,000 shares of share options plan in the amount of \$10,000. The record date of capital decrease was 27 November 2019. The abovementioned transaction was approved by the competent authority on 27 November 2019.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

For the year ended 31 December 2019, the employees converted their options into 533,000 shares at NT\$12.7 per share and 796,000 shares at NT\$11.8 per share, with a total of 1,329,000 shares were converted. The above share options executed amounted to 4,650,000 shares, among them, 4,324,000 shares have completed the registration process while 326,000 shares have not and were booked as collection in advance.

As at 31 December 2019, the Company's authorized capital was \$6,000,000, divided into 600,000,000 shares with par value of NT\$10 each. The paid-in capital amounted to \$3,562,130, divided into 356,538,962 shares. Among the issued and outstanding shares, 326,000 shares have not completed the registration process and were booked as collection in advance in the amount of \$3,847. Each share has one voting right and a right to receive dividends.

(b) Capital surplus

	As at 31 December	
	2019	2018
Additional paid-in capital	\$954,933	\$984,616
Share of changes in net assets of associates and joint ventures accounted for using the equity method	6,005	9,127
Premium from merger	1,895	1,895
Share-based payment transactions	32,381	32,381
Restricted stocks for employees	-	4,000
Total	<u>\$995,214</u>	<u>\$1,032,019</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.



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(c) Treasury stock

	Buying back to write off the stock (in thousand shares)	Total (in thousand dollars)
01 Jan. 2019	12,000	\$186,207
Decrease	(12,000)	(186,207)
31 Dec. 2019	-	\$-

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

(d) Retained earnings and dividend policies

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

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

	<u>Appropriation of earnings</u>		<u>Dividend per share (NT\$)</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
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

Restricted stocks for employees issuance as approved and resolved by the shareholder's meeting. Please refer to Note 6 (21) for details.

	2019	2018
Beginning balance	\$(3,500)	\$(8,167)
Recognized shared-based payment expense	3,500	4,667
Ending balance	\$-	\$(3,500)

(f) Non-controlling interests

	For the years ended 31 December	
	2019	2018
Beginning balance	\$77,185	\$75,587
Net income attributable to non-controlling interests	882	696
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	-	255
Remeasurements of defined benefit plans	-	647
Subsidiary carried out capital reduction and returned capital contribution	(20,521)	-
Subsidiary disposal by equity method	(57,546)	-
Ending balance	\$-	\$77,185

(21) Share-based payment plans

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

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

Date of grant	Total number of share options granted (unit)	Total number of share options outstanding (unit)	Shares to be subscribed (unit)	Exercise price of share options (NT\$)
29 Oct 2015	10,500	3,055	3,055	\$11.80

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

	As at 31 December			
	2019		2018	
	Number of share options outstanding (unit)	Weighted average exercise price of share options (NT\$)	Number of share options outstanding (unit)	Weighted average exercise price of share options (NT\$)
Outstanding at beginning of period	4,534	\$12.70	5,753	\$13.70
Converted	(1,329)	12.16	(819)	12.95
Forfeited	(150)	11.80	(400)	12.70
Outstanding at end of period	<u>3,055</u>	<u>\$11.80</u>	<u>4,534</u>	<u>\$12.70</u>
Weighted average fair value of share options (NT\$)	<u>\$-</u>		<u>\$-</u>	

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 31 December 2019:

Share options	Range of exercise price (NT\$)	Number (unit)	Maturity date	Share options outstanding		Share options exercisable	
				Weighted average remaining contractual life (Years)	Weighted average exercise price of share options (NT\$)	Weighted average exercise price of share options (NT\$)	Weighted average exercise price of share options (NT\$)
2015/10/29 Share options plan- 1,800 units firstly issued	\$11.80	450	2020/10/28	0.83	\$11.80	450	\$11.80
2015/10/29 Share options plan -8,700 units secondly issued	11.80	2,605	2020/10/28	0.83	11.80	2,605	11.80

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

The compensation cost is accounted for under the fair value method. The fair value of the share options is estimated at the grant date using a Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. The Company recognized compensation expense of \$0 and \$808 in 2019 and 2018. The following table lists the inputs to the model used for the plan:

For the 1,800 units first issued:

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

For the 8,700 units secondly issued:

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

- (b) The Company issued restricted stocks for employees in the amount of \$10,000, up to 1,000,000 shares in total. The Company will issue these shares at one time within one year following shareholder's meeting.
- a. The vesting condition of restricted stocks for employees is as follows:
- i. Employees must remain in service for 3 years or more after being vested
  - ii. Performance period is from 2016 to 2018
  - iii. Employees could be vested 50% of the shares when the average return on equity is more than 8% in performance period; 100%, when average return on equity is more than 10% in performance period.
- b. The restricted rights before being vested shares are as follows:
- i. Employees may not sell, pledge (as collateral or security), assign, give away, or in any other manner dispose of the restricted stocks.
  - ii. The restricted stocks are not entitled to receive cash or stock dividends, cash or stocks from capital reserves and participate in cash capital increase.
  - iii. Employees are not entitled to attend shareholders' meetings, propose, speak, vote and engage in any other matters related to shareholders' rights and interests.

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

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

In November 2019, the Company withdrew 1,000,000 shares of restricted stock for employees for those who did not meet the established conditions, and reduced the capital reserve of restricted stock for employees by \$ 4,000 and reversed salary of \$ 14,000.

