

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE SIX-MONTH PERIODS ENDED  
30 June 2021 AND 2020

Notice to readers:

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

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## **REVIEW REPORT OF INDEPENDENT ACCOUNTANTS**

To GLOBE UNION INDUSTRIAL CORP.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Globe Union Industrial Corp. and its subsidiaries as at 30 June 2021 and 2020, the related consolidated statements of comprehensive income for three-month and six-month periods ended 30 June 2021 and 2020, changes in equity and cash flows for the six-month periods ended 30 June 2021 and 2020, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

### **Scope of Review**

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

### **Basis for Qualified Conclusion**

As explained in Note 6(8), the financial statements of certain associates and joint ventures accounted for under the equity method were not reviewed by independent accountants. Those associates and joint ventures under equity method amounted to NT\$20,357 thousand and NT\$19,953 thousand as at 30 June 2021 and 2020, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT\$(213) thousand, NT\$(254) thousand, NT\$305 thousand and NT\$(1,468) thousand, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT\$(178) thousand, NT\$(301) thousand, NT\$(339) thousand and NT\$(609) thousand for the three-month and six-month periods ended 30 June 2021 and 2020, respectively. The information related to the above subsidiaries, and associates and joint ventures accounted for under the equity method was also not reviewed by independent accountants.

### **Qualified Conclusion**

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of associates and joint ventures accounted for using equity method and the information been reviewed by independent accountants described in the preceding paragraph, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at 30 June 2021 and 2020, their consolidated financial performance for the three-month and six-month periods ended 30 June 2021 and 2020, and their consolidated cash flows for the six-month periods ended 30 June 2021 and 2020, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by the Financial Supervisory Commission of the Republic of China.

Yu-Ting Huang  
Ming Hung Chen

Ernst & Young, Taiwan

10 August 2021

**Notice to Readers**

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
30 June 2021, 31 December 2020 and 30 June 2020 (30 June 2021 and 2020 are unaudited)  
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As at		
		30 June 2021	31 Dec 2020	30 June 2020
<b>Current assets</b>				
Cash and cash equivalents	4, 6(1)	\$3,052,224	\$3,572,319	\$3,161,133
Financial assets at fair value through profit or loss, current	4, 6(2)	4,725	31,235	99,062
Financial assets measured at amortized cost, current	4, 6(3), 8	158,334	146,289	154,509
Accounts receivable, net	4, 6(4), 8	2,922,853	3,003,885	2,436,302
Inventories, net	4, 5, 6(5)	3,572,757	3,417,722	2,775,595
Prepayment	6(6)	264,797	216,291	155,871
Other current assets	7	692,783	706,657	501,753
Total current assets		10,668,473	11,094,398	9,284,225
<b>Non-current assets</b>				
Financial assets at fair value through other comprehensive income, non-current	4, 6(7)	39,540	39,000	-
Investments accounted for under the equity method	4, 6(8)	20,357	20,391	19,953
Property, plant and equipment	4, 6(9), 8	2,468,170	2,616,466	2,682,311
Right-of-use assets	4, 6(23)	2,118,212	1,956,842	2,106,371
Intangible assets	4, 6(10)	34,606	39,406	48,557
Goodwill	4, 5, 6(10)(11)	703,509	718,003	669,410
Deferred tax assets	4	196,957	236,148	203,464
Deposits-out		34,011	34,581	33,663
Other non-current assets	6(12)	145,059	75,508	72,736
Total non-current assets		5,760,421	5,736,345	5,836,465
<b>Total assets</b>		<b>\$16,428,894</b>	<b>\$16,830,743</b>	<b>\$15,120,690</b>

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

(continued)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
30 June 2021, 31 December 2020 and 30 June 2020 (30 June 2021 and 2020 are unaudited)  
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As at		
		30 June 2021	31 Dec 2020	30 June 2020
<b>Current liabilities</b>				
Short-term loans	4, 6(13)	\$1,779,923	\$1,492,720	\$1,700,687
Financial liabilities at fair value through profit or loss, current	4, 6(14)	10,029	3,109	1,146
Contract liability, current	6(21)	4,228	5,158	15,947
Notes payable		71,728	60,269	71,390
Accounts payable		2,414,215	2,705,251	1,457,965
Other payables	6(15)	346,635	308,978	379,066
Accrued expenses	6(16)	1,166,670	1,160,813	885,734
Current tax liabilities	4	34,951	101,218	60,047
Lease liabilities, current	4, 6(23)	261,485	235,330	231,995
Current portion of long-term loans	4, 6(17)	540,832	442,059	329,152
Other current liabilities		70,077	84,928	126,298
Total current liabilities		<u>6,700,773</u>	<u>6,599,833</u>	<u>5,259,427</u>
<b>Non-current liabilities</b>				
Long-term loans	4, 6(17)	1,710,000	2,260,515	2,229,152
Deferred tax liabilities	4	4,372	7,056	28,418
Lease liabilities, non-current	4, 6(23)	1,946,969	1,801,468	1,920,562
Other non-current liabilities		531,166	543,148	564,348
Net defined benefit obligation, non-current	4	63,786	101,446	65,472
Total non-current liabilities		<u>4,256,293</u>	<u>4,713,633</u>	<u>4,807,952</u>
Total liabilities		<u>10,957,066</u>	<u>11,313,466</u>	<u>10,067,379</u>
<b>Equity attributable to the parent company</b>				
<b>Capital</b>				
Common stock		3,581,640	3,581,640	3,568,490
Additional paid-in capital		943,943	938,667	932,127
<b>Retained earnings</b>				
Legal reserve		861,006	861,006	861,006
Special reserve		728,214	728,214	728,214
Retained earnings		394,978	260,690	(46,783)
Total retained earnings		<u>1,984,198</u>	<u>1,849,910</u>	<u>1,542,437</u>
<b>Other components of equity</b>				
Exchange differences on translation of foreign operations		(1,046,293)	(860,740)	(989,743)
Unrealized gains or losses on financial assets at fair value through		8,340	7,800	-
Total other components of equity		<u>(1,037,953)</u>	<u>(852,940)</u>	<u>(989,743)</u>
Total equity		<u>5,471,828</u>	<u>5,517,277</u>	<u>5,053,311</u>
<b>Total liabilities and equity</b>		<u>\$16,428,894</u>	<u>\$16,830,743</u>	<u>\$15,120,690</u>

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the three-month and six-month periods ended 30 June 2021 and 2020  
(Reviewed, Not Audited)  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	3-month periods ended 30 June		6-month periods ended 30 June	
		2021	2020	2021	2020
Net sales	6(21)	\$4,866,317	\$3,406,961	\$9,868,410	\$7,182,497
Cost of sales	6(5),6(24)	(3,594,824)	(2,450,968)	(7,334,771)	(5,184,273)
Gross profit		1,271,493	955,993	2,533,639	1,998,224
Operating expenses	6(23),6(24)				
Selling and marketing		(492,340)	(254,223)	(948,026)	(523,990)
General and administrative		(623,519)	(556,487)	(1,250,419)	(1,254,114)
Research and development		(61,598)	(71,558)	(122,384)	(141,122)
Expected credit losses	6(22)	(1,451)	(3,925)	(5,726)	(7,420)
Total operating expenses		(1,178,908)	(886,193)	(2,326,555)	(1,926,646)
Operating income		92,585	69,800	207,084	71,578
Non-operating income and expenses	6(25)				
Other revenue		39,737	33,221	74,702	75,190
Other gains and losses		48,803	(1,349)	61,782	(40,726)
Finance costs		(44,300)	(47,333)	(87,724)	(93,367)
Share of profit or loss of associates and joint ventures	4, 6(8)	(213)	(254)	305	(1,468)
Total non-operating income and expenses		44,027	(15,715)	49,065	(60,371)
Income from continuing operations before income tax		136,612	54,085	256,149	11,207
Income tax expense	6(27)	(57,823)	(29,810)	(121,861)	(59,526)
Income (loss) from continuing operations, net of tax		78,789	24,275	134,288	(48,319)
Other comprehensive income (loss)	6(26)				
Items that may not be reclassified subsequently to profit or loss					
Unrealized gains or losses on financial assets at fair value through other comprehensive income		(3,360)	-	540	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(142,433)	(153,294)	(185,214)	(260,920)
Share of other comprehensive of associates and joint ventures	6(8)	(178)	(301)	(339)	(609)
Total other comprehensive loss, net of tax		(145,971)	(153,595)	(185,013)	(261,529)
Total comprehensive loss		<u>\$(67,182)</u>	<u>\$(129,320)</u>	<u>\$(50,725)</u>	<u>\$(309,848)</u>
Net income (loss) attributable to:					
Stockholders of the parent		\$78,789	\$24,275	\$134,288	\$(48,319)
Non-controlling interests		-	-	-	-
		<u>\$78,789</u>	<u>\$24,275</u>	<u>\$134,288</u>	<u>\$(48,319)</u>
Comprehensive loss attributable to:					
Stockholder of the parent		\$(67,182)	\$(129,320)	\$(50,725)	\$(309,848)
Non-controlling interests		-	-	-	-
		<u>\$(67,182)</u>	<u>\$(129,320)</u>	<u>\$(50,725)</u>	<u>\$(309,848)</u>
Earnings (losses) per share (NTD)	6(28)				
Earnings (losses) per share-basic		\$0.22	\$0.07	\$0.37	\$(0.14)
Earnings (losses) per share-diluted		<u>\$0.22</u>	<u>\$0.07</u>	<u>\$0.37</u>	<u>\$(0.14)</u>