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

	For the years ended 31 December	
	2019	2018
Revenue from contracts with customers		
Sale of goods	\$18,399,617	\$19,458,496
sales returns and allowance	(1,376,191)	(1,579,376)
Total	\$17,023,426	\$17,879,120

(a) Disaggregation of revenue

2019.1.1~2019.12.31

	Taiwan Segment	China Segment	America Segment	Europe Segment	Total
Sale of goods	\$5,350,292	\$146,040	\$5,345,766	\$6,181,328	\$17,023,426
Timing of revenue recognition					
At a point in time	\$4,799,214	\$146,040	\$5,345,766	\$6,181,328	\$16,472,348
Over time	551,078	-	-	-	551,078
Total	\$5,350,292	\$146,040	\$5,345,766	\$6,181,328	\$17,023,426

2018.1.1~2018.12.31

	Taiwan Segment	China Segment	America Segment	Europe Segment	Total
Sale of goods	\$6,391,537	\$235,668	\$5,436,378	\$5,815,537	\$17,879,120
Timing of revenue recognition					
At a point in time	\$5,689,031	\$235,668	\$5,436,378	\$5,815,537	\$17,176,614
Over time	702,506	-	-	-	702,506
Total	\$6,391,537	\$235,668	\$5,436,378	\$5,815,537	\$17,879,120

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(b) Contract balances

Contract liabilities - current

	<u>2019.12.31</u>	<u>2018.12.31</u>	<u>2018.1.1</u>
Sales of goods	<u>\$20,272</u>	<u>\$276,008</u>	<u>\$266,926</u>

The significant changes in the Group's balances of contract liabilities for the years ended 31 December 2019 and 2018 are as follows:

	<u>For the years ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
The opening balance	\$(259,842)	\$(247,626)
transferred to revenue		
Increase in receipts in advance	268,746	257,452
during the period (excluding the amount incurred and transferred to revenue during the period)		
Loss of control	(264,117)	(343)
Exchange differences	(523)	(401)

(23) Expected credit losses/ (gains)

	<u>For the years ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
Operating expenses – Expected credit losses/(gains)		
Notes receivables	\$-	\$-
Accounts receivables	270	10,486
Total	<u>\$270</u>	<u>\$10,486</u>

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

The credit risk for the Group's financial assets measured at amortized cost is assessed as low, while the Group only transacts with banks and financial institutions with good credit rating. Therefore, the loss allowance is \$0 measured at 0% expected credit loss.



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

2019.12.31

	Not yet due	Overdue				Total
	(note)	1-90 days	90-180 days	181-365 days	Upon 366 days	
Gross carrying amount	\$2,041,705	\$229,406	\$21,050	\$11,174	\$8,841	\$2,312,176
Loss ratio	0.20%	4.42%	0.00%	12.20%	99.00%	
Lifetime						
Expected credit losses	(4,146)	(10,130)	(1)	(1,362)	(8,735)	(24,392)
Carrying amount	<u>\$2,037,559</u>	<u>\$219,276</u>	<u>\$21,049</u>	<u>\$9,812</u>	<u>\$88</u>	<u>\$2,287,784</u>

2018.12.31

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

The movement in the provision for impairment of note receivables and trade receivables during the years ended 31 December 2019 and 2018 is as follows:

	<u>Note receivables</u>	<u>Trade receivables</u>
Beginning balance at 2019.1.1	\$-	\$36,327
Addition for the current period	-	270
Write off	-	(9,699)
Loss of control	-	(1,464)
Exchange differences	-	(1,042)
Ending balance at 2019.12.31	<u>\$-</u>	<u>\$24,392</u>
	<u>Note receivables</u>	<u>Trade receivables</u>
Beginning balance at 2018.1.1 (in accordance with IAS 39)	\$-	\$35,890
Transition adjustment to retained earnings at 2018.1.1	<u>-</u>	<u>-</u>
Beginning balance at 2018.1.1 (in accordance with IFRS 9)	-	35,890
Addition for the current period	-	10,486
Write off	-	(9,839)
Exchange differences	-	(210)
Ending balance at 2018.12.31	<u>\$-</u>	<u>\$36,327</u>

(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:

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

A. Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

	<u>As at 31 December</u>	
	<u>2019</u>	<u>2018 (Note)</u>
Land	\$65,140	
Buildings	1,818,430	
Machinery and equipment	41,993	
Transportation equipment	36,274	
Other equipment	<u>94,702</u>	
Total	<u>\$2,056,539</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.

During the year ended 31 December 2019, the Group's additions to right-of-use assets amounted to NT\$840,647 thousand.

b. Lease liabilities

	<u>As at 31 December</u>	
	<u>2019</u>	<u>2018 (Note)</u>
Lease liabilities	<u>\$2,056,591</u>	
Current	<u>\$231,910</u>	
Non-current	<u>\$1,824,681</u>	

Please refer to Note 6 (26)(c) for the interest on lease liabilities recognized during the year ended 31 December 2019 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 December 2019.

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	<u>For the years ended 31 December</u>	
	<u>2019</u>	<u>2018 (Note)</u>
Land	\$2,833	
Buildings	230,857	
Machinery and equipment	14,103	
Transportation equipment	18,521	
Other equipment	55,443	
Total	<u>\$321,757</u>	

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

	<u>For the years ended 31 December</u>	
	<u>2019</u>	<u>2018 (Note)</u>
The expenses relating to short-term leases	\$19,932	
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	8,734	
The expenses relating to variable lease payments not included in the measurement of lease liabilities	6,411	
Total	<u>\$35,077</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 year ended 31 December 2019, the Group's total cash outflows for leases amounted to NT\$393,581 thousand.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

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

	As at 31 December	
	2019 (Note)	2018
Not later than one year		\$329,273
Later than one year but not later than five years		887,104
Later than five years		680,811
Total		<u>\$1,897,188</u>

Operating lease expenses recognized are as follows:

	For the years ended 31 December	
	2019	2018
Minimum lease payments	(Note)	<u>\$182,886</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

- (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.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(ii) Extension and termination options

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

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

(25) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended 31 December 2019 and 2018:

Nature \ Function	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$1,012,700	\$1,645,807	\$2,658,507	\$1,144,584	\$1,609,595	\$2,754,179
Labor and health insurance	19,368	128,492	147,860	22,542	127,945	150,487
Pension	125,021	61,677	186,698	134,936	79,297	214,233
Other employee benefits expense	6,171	22,911	29,082	7,278	24,905	32,183
Depreciation	204,441	383,830	588,271	167,267	89,719	256,986
Amortization	863	16,792	17,655	1,911	20,234	22,145

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

Based on profit of the year ended 31 December 2019, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2019 to be 3.37% and 0.63% of profit of the current year, respectively, recognized as salary expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2019 amount to \$13,528 and \$2,542, respectively. The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2018 to be 3.2% and 0.57% of profit of the current year, respectively. The employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2018 amount to \$22,925 and \$4,045, respectively, recognized as salary expense.