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six-month periods ended 30 June 2021 and 2020

(Reviewed, Not Audited)

(Expressed in Thousands of New Taiwan Dollars)

Item	Notes	Capital		Additional Paid-in Capital	Retained Earnings			Other components of equity		Total equity
		Common Stock	Advance Receipts for Common Stock		Legal Reserve	Special reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gains or Losses on Financial Assets at Fair Value Through Other Comprehensive Income	
Balance as at 1 Jan 2020	6(19)	\$3,562,130	\$3,847	\$995,214	\$830,341	\$522,707	\$387,585	\$(728,214)	\$ -	\$5,573,610
Appropriations of earnings, 2019:										
Legal reserve					30,665		(30,665)			-
Special reserve						205,507	(205,507)			-
Cash dividends							(149,877)			(149,877)
Cash Dividends distributed from Additional Paid-in Capital				(64,232)						(64,232)
Net loss for the six-month period ended 30 Jun 2020							(48,319)			(48,319)
Other comprehensive loss, net of tax for the six-month period ended 30 Jun 2020								(261,529)		(261,529)
Total comprehensive loss for the six-month period ended 30 Jun 2020							(48,319)	(261,529)	-	(309,848)
Share-based payment transactions-Exercise of employee stock option (note 1)			3,658							3,658
Share-based payment transactions-Conversion of advance receipts for common stock (note 2)		6,360	(7,505)	1,145						-
Balance as at 30 Jun 2020	6(19)	\$3,568,490	\$ -	\$932,127	\$861,006	\$728,214	\$(46,783)	\$(989,743)	\$ -	\$5,053,311
Balance as at 1 Jan 2021	6(19)	\$3,581,640	\$ -	\$938,667	\$861,006	\$728,214	\$260,690	\$(860,740)	\$7,800	\$5,517,277
Net gain for the six-month period ended 30 Jun 2021							134,288			134,288
Other comprehensive loss, net of tax for the six-month period ended 30 Jun 2021								(185,553)	540	(185,013)
Total comprehensive income (loss) for the six-month period ended 30 Jun 2021							134,288	(185,553)	540	(50,725)
Share-based payment transactions-Share-based payment expense	6(20)			5,276						5,276
Balance as at 30 Jun 2021	6(19)	\$3,581,640	\$ -	\$943,943	\$861,006	\$728,214	\$394,978	\$(1,046,293)	\$8,340	\$5,471,828

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

Note 1: The Company issued employee share option in 2015. During the six-month period ended 30 June 2020, employees converted their options into 310,000 shares at NT\$11.8 per share. Total consideration received was \$3,658 thousand.

Note 2: As at 30 June 2020, 636,000 shares under capital collected in advance in the amount of \$7,505 thousand have completed the registration process, and thus increased the common stock and the additional paid-in capital by \$6,360 thousand and \$1,145 thousand, respectively.



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the six-month periods ended 30 June 2021 and 2020  
(Reviewed, Not Audited)  
(Expressed in Thousands of New Taiwan Dollars)

	Notes	For the six-month periods ended 30 June	
		2021	2020
Cash flows from operating activities:			
Net income before tax		\$256,149	\$11,207
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		352,673	352,234
Amortization		10,750	9,158
Expected credit losses		5,726	7,420
Net gain of financial assets/liabilities at fair value through profit or loss		(44,810)	(12,272)
Interest expense		87,724	93,367
Interest revenue		(10,819)	(23,074)
Dividend income		(2,694)	-
Share-based payment expense		5,276	-
Share of profit or loss of subsidiaries, associates and joint ventures		(305)	1,468
Loss on disposal of property, plant and equipment		652	1,023
Gain on disposal of subsidiary and financial assets measured at fair value through profit or loss		-	(20)
Gain on lease modification		(33,873)	(244)
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss, current		78,240	17,003
Accounts receivable		17,774	(215,473)
Inventories, net		(236,485)	379,275
Prepayments		(48,506)	(21,924)
Other current assets		14,477	32,143
Other assets-others		(69,551)	5,895
Notes payable		11,459	5,964
Accounts payable		(240,939)	(426,398)
Other payables		43,888	(83,493)
Contract liabilities, current		(930)	(4,325)
Other current liabilities		(14,283)	60,586
Defined benefit obligation		(38,228)	(10,265)
Other liabilities-others		(11,982)	(11,002)
Cash generated from operations		131,383	168,253
Interest received		10,819	23,074
Interest paid		(88,098)	(93,046)
Income tax paid		(151,621)	(71,576)
Net cash (used in) generated from operating activities		(97,517)	26,705

(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 six-month periods ended 30 June 2021 and 2020  
(Reviewed, Not Audited)  
(Expressed in Thousands of New Taiwan Dollars)

	Notes	For the six-month periods ended 30 June	
		2021	2020
(Continued)			
Cash flows from investing activities:			
Disposal of financial assets measured at fair value through profit or loss		\$ -	\$10,087
Acquisition of property, plant and equipment		(78,869)	(100,471)
Disposal of property, plant and equipment		991	10,615
Decrease in deposits-out		570	3,225
(Increase) decrease in financial assets measured at amortized cost, current		(12,045)	71,555
Acquisition of intangible assets		(7,350)	(6,297)
Dividend received		2,694	-
Net cash used in investing activities		(94,009)	(11,286)
Cash flows from financing activities:			
Increase in short-term loans		973,563	574,816
Decrease in short-term loans		(686,360)	(434,695)
Increase in long-term loans		100,000	370,000
Decrease in long-term loans		(551,742)	(412,868)
Decrease in lease liabilities		(176,182)	(174,994)
Exercise of employee stock option		-	3,658
Net cash used in financing activities		(340,721)	(74,083)
Effect of changes in exchange rate on cash and cash equivalents		12,152	(19,602)
Net decrease in cash and cash equivalents		(520,095)	(78,266)
Cash and cash equivalents at beginning of period	6(1)	3,572,319	3,239,399
Cash and cash equivalents at end of period		\$3,052,224	\$3,161,133

(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 six-month periods ended 30 June 2021 and 2020

(Reviewed, Not Audited)

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

1. HISTORY AND ORGANIZATION

GLOBE UNION INDUSTRIAL CORP. (“the Company”) was incorporated on 29 October 1979 to manufacture and sell plumbing products. On 1 December 1995, the Company acquired Chen Ling Industrial Co. Ltd., a company 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., 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 six-month periods ended 30 June 2021 and 2020 were authorized for issue by the Company’s board of directors (the Board) on 10 August 2021.

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 2021. Each new standards and amendments had no material impact on the Group.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022

- (a) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising from liabilities and contingent liabilities. In addition, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

D. Annual Improvements to IFRS Standards 2018 - 2020

*Amendment to IFRS 1*

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

*Amendment to IFRS 9 Financial Instruments*

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

*Amendment to Illustrative Examples Accompanying IFRS 16 Leases*

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

*Amendment to IAS 41*

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

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 2022. As the Group is still currently determining the potential impact of the standards and interpretations listed under (a) , 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.

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
d	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

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

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (b) IFRS 17 “Insurance Contracts”

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

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance 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.

#### (d) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

(e) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(f) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (3), (5) and (6) 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 six-month periods ended 30 June 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34 *Interim Financial Reporting* as endorsed and became effective by the FSC.



## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (2) Basis of Preparation

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

#### (3) Basis of consolidation

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

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

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

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

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

If the Company loses control of a subsidiary, it:

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

(b) The consolidated entities are as follows:

Investor	Subsidiary	Main Business	Percentage of ownership (%)			Note
			30 June 2021	31 December 2020	30 June 2020	
Globe Union Industrial Corp.	Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Holding company	100.00%	100.00%	100.00%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Shenzhen Globe Union Enterprise Co., Ltd.	Manufacturing and selling faucets and accessories	100.00%	100.00%	100.00%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	10.71%	10.71%	10.71%	

**GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
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Investor	Subsidiary	Main Business	Percentage of ownership (%)			Note
			30 June 2021	31 December 2020	30 June 2020	
Globe Union Industrial Corp.	Globe Union Cayman Corp.	Holding company	100.00%	100.00%	100.00%	
Globe Union Cayman Corp.	Globe Union Verwaltungs GmbH	Holding company	100.00%	100.00%	100.00%	
Globe Union Cayman Corp.	Globe Union Germany GmbH & Co.KG	Selling faucets and accessories	100.00%	100.00%	100.00%	
Globe Union Cayman Corp.	Globe Union UK Ltd	Holding company	100.00%	100.00%	100.00%	
Globe Union UK Ltd	PJH Trustees Limited	Trust industry	100.00%	100.00%	100.00%	
Globe Union UK Ltd	PJH Group Limited	Selling kitchen and bathroom products	100.00%	100.00%	100.00%	
Globe Union UK Ltd	PJH (HK) Limited	Holding company	100.00%	100.00%	100.00%	
PJH (HK) Limited	PJH Business Consultancy Shanghai Company Limited	Consulting industry	-	100.00%	100.00%	Note
Globe Union Industrial Corp.	Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Holding company	100.00%	100.00%	100.00%	
Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Globe Union Group, Inc.	Holding company	100.00%	100.00%	100.00%	
Globe Union Group, Inc.	Danze Inc.	Sales and maintenance center	100.00%	100.00%	100.00%	
Globe Union Group, Inc.	Globe Union (Canada) Inc.	Sales and customer service center	100.00%	100.00%	100.00%	
Globe Union Group, Inc.	Gerber Plumbing Fixtures, LLC	Assembling and selling faucets and sanitary ceramic wares	100.00%	100.00%	100.00%	
Globe Union Group, Inc.	Globe Union Services Inc.	Customer service center	100.00%	100.00%	100.00%	
Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	89.29%	89.29%	89.29%	
Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	Manufacturing and selling sanitary ceramic wares	100.00%	100.00%	100.00%	
Globe Union Industrial Corp.	Globe Union Business Consultancy Shanghai Company Limited	Consulting industry	100.00%	-	-	Note

Note: The Company purchased PJH Business Consultancy Shanghai Company Limited from PJH (HK) Limited in March 2021 and changed its name to Globe Union Business Consultancy Shanghai Company Limited in March 2021.

## 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 accounts receivable, 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 accounts receivable 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.

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)

- A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- B. 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
- C. 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:

- A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- B. 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 and hedges of a net investment in foreign operations, which are 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)

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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)

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

Because goodwill that forms part of the carrying amount of an investment in an associate 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. 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)

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

Items	Useful Lives
Buildings	5~55 years
Machinery and equipment	3~11 years
Transportation equipment	5~6 years
Furniture, fixtures and equipment	2~10 years
Other equipment	2~7 years

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 non-operating 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) Leases

On the date that contracts are established, 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.

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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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#### Group as a lessee

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

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

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

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

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

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### Notes to Consolidated Financial Statements (Continued)

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

- (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 of comprehensive income.

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

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### Notes to Consolidated Financial Statements (Continued)

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For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted for it as a variable lease payment. The Group have applied the practical expedient to all rent concessions that meet the conditions for it.

#### 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.

#### (15) 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.

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### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

#### (16) 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.



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### Notes to Consolidated Financial Statements (Continued)

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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.

#### (17) Post-employment benefits

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

For the defined contribution plan, the Company 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.