A resolution was passed at a board meeting held on 5 March 2020 to distribute \$13,459 and \$2,530 in cash as 2019 employees' compensation and remuneration to directors and supervisors, respectively. The difference of \$(81) between the actual employee bonuses and the estimated amount of \$16,070 was recognized as an adjustment to current income in 2020.

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

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

	<u>For the years ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
Interest income		
Financial assets measured at amortized cost	\$58,933	\$71,447
Others	157,115	77,904
Total	<u>\$216,048</u>	<u>\$149,351</u>

(b) Other gains and losses

	<u>For the years ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
Losses on disposal of property, plant and equipment	\$(2,584)	\$(2,012)
Gains on disposal of investment	8,903	48,516
Foreign exchange gains (losses), net	(15,048)	89,566
Gains and losses on financial assets and liabilities at fair value through profit or loss	39,336	12,104
Others (Note)	(12,148)	(71,138)
Total	<u>\$18,459</u>	<u>\$77,036</u>

Note: PJH Group Limited, a subsidiary of the Company, had a fire incident in one of the leased warehouses on 15 November 2018. The warehouse and inventory in the premises were fully insured. Upon settling the insurance claims, the net income as a result of claim settlement less casualty losses was \$5,868, and PJH Group Limited incurred no significant property loss.



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(c) Finance costs

	<u>For the years ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
Interest on loans from bank	\$53,800	\$48,560
Interest on lease liabilities	88,265	(Note)
Total	<u>\$142,065</u>	<u>\$48,560</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.

(27) Components of other comprehensive income

For the year ended 31 December 2019:

	<u>Arising during the period</u>	<u>Reclassification adjustments during the period</u>	<u>Other comprehensive income, before tax</u>	<u>Income tax effect</u>	<u>Other comprehensive income, net of tax</u>
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$4,784	\$-	\$4,784	\$797	\$5,581
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(204,806)	-	(204,806)	-	(204,806)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(701)	-	(701)	-	(701)
Total of other comprehensive income	<u>\$(200,723)</u>	<u>\$-</u>	<u>\$(200,723)</u>	<u>\$797</u>	<u>\$(199,926)</u>

**GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
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For the year ended 31 December 2018:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$43,434	\$-	\$43,434	\$(6,979)	\$36,455
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(59,535)	-	(59,535)	-	(59,535)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(551)	-	(551)	-	(551)
Total of other comprehensive income	<u>\$ (16,652)</u>	<u>\$-</u>	<u>\$ (16,652)</u>	<u>\$ (6,979)</u>	<u>\$ (23,631)</u>

**(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:

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(a) Income tax expense recognized in profit or loss

	<u>For the years ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
Current income tax expense:		
Current income tax charge	\$147,822	\$121,476
Adjustments in respect of current income tax of prior periods	-	20,000
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(346)	46,387
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	-	(7,755)
Deferred tax expense (income) relating to origination and reversal of tax loss and tax credit	-	4,368
Total income tax expense	<u>\$147,476</u>	<u>\$184,476</u>

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

	<u>For the years ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
Deferred tax expense (income):		
Remeasurements of defined benefit plans	\$(797)	\$6,979
Income tax relating to components of other comprehensive income	<u>\$(797)</u>	<u>\$6,979</u>

(c) Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate is as follows:

	<u>For the years ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
Accounting profit before tax from continuing operations	\$483,531	\$803,392
Tax at the domestic rates applicable to profits in the country concerned	\$166,799	\$156,558
Tax effect of revenues exempt from taxation	(39,083)	-
Tax effect of expenses not deductible for tax purposes	15,849	25,190
Deferred tax effect of tax rate change	-	(7,755)
Tax effect and its reversal of temporary difference	-	(9,517)
Adjustments in respect of current income tax of prior periods	-	20,000
Additional income tax on unappropriated earnings	3,911	-
Total income tax expenses recorded in profit or loss	<u>\$147,476</u>	<u>\$184,476</u>

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

(d) Deferred tax assets (liabilities) relate to the following:

(a) For the year ended 31 December 2019:

Items	Beginning balance as at 1 January	Recognized in profit or loss	Recognized in other comprehensiv e income	Disposal of subsidiary	Exchange differences	Ending balance as at 31 December
Temporary difference						
Allowance to reduce inventories to market value	\$58,252	\$(4,106)	\$-	\$2,725	\$1,343	\$58,290
Non-current liability – Defined benefit Liability	44,463	24,158	(797)	5,110	(1,869)	17,861
Unused tax losses	1,269	-	-	1,269	-	-
Unrealized intragroup profits and losses	86,821	(7,169)	-	-	2,129	91,861
Accrued expense	(2,008)	4,800	-	-	(165)	(6,643)
Allowance for sales discounts	30,178	1,017	-	-	98	29,063
Bad debt loss	8,685	1,137	-	50	160	7,338
Unrealized impairment loss	(59)	(53)	-	-	1	(7)
Unrealized exchange gain or loss	(10,179)	(8,673)	-	272	(1)	(1,777)
Revaluations of financial assets and liabilities at fair value through profit or loss	(1,934)	(283)	-	25	-	(1,676)
Depreciation	(20,430)	(11,174)	-	-	(493)	(8,763)
Deferred tax expense/ (income)		<u>\$(346)</u>	<u>\$(797)</u>	<u>\$9,451</u>	<u>\$1,203</u>	
Net deferred tax assets/ (liabilities)	<u>\$195,058</u>					<u>\$185,547</u>
Reflected in balance sheet as follows:						
Deferred tax assets	<u>\$232,286</u>					<u>\$215,181</u>
Deferred tax liabilities	<u>\$(37,228)</u>					<u>\$(29,634)</u>

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

(b) For the year ended 31 December 2018:

Items	Beginning balance as at 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance as at 31 December
Temporary difference					
Allowance to reduce inventories to market value	\$55,188	\$(1,402)	\$-	\$(1,662)	\$58,252
Non-current liability – Defined benefit Liability	55,487	5,112	6,979	(1,067)	44,463
Unused tax losses	5,589	4,368	-	(48)	1,269
Unrealized intragroup profits and losses	77,304	(9,517)	-	-	86,821
Accrued expense	16,378	18,412	-	(26)	(2,008)
Allowance for sales discounts	34,460	9,436	-	(5,154)	30,178
Bad debt loss	7,879	(595)	-	(211)	8,685
Unrealized impairment loss	(136)	(75)	-	(2)	(59)
Unrealized exchange gain or loss	4,250	15,178	-	(749)	(10,179)
Revaluations of financial assets and liabilities at fair value through profit or loss	(471)	1,380	-	83	(1,934)
Depreciation	(18,926)	703	-	801	(20,430)
Deferred tax expense/ (income)		<u>\$43,000</u>	<u>\$6,979</u>	<u>\$(8,035)</u>	
Net deferred tax assets/ (liabilities)	<u>\$237,002</u>				<u>\$195,058</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$260,459</u>				<u>\$232,286</u>
Deferred tax liabilities	<u>\$(23,457)</u>				<u>\$(37,228)</u>

(c) Unrecognized deferred tax assets

As at 31 December 2019 and 2018, deferred tax assets that have not been recognized amount to \$217,322 and \$357,168 respectively.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(e) Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As at 31 December 2019 and 2018, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregate to \$3,235,185 and \$3,794,066, respectively.

(f) The unutilized accumulated losses for the Group were as follows:

Occurrence Year	Accumulated losses	Balance of unused investment tax credits as at		Expiration Year
		31 December 2019	31 December 2018	
2011	6,298	-	5,437	2021
2012	3,607	-	3,607	2022
2013	4,337	-	4,337	2023
2014	-	-	-	2024
2015	5,153	-	5,153	2025
2016	6,230	-	6,230	2026
2017	4,848	-	4,848	2027

(g) The assessment of income tax returns

As at 31 December 2019, the assessment of the income tax returns of the Company is as follows:

	The assessment of income tax returns
Globe Union Industrial Corp.	Assessed and approved up to 2017

As at 31 December 2019, all foreign subsidiaries governed by foreign tax authorities have filed income tax returns up to 2018.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(29) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>For the years ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands of NT\$)	<u>\$335,173</u>	<u>\$618,220</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>354,782</u>	<u>365,195</u>
Basic earnings per share (NT\$)	<u>\$0.94</u>	<u>\$1.69</u>
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands of NT\$)	\$335,173	\$618,220
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	<u>\$335,173</u>	<u>\$618,220</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	354,782	365,195
Employee compensation—stock (in thousands)	775	1,398
Employee stock options (in thousands)	1,453	1,628
Restricted stock for employees (in thousands)	<u>-</u>	<u>806</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>357,010</u>	<u>369,027</u>
Diluted earnings per share (NT\$)	<u>\$0.94</u>	<u>\$1.68</u>

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.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(30) Disposal of subsidiary

The Group's subsidiary: Globe Union Industrial (B.V.I.) Corp. sold Qingdao Globe Union Technology Industrial Corp. to Qingdao Kaili Xiangtong Investment Management Co., Ltd. in December 2018, so the Group lost control of Qingdao Globe Union Technology Industrial Corp.

(1) The analysis for assets and liabilities of the entity no longer in control

	Disposal of Qingdao Globe Union Technology Industrial Corp.
Current assets	
Cash	\$2,823
Property, plant, and equipment	124,871
Investment property	10,614
Long-term prepaid rent (land use rights)	56,110
Current liability	
Account payable	(20)
Contract liabilities	(334)
Other account payable	(1,753)
Other current liability	(862)
Exchange difference	10,637
Disposal of net assets	<u><u>\$202,086</u></u>

(2) Gain on disposal of investments

	2018.1.1~ 2018.12.31
Disposal consideration	\$283,228
Transaction costs	(32,664)
Disposal of net assets	(202,086)
Gain on disposal	<u><u>\$48,478</u></u>



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(3) Net cash outflow from disposal of subsidiaries

	2018.1.1~
	<u>2018.12.31</u>
The consideration in cash	\$-
Disposition of cash and cash equivalents balances	(2,823)
Payment for transaction costs	(158)
Net cash outflow from disposal of subsidiaries	<u><u>\$(2,981)</u></u>

The consideration from disposal of a subsidiary was \$283,228 and unpaid transaction cost was \$32,506, which was recognized as other receivables and other payable as at 31 December 2018, respectively.

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

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

	<u>Disposal of Home Boutique International Co., Ltd.</u>
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

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.
Right of use assets	71,942
Goodwill	9,229
Deferred tax assets	10,867
Refundable deposits	7,196
Deferred expenses	1,086
Other non-current assets - others	35,004
Current liabilities	
Financial assets held for trading	(145)
Contract liabilities - current	(264,117)
Notes payables	(3,812)
Accounts payables	(56,495)
Other payables	(3,053)
Accrued expenses	(69,947)
Lease liabilities - current	(26,085)
Long 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

	2019.1.1~2019.12.31
Consideration received	\$335,352
Additional paid-in capital - share of changes in net assets of associates and joint ventures accounted for using the equity method	3,122
Disposal of goodwill	(61,321)
Stocks of Home Boutique International Co., Ltd. (19%) (Note)	94,648
Disposal of net assets	<u>(363,077)</u>
Gain on disposal	<u>\$8,724</u>

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.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(c) Net cash outflow from disposal of subsidiaries

	2019.1.1~ 2019.12.31
The consideration in cash	\$335,352
Less: Disposition of cash and cash equivalents balances	(118,030)
Net cash outflow from disposal of subsidiaries	<u>\$217,322</u>

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>
Chengxinzhao (Zhangzhou) Hardware Co., Ltd.	Associate

Significant transactions with related parties

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

	<u>As at 31 December</u>	
	<u>2019</u>	<u>2018</u>
Chengxinzhao (Zhangzhou)	<u>\$1,692</u>	<u>\$1,692</u>