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

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

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

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

#### (18) 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)

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#### (19) Revenue recognition

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

##### Sale of goods

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

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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#### (20) Borrowing cost

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

#### (21) 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.

#### (22) 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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

#### (23) 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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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#### Current income tax

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

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

#### Deferred tax

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

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

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

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

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### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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#### (24) Business combinations and goodwill

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

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

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

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

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



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### Notes to Consolidated Financial Statements (Continued)

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

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

#### 5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

##### (1) 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:

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

#### (b) Impairment of goodwill

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6(11).

#### (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(18) for more details.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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#### (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(20).

#### (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(21) for more details.

#### (f) Income tax

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

## 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 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(27) for more details on deferred tax assets that the Group have not recognized as at 30 June 2021.

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

The Group estimates the impairment loss of accounts receivable 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(22) 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(5) for more details.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As at		
	30 Jun. 2021	31 Dec. 2020	30 Jun. 2020
Cash on hand	\$779	\$1,016	\$1,213
Demand deposits	2,389,890	2,580,469	2,299,705
Time deposits	661,555	990,834	860,215
Total	<u>\$3,052,224</u>	<u>\$3,572,319</u>	<u>\$3,161,133</u>

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

	As at		
	30 Jun. 2021	31 Dec. 2020	30 Jun. 2020
Mandatorily measured at fair value through profit or loss:			
Derivatives not designated as hedging instruments			
Forward foreign exchange contracts	\$4,725	\$31,235	\$4,414
Unlisted company stocks	-	-	94,648
Total	<u>\$4,725</u>	<u>\$31,235</u>	<u>\$99,062</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		
	30 Jun. 2021	31 Dec. 2020	30 Jun. 2020
Bank deposits-time deposit (longer than three months)	\$49,848	\$50,703	\$48,320
Bank deposits-time deposit-pledged	56,416	57,672	60,001
Bank deposits-reserve account	52,070	37,914	46,188
Subtotal (total carrying amount)	158,334	146,289	154,509
Less: loss allowance	-	-	-
Total	<u>\$158,334</u>	<u>\$146,289</u>	<u>\$154,509</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) Accounts receivable, net

	As at		
	30 Jun. 2021	31 Dec. 2020	30 Jun. 2020
Accounts receivable	\$3,058,837	\$3,129,646	\$2,602,497
Less: allowance for sales discounts	(121,894)	(112,440)	(141,316)
Less: loss allowance	(14,090)	(13,321)	(24,879)
Total	<u>\$2,922,853</u>	<u>\$3,003,885</u>	<u>\$2,436,302</u>

Accounts receivable are generally on 60-150 day terms. The total carrying amount as at 30 June 2021, 31 December 2020 and 30 June 2020 were \$3,058,837, \$3,129,646 and \$2,602,497, respectively. Please refer to Note 6(22) for more details on loss allowance of accounts receivable for the six-month periods ended 30 June 2021 and 2020. Please refer to Note 12 for more details on credit risk management.

Please refer to Note 8 for more details on accounts receivable under pledge.

(5) Inventories

(a) Details as follows:

	As at		
	30 Jun. 2021	31 Dec. 2020	30 Jun. 2020
Raw materials	\$302,421	\$296,031	\$273,159
Supplies & parts	161,821	173,077	194,567
Work in progress	298,616	310,737	259,561
Finished goods	674,752	462,459	327,743
Merchandise	2,135,147	2,175,418	1,720,565
Total	<u>\$3,572,757</u>	<u>\$3,417,722</u>	<u>\$2,775,595</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(b) The cost of inventories recognized in expenses for the three-month periods ended 30 June 2021 and 2020 were \$3,594,824 and \$2,450,968; the cost of inventories recognized in expenses for the six-month periods ended 30 June 2021 and 2020 were \$7,334,771 and \$5,184,273, respectively. The profit and loss related to cost of goods sold are as follows:

	3-month periods ended		6-month periods ended	
	30 Jun.		30 Jun.	
	2021	2020	2021	2020
Gain (loss) on obsolete inventory price recovery	\$(5,337)	\$365	\$(16,263)	\$(6,506)
Scraps	(3,789)	(16,396)	(4,944)	(20,578)
Gains on physical inventory count	191	-	251	-
Net	<u>\$(8,935)</u>	<u>\$(16,031)</u>	<u>\$(20,956)</u>	<u>\$(27,084)</u>

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

(6) Prepayments

	As at		
	30 Jun. 2021	31 Dec. 2020	30 Jun. 2020
Prepayment for purchases	\$79,720	\$25,648	\$34,483
Offset against VAT	28,600	27,991	-
Other prepayments	156,477	162,652	121,388
Total	<u>\$264,797</u>	<u>\$216,291</u>	<u>\$155,871</u>

Prepayments were not pledged.