(b) Key management personnel compensation

	<u>For the years ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$185,755	\$180,975
Post-employment benefits	3,226	6,786
Total	<u>\$188,981</u>	<u>\$187,761</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
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**8. ASSETS PLEDGED AS SECURITY**

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

Assets pledged for security	Carrying amount as at		Secured liabilities
	31 December		
	2019	2018	
Accounts receivable	\$655,900	\$651,389	Security for loans
Financial assets measured at amortized cost	103,543	155,544	Security for loans
Land	-	139,340	Security for loans
Buildings	-	42,908	Security for loans
Total	<u>\$759,443</u>	<u>\$989,181</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 30 September 2023. The rent is adjusted based on the land price, and current monthly rent is \$72.
- (2) The Company and its subsidiaries provided endorsement/guarantee to related parties. Please refer to Note 13(1) (b) for more details.
- (3) In June 2018, the Company has entered into a syndicated loan agreement with CTBC Bank and ten other lending institutions of syndicated credits, such as O-Bank, E.SUN Commercial Bank, and Taipei Fubon Commercial Bank. The agreement contains the following restrictive covenants:
  - (a) The current ratio shall not be lower than 100%.
  - (b) The liability ratio shall not be higher than 180%.
  - (c) The interest coverage ratio shall not be lower than 2.

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
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10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As at 31 December	
	2019	2018
Financial assets at fair value through profit or loss:		
Mandatorily measured at Fair value through profit or loss	\$113,507	\$10,492
Financial assets measured at amortized cost (Note 1)	5,751,950	5,985,196

Financial liabilities

	As at 31 December	
	2019	2018
Financial liabilities at amortized cost:		
Short-term borrowings	\$1,560,566	\$1,280,137
Notes and accounts payable	2,073,946	2,164,087
Long-term loans (including current portion with maturity less than 1 year)	2,601,172	1,486,633
Leases liabilities (including current portion with maturity less than 1 year)	2,056,591	(Note 2)
Financial liabilities at fair value through profit or loss:		
Held for trading	793	375

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (2) Financial risk management objectives and policies

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

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

#### (3) Market risk

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

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

##### a. Foreign currency risk

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

	Increase (decrease) in equity	Decrease (increase) in profit or loss
For the year ended 31 December 2019	\$-	\$8,202
For the year ended 31 December 2018	\$-	\$10,208

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

	Increase (decrease) in equity	Decrease (increase) in profit or loss
For the year ended 31 December 2019	\$-	\$2,218
For the year ended 31 December 2018	\$-	\$(4,473)

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

b. Equity price risk

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### c. Interest rate risk

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

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December 2019 and 2018 to decrease/increase by \$4,162 and \$2,767, respectively.

#### (4) Credit risk management

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



## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

The Group adopted IFRS 9 to assess the expected credit losses. The Group makes an assessment at each reporting date as to whether the debt instrument investments are still considered low credit risk, and then further determines the method of measuring the loss allowance and the loss rates.

The Group used simplified approach (Note) to assess the expected credit losses of accounts receivables. As at 31 December 2019 and 2018, the Group's note receivables are not overdue, and the loss allowances was measured at \$0 with the Group's expected credit loss estimated at 0%.

Note: By using simplified approach (loss allowance is measured at lifetime expected credit losses), including accounts and notes receivables.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(5) Liquidity risk management

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

Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
As at 31 Dec. 2019					
Short-term borrowings	\$1,563,390	\$-	\$-	\$-	\$1,563,390
Notes and accounts payable	2,073,946	-	-	-	2,073,946
Long-term borrowings (including current portion with maturity less than 1 year)	171,423	1,771,498	756,739	-	2,699,660
Other payables	125,816	-	-	-	125,816
Leases liabilities	356,772	600,825	477,696	1,898,460	3,333,753
As at 31 Dec. 2018					
Short-term borrowings	\$1,282,025	\$-	\$-	\$-	\$1,282,025
Notes and accounts payable	2,164,087	-	-	-	2,164,087
Long-term borrowings (including current portion with maturity less than 1 year)	85,178	688,864	726,846	68,513	1,569,401
Other payables	135,997	-	-	-	135,997

Derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
As at 31 Dec. 2019					
Inflows	\$40,707	\$-	\$-	\$-	\$40,707
Outflows	(41,500)	-	-	-	(41,500)
Net	<u>\$(793)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(793)</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
As at 31 Dec. 2018					
Inflows	\$54,815	\$-	\$-	\$-	\$54,815
Outflows	<u>(55,190)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,190)</u>
Net	<u><u>\$(375)</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$(375)</u></u>

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2019:

	<u>Short-term</u>	<u>Long-term</u>	<u>Leases</u>	<u>Total liabilities</u>
	<u>borrowings</u>	<u>borrowings</u>	<u>liabilities</u>	<u>from financing</u>
				<u>activities</u>
As at 1 Jan. 2019	\$1,280,137	\$1,486,633	\$1,561,951	\$4,328,721
Cash flows	280,429	1,201,413	(270,239)	1,211,603
Non-cash flows (Note)	<u>-</u>	<u>(86,874)</u>	<u>764,879</u>	<u>678,005</u>
As at 31 Dec. 2019	<u><u>\$1,560,566</u></u>	<u><u>\$2,601,172</u></u>	<u><u>\$2,056,591</u></u>	<u><u>\$6,218,329</u></u>

Note: The Group's right-of-use assets increased by \$836,836, while long term loans and lease liabilities decreased by \$86,874 and \$71,957, respectively, due to loss of control.

Reconciliation of liabilities for the year ended 31 December 2018:

	<u>Short-term</u>	<u>Long-term</u>	<u>Total liabilities</u>
	<u>borrowings</u>	<u>borrowings</u>	<u>from financing</u>
			<u>activities</u>
As at 1 Jan. 2018	\$1,358,471	\$1,567,653	\$2,926,124
Cash flows	(78,334)	(81,020)	(159,354)
As at 31 Dec. 2018	<u><u>\$1,280,137</u></u>	<u><u>\$1,486,633</u></u>	<u><u>\$2,766,770</u></u>

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (7) Fair values of financial instruments

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

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

- i. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- iv. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

v. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

b. Fair value of financial instruments measured at amortized cost

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

c. Fair value measurement hierarchy for financial instruments

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

(8) Derivative financial instruments

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

#### 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 thousands)	Contract Period
As at 31 Dec. 2019		
Forward currency contract	Sell USD 39,500	From Jan. 2020 to Mar. 2020
Forward currency contract	Sell GBP 1,263	From Dec. 2019 to Feb. 2020

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Items (by contract)	Notional Amount (in thousands)	Contract Period
As at 31 Dec. 2018		
Forward currency contract	Sell USD 39,500	From Jan. 2019 to Mar. 2019
Forward currency contract	Buy USD 490	From Jan. 2019 to Mar. 2019
Forward currency contract	Buy EUR 85	Jan. 2019
Forward currency contract	Sell GBP 1,579	From Jan. 2019 to Mar. 2019

The counterparties for the aforementioned derivatives transactions are well known local or overseas banks, as they have sound credit ratings, the credit risk is insignificant.

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

(9) Fair value measurement hierarchy

a. Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

As at 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	\$10,081	\$-	\$-	\$10,081
Forward foreign exchange contracts	-	8,778	-	8,778
Stocks	-	-	94,648	94,648
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	793	-	793

As at 31 December 2018

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

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

None.

(10) Significant assets and liabilities denominated in foreign currencies

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

	Unit: Thousands					
	As at 31 December 2019			As at 31 December 2018		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$36,897	30.08	\$1,109,862	\$45,054	30.72	\$1,384,059
CNY	320,793	4.32	1,385,826	207,886	4.46	928,003
EUR	7,840	33.74	264,522	4,873	35.19	171,481
CAD	5,673	23.07	130,876	7,662	22.58	173,008
GBP	20,003	39.54	790,919	17,678	38.88	687,321
<u>Financial liabilities</u>						
Monetary items:						
USD	\$9,629	30.08	\$289,640	\$11,826	30.72	\$363,295
CNY	269,447	4.32	1,164,011	308,090	4.46	1,375,314
EUR	2,161	33.74	72,912	1,171	35.19	41,207
CAD	1,780	23.07	41,065	1,099	22.58	24,815
GBP	24,820	39.54	981,383	17,788	38.88	691,597

The Group is unable to disclose foreign exchange gains or losses on significant assets and liabilities denominated in foreign currencies because the Group entities have too many functional currencies. The exchange gains (losses) for the years ended 31 December 2019 and 2018 were \$(15,048) and \$89,566, respectively.



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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(11) Capital management

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

(12) Financial asset transfer information

The group entered into assignment agreements with recourse with financial institutions regarding some of its accounts receivable. Although the group transfers the contract rights of the cash flow from such accounts receivable, the group still has to bear the credit risk in accordance with the agreement in the event the accounts receivable are not recoverable. The transaction information is as follows:

2019.12.31

Lenders	Amount assigned	Prepaid amount (note)
HSBC UK BANK PLC	\$655,900	\$325,566

2018.12.31

Lenders	Amount assigned	Prepaid amount (note)
HSBC UK BANK PLC	\$651,389	\$282,137

Note: Reported on short-term loans.

13. OTHER DISCLOSURE

(1) Information at significant transactions

- (a) Financing provided to others for the year ended 31 December 2019: All transactions below were between consolidated entities and have been eliminated in consolidation.

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Notes to Consolidated Financial Statements (Continued)

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No	Lender	Counterparty	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Amount drawn	Interest rate	Nature of financing (Note 4)	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
1	Globe Union Industrial (BVI) Corp.	Globe Union (UK) Ltd.	Other receivable	Yes	\$81,700 GBP 2,000,000	\$-	\$-	-	2	\$-	For operating	\$-	-	\$-	\$520,554 (Note 2)	\$1,388,145 (Note 1)
1	Globe Union Industrial (BVI) Corp.	Globe Union Cayman Corp.	Other receivable	Yes	\$40,850 GBP 1,000,000	\$-	\$-	-	2	\$-	For operating	\$-	-	\$-	\$520,554 (Note 2)	\$1,388,145 (Note 1)
1	Globe Union Industrial (BVI) Corp.	Globe Union Industrial Corp.	Other receivable	Yes	\$257,656 RMB 56,000,000	\$-	\$-	-	2	\$-	For operating	\$-	-	\$-	\$520,554 (Note 2)	\$1,388,145 (Note 1)

Note 1: Total financing was limited to 40% of net equity of the lender as at 31 December 2019.

Note 2: Financing to individual counterparty was limited to 15% of the net equity of the lender as at 31 December 2019.

Note 3: Financing to individual counterparty was limited to 20% of the net equity of the lender as at 31 December 2019.

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

(b) Endorsement/Guarantee provided to others for the year ended 31 December 2019: None

(c) Securities held as at 31 December 2019 (excluding subsidiaries, associates and joint venture):

Company Name	Securities Held	Relationship between Issuer and the Company (Note 1)	Account Stated	As at 31 December 2019			
				Number of shares	Book Value	Ratio%	Fair Value
Globe Union Industrial Corp.	Stocks Home Boutique International Co., Ltd.	-	Financial assets at fair value through profit or loss	7,739,752	\$94,648	19%	\$94,648
Globe Union Industrial Corp.	Fund beneficiary certificates Fuh Hwa Yu Li money market fund	-	Financial assets at fair value through profit or loss	745,292	\$10,081	-	\$10,081
				Total	<u>\$104,729</u>		<u>\$104,729</u>

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**Notes to Consolidated Financial Statements (Continued)**  
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(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2019:

Company Name	Securities	Account Stated (Note 1)	Counter-party	Relationship	As at 1 January 2019		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.

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Notes to Consolidated Financial Statements (Continued)

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(e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2019: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2019: None.

(g) Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended 31 December 2019:

Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd.	Investee company	Purchase	\$3,725,202	30.47%	180 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences. For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	\$(1,781,285)	(85.89%)	-
Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	Investee company	Purchase	\$2,109,534	17.26%	30 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences. For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	\$(9,085)	(0.44%)	-
Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	Investee company	Sales	\$(2,961,823)	(17.40%)	7 days after invoice date	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	\$-	-%	-
Globe Union Industrial Corp.	Globe Union (Canada) Inc.	Investee company	Sales	\$(237,637)	(1.40%)	90 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	\$53,736	2.35%	-

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Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	\$(3,725,202)	(21.88%)	180 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	\$1,781,285	77.86%	-
Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	Group direct parent company	Purchase	\$2,961,823	24.23%	7 days after invoice date	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	\$-	-%	-
Globe Union (Canada) Inc.	Globe Union Industrial Corp.	Group direct parent company	Purchase	\$237,637	1.94%	90 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	\$(53,736)	(2.59%)	-
Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	\$(2,109,534)	(12.39%)	30 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	\$9,085	0.40%	-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co.KG	Associate	Sales	\$(295,217)	(1.73%)	120 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	\$85,152	3.72%	-
Globe Union Germany GmbH & Co.KG	Shenzhen Globe Union Enterprise Co., Ltd.	Associate	Purchase	\$295,217	2.41%	120 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	\$(85,152)	(4.11%)	-

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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 31 December 2019:

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for bad debts
					Amount	collection status		
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	\$1,781,285 RMB 415,101,896	1.81 times	\$-	-	\$505,809 RMB 415,101,896	\$-

(i) Financial instruments and derivative transactions:

Please refer to Note 6(2) and 12(8) for more details on forward foreign exchange contracts.

(j) Significant intercompany transactions between consolidated entities are as follows:

(amount exceeding the lower of NT\$100 million or 20 percent of the capital stock)

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

No (Note1)	Company Name	Counter Party	Nature of Relationship (Note2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note 3)
0	Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd	1	Purchases	\$3,725,202	Note 4 (1)	21.88%
0	Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd	1	Accounts payable	(1,781,285)	Note 4 (3)	(11.24%)
0	Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	1	Purchases	2,109,534	Note 4 (1)	12.39%
0	Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	1	Sales	(2,961,823)	Note 4 (2)	(17.40%)
0	Globe Union Industrial Corp.	Globe Union (Canada) Inc.	1	Sales	(237,637)	Note 4 (2)	(1.40%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Sales	(3,725,202) RMB (831,474,652)	Note 4(2)	(21.88%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Accounts receivable	1,781,285 RMB 415,101,896	Note 4 (3)	11.24%
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co.KG	3	Sales	(295,217) RMB (65,541,181)	Note 4 (2)	(1.73%)
2	Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	2	Purchases	2,961,823 USD 95,815,805	Note 4 (1)	17.40%
3	Globe Union (Canada) Inc.	Globe Union Industrial Corp.	2	Purchases	237,637 CAD 10,240,510	Note 4 (1)	1.40%

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

No (Note1)	Company Name	Counter Party	Nature of Relationship (Note2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note3)
4	Milim G&G Ceramics Co., Ltd	Globe Union Industrial Corp.	2	Sales	(2,109,534) RMB (468,972,244)	Note 4 (2)	(12.39%)
5	Globe Union Germany GmbH & Co.KG	Shenzhen Globe Union Enterprise Co., Ltd	3	Purchases	295,217 EUR 8,503,701	Note 4 (1)	1.73%

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

- (1) The Company is coded "0".
- (2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

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

- (2) represents the transactions from a subsidiary to the parent company.
- (3) represents the transaction between subsidiaries.

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

Note 4: (1) A small portion of the purchase prices were different from the general purchase price due to technical and quality differences. The other products were purchased solely from related parties and thus the purchase price can't be compared with other goods purchased from the third 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 31 December 2019, net income (loss) of investee company and investment income (loss) recognized as at 31 December 2019 (excluding investees in Mainland China):

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment Amount		Investment as at 31 December 2019			Net income (loss) of investee company	Investment income (loss) recognized	Note
				31 December 2019	31 December 2018	Number of shares	Percentage of ownership (%)	Book value			
Globe Union Industrial Corp.	Globe Union Industrial (B.V.I.) Corp.	P.O. Box 3340, Road Town, Tortola, British Virgin Islands	Holding company	\$1,434,538	\$1,434,538	44,427,680	100%	\$3,456,308	\$59,957	\$78,048	Note1
Globe Union Industrial Corp.	Globe Union (Bermuda) Ltd.	21 Laffan Street, Hamilton HM09, Bermuda	Holding company	\$3,098,447	\$3,098,447	93,449,027	100%	\$3,444,385	\$78,757	\$52,180	Note1
Globe Union Industrial Corp.	Globe Union Cayman Corp.	Scotia Center, 4 <sup>th</sup> Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	Holding company	\$2,590,324	\$3,066,924	81,555,901	100%	\$1,182,817	\$167,093	\$167,093	
Globe Union Industrial Corp.	Home Boutique International Co., Ltd.	1F., No. 260, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	Selling and distributing kitchen and bathroom products	\$-	\$705,269	-	-%	\$-	\$6,442	\$5,560	Note2
Globe Union Industrial Cor	GU PLUMBING de MEXICO S.A. de C.V.	Blvd. Isidro López Zertuche No. 3745 La Salle, Saltillo, Coahuila, 25240 Mexico	Manufacturing and selling sanitary ceramic wares	\$1,516,798	\$-	941,942,420	100%	\$1,358,817	\$(127,549)	\$(127,549)	Note3

Note1: Current investment income from investees recognized by the Company included investment gain/loss recognized by these investees from upstream/downstream transactions.

Note2: The board of directors approved the sale of 35,162,689 shares of Home Boutique International Co., Ltd. to Singular Point Ltd. on 2 August 2019, and the transaction of 27,422,937 shares was completed on 23 September, 2019. Therefore, the percentage of ownership that Globe Union Industrial Corp. held in Home Boutique International Co., Ltd. decreased from 86.319% to 19% and the Company thus lost control over it. For the period from January 1 to September 23, 2019, the amount of profit and loss recorded by Home Boutique International Co., Ltd. was \$6,442.

Note3: The Company established a subsidiary, GU PLUMBING de MEXICO S.A. de C.V., in Mexico in August 2019.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(3) Information on investments in mainland China

(a) Information on investments in mainland China from the Company through Globe Union Industrial (B.V.I) Corp. and Globe Union (Bermuda) Ltd. as at 31 December 2019:

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as at 1 January 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as at 31 December 2019 (Note 3)	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as at 31 December 2019	Accumulated Inward Remittance of Earnings as at 31 December 2019
					Outflow	Inflow						
Shenzhen Globe Union Enterprise Co., Ltd.	Manufacturing and selling plumbing products	\$1,643,587 (RMB 380,459,896)	Investment in Mainland China companies through a company invested and established in a third region	\$-	\$-	\$-	\$-	\$96,322	100%	\$96,322 (Note 1)	\$2,750,115	\$188,508
Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	\$966,873 (RMB 223,813,280)	Investment in Mainland China companies through a company invested and established in a third region	\$504,870 (USD 16,784,252)	\$-	\$-	\$504,870 (USD 16,784,252)	\$65,461	100%	\$65,461 (Note 1)	\$1,295,286	\$-

Accumulated Investment in Mainland China as at 31 Dec. 2019 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$504,870 (USD 16,784,252)	\$1,668,968 (USD 55,484,324)	Not applicable (Note 2)

Note 1: Based on the financial statements audited by the certified accountants of the parent company in Taiwan.

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

Note 3: The accumulated investment amount in Mainland China as at 31 December 2019 was USD16,784,252. the information of the existing investee companies is as follows:

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

- i. The accumulated investment in Mainland China subsidiaries that were disposed of by the Company (Shenzhen Globe Union Industrial Corp., Qingdao Lin Hong Precision Industrial Corp., and Qingdao Globe Union Technology Industrial Corp.) in the amount of USD 22,441,000 has not been included.
- ii. The accumulated amount of dividends repatriated by mainland subsidiaries was not included: Shenzhen Globe Union Industrial Corp.: USD 2,666,816; Shenzhen Globe Union Enterprise Co., Ltd.: USD 5,374,001.

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

#### 14. SEGMENT INFORMATION

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

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

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

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

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

- (1)Information on profit or loss, assets and liabilities of the reportable segment:

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 year ended 31 December 2019

	Segment A	Segment B	Adjustment and elimination	Consolidated
Revenue				
External customer	\$16,877,386	\$146,040	\$-	\$17,023,426
Inter-segment	3,286,250	6,150,783	(9,437,033)	-
Total revenue	<u>\$20,163,636</u>	<u>\$6,296,823</u>	<u>\$(9,437,033)</u>	<u>\$17,023,426</u>
Interest expenses	\$135,813	\$6,252	\$-	\$142,065
Depreciation and amortization	375,596	238,833	(8,503)	605,926
Investment incomes (losses)	39,520	161,816	(201,303)	33
Segment profit	<u>\$497,926</u>	<u>\$181,477</u>	<u>\$(195,872)</u>	<u>\$483,531</u>
Assets				
Investments accounted for using the equity method	\$8,125,011	\$1,317,316	\$(9,420,297)	\$22,030
Capital expenditure of non-current assets	1,343,282	192,903	-	1,536,185
Segment assets	<u>\$21,739,866</u>	<u>\$6,322,449</u>	<u>\$(12,212,471)</u>	<u>\$15,849,844</u>
Segment liabilities	<u>\$11,023,895</u>	<u>\$1,597,753</u>	<u>\$(2,345,414)</u>	<u>\$10,276,234</u>

(b) For the year ended 31 December 2018

	Segment A	Segment B	Adjustment and elimination	Consolidated
Revenue				
External customer	\$17,643,452	\$235,668	\$-	\$17,879,120
Inter-segment	3,642,644	7,463,174	(11,105,818)	-
Total revenue	<u>\$21,286,096</u>	<u>\$7,698,842</u>	<u>\$(11,105,818)</u>	<u>\$17,879,120</u>
Interest expenses	\$48,560	\$-	\$-	\$48,560
Depreciation and amortization	95,543	191,869	(8,281)	279,131
Investment incomes (losses)	261,649	264,120	(526,319)	(550)
Segment profit	<u>\$935,658</u>	<u>\$395,804</u>	<u>\$(528,070)</u>	<u>\$803,392</u>
Assets				
Investments accounted for using the equity method	\$5,095,475	\$4,040,211	\$(9,112,988)	\$22,698
Capital expenditure of non-current assets	292,848	110,318	-	403,166
Segment assets	<u>\$18,380,970</u>	<u>\$7,124,860</u>	<u>\$(12,692,649)</u>	<u>\$12,813,181</u>
Segment liabilities	<u>\$8,195,119</u>	<u>\$1,786,557</u>	<u>\$(3,143,310)</u>	<u>\$6,838,366</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(2) Geographic information

(a) Revenue from external customers

	For the years ended 31 December	
	2019	2018
United States	\$8,123,853	\$9,055,332
Britain	5,478,657	5,138,455
Canada	1,069,773	1,026,383
China	138,733	292,196
Other countries	2,212,410	2,366,754
Total	<u>\$17,023,426</u>	<u>\$17,879,120</u>

The revenue information above is based on the location of the customer.

(b) Non-current assets

	As at 31 December	
	2019	2018
Mexico	\$2,374,324	\$-
Mainland China	1,362,604	1,321,096
Britain	1,094,733	703,908
Taiwan	90,122	435,594
United States	1,050,594	103,010
Germany	35,645	15,026
Canada	<u>15,089</u>	<u>3,819</u>
Total	<u>\$6,023,111</u>	<u>\$2,582,453</u>

(3) Information about major customers

The customer to that the Company's sales exceeded 10% of its net consolidated sales in 2019 and 2018 is as follows:

Client name	2019		2018	
	Sales amount	%	Sales amount	%
Customer A	<u>\$2,490,828</u>	<u>14.63</u>	<u>\$2,379,839</u>	<u>13.31</u>