(7) Financial assets at fair value through other comprehensive income - Non Current

	As at		
	30 Jun. 2021	31 Dec. 2020	30 Jun. 2020
Equity instrument investments measured at fair value through other comprehensive income - Non Current:			
Listed company stocks	<u>\$39,540</u>	<u>\$39,000</u>	<u>\$-</u>

Financial assets at fair value through other comprehensive income were not pledged.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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(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					
	30 Jun. 2021		31 Dec. 2020		30 Jun. 2020	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in associates:						
Chengxinzhao (Zhangzhou) Hardware Co., Ltd.	\$20,357	49.00%	\$20,391	49.00%	\$19,953	49.00%
Arte En Bronce, S.A. DE C.V.	-	48.89%	-	48.89%	-	48.89%
Total	<u>\$20,357</u>		<u>\$20,391</u>		<u>\$19,953</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:

	3-month periods ended		6-month periods ended	
	30 Jun.		30 Jun.	
	2021	2020	2021	2020
Gain (loss) from continuing operations	\$(213)	\$(254)	\$305	\$(1,468)
Other comprehensive loss	(178)	(301)	(339)	(609)
Total comprehensive loss	<u>\$(391)</u>	<u>\$(555)</u>	<u>\$(34)</u>	<u>\$(2,077)</u>



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Notes to Consolidated Financial Statements (Continued)

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The associates had no contingent liabilities or capital commitments as at 30 June 2021, 31 December 2020 and 30 June 2020, and did not provide any guarantee.

(9) Property, plant and equipment

	<u>30 Jun. 2021</u>	<u>31 Dec. 2020</u>	<u>30 Jun. 2020</u>
Owner occupied property, plant and equipment	<u>\$2,468,170</u>	<u>\$2,616,466</u>	<u>\$2,682,311</u>

(a) Owner occupied property, plant and equipment

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:							
As at 1 Jan. 2021	\$825,877	\$3,062,840	\$49,640	\$295,076	\$620,142	\$35,299	\$4,888,874
Additions	7,305	10,442	3,727	12,630	4,874	39,891	78,869
Disposals	-	(5,502)	(431)	(734)	(6,373)	-	(13,040)
Transfers and reclassifications	809	14,889	-	-	7,249	(22,950)	(3)
Exchange differences	(11,928)	(59,193)	(944)	(4,312)	(11,234)	(689)	(88,300)
As at 30 Jun. 2021	<u>\$822,063</u>	<u>\$3,023,476</u>	<u>\$51,992</u>	<u>\$302,660</u>	<u>\$614,658</u>	<u>\$51,551</u>	<u>\$4,866,400</u>
As at 1 Jan. 2020	\$817,024	\$2,977,630	\$52,369	\$545,212	\$758,149	\$13,250	\$5,163,634
Additions	12,357	22,621	864	4,941	29,582	30,106	100,471
Disposals	(8,758)	(19,934)	(295)	(134,627)	(71,720)	-	(235,334)
Transfers and reclassifications	-	372,397	-	609	(54,936)	(512)	317,558
Exchange differences	(22,523)	(69,504)	(2,632)	(17,273)	(24,695)	(392)	(137,019)
As at 30 Jun. 2020	<u>\$798,100</u>	<u>\$3,283,210</u>	<u>\$50,306</u>	<u>\$398,862</u>	<u>\$636,380</u>	<u>\$42,452</u>	<u>\$5,209,310</u>

**GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
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	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
<b>Depreciation and impairment:</b>							
As at 1 Jan. 2021	\$557,363	\$1,008,199	\$40,662	\$230,254	\$435,930	\$-	\$2,272,408
Depreciation	17,294	106,253	3,169	13,949	32,148	-	172,813
Disposals	-	(4,622)	(388)	(691)	(5,696)	-	(11,397)
Transfers and reclassifications	-	(5,703)	-	-	5,703	-	-
Exchange differences	(8,519)	(14,810)	(823)	(3,212)	(8,230)	-	(35,594)
As at 30 Jun. 2021	<u>\$566,138</u>	<u>\$1,089,317</u>	<u>\$42,620</u>	<u>\$240,300</u>	<u>\$459,855</u>	<u>\$-</u>	<u>\$2,398,230</u>
As at 1 Jan. 2020	\$538,723	\$1,096,220	\$41,104	\$475,714	\$495,115	\$-	\$2,646,876
Depreciation	16,031	106,398	2,006	13,014	44,435	-	181,884
Disposals	(7,562)	(12,027)	(295)	(134,520)	(69,292)	-	(223,696)
Transfers and reclassifications	-	-	-	582	(582)	-	-
Exchange differences	(15,339)	(29,313)	(2,173)	(14,608)	(16,632)	-	(78,065)
As at 30 Jun. 2020	<u>\$531,853</u>	<u>\$1,161,278</u>	<u>\$40,642</u>	<u>\$340,182</u>	<u>\$453,044</u>	<u>\$-</u>	<u>\$2,526,999</u>
<b>Net carrying amount:</b>							
30 Jun. 2021	<u>\$255,925</u>	<u>\$1,934,159</u>	<u>\$9,372</u>	<u>\$62,360</u>	<u>\$154,803</u>	<u>\$51,551</u>	<u>\$2,468,170</u>
31 Dec. 2020	<u>\$268,514</u>	<u>\$2,054,641</u>	<u>\$8,978</u>	<u>\$64,822</u>	<u>\$184,212</u>	<u>\$35,299</u>	<u>\$2,616,466</u>
30 Jun. 2020	<u>\$266,247</u>	<u>\$2,121,932</u>	<u>\$9,664</u>	<u>\$58,680</u>	<u>\$183,336</u>	<u>\$42,452</u>	<u>\$2,682,311</u>

(b) The major components of the Group's buildings are main buildings, freight elevator, water and power supply, and are depreciated according to their useful life of 55, 16 and 11 years, respectively.

(c) Please refer to Note 8 for more details on property, plant and equipment under pledge as at 30 June 2021.

(d) There is no occurrence of capitalization of interest due to purchasing property, plant and equipment for the six-month periods ended 30 June 2021 and 2020.

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Notes to Consolidated Financial Statements (Continued)

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

(10) Intangible assets and goodwill

	Computer software	Trademarks	Goodwill	Total
Cost:				
As at 1 Jan. 2021	\$228,176	\$77,790	\$1,360,712	\$1,666,678
Addition-acquired separately	7,350	-	-	7,350
Disposal	(2,475)	-	-	(2,475)
Reclassifications	(603)	-	-	(603)
Exchange differences	(3,650)	(1,523)	(29,001)	(34,174)
As at 30 Jun. 2021	<u>\$228,798</u>	<u>\$76,267</u>	<u>\$1,331,711</u>	<u>\$1,636,776</u>
As at 1 Jan. 2020	\$216,013	\$77,978	\$1,364,166	\$1,658,157
Addition-acquired separately	6,297	-	-	6,297
Reclassifications	8,143	-	-	8,143
Exchange differences	(7,071)	(5,301)	(100,784)	(113,156)
As at 30 Jun. 2020	<u>\$223,382</u>	<u>\$72,677</u>	<u>\$1,263,382</u>	<u>\$1,559,441</u>
Amortization and impairment:				
As at 1 Jan. 2021	\$198,422	\$68,138	\$642,709	\$909,269
Amortization	7,772	2,978	-	10,750
Disposal	(2,475)	-	-	(2,475)
Exchange differences	(2,964)	(1,412)	(14,507)	(18,883)
As at 30 Jun. 2021	<u>\$200,755</u>	<u>\$69,704</u>	<u>\$628,202</u>	<u>\$898,661</u>
As at 1 Jan. 2020	\$185,657	\$62,658	\$644,502	\$892,817
Amortization	6,497	2,661	-	9,158
Exchange differences	(5,427)	(4,544)	(50,530)	(60,501)
As at 30 Jun. 2020	<u>\$186,727</u>	<u>\$60,775</u>	<u>\$593,972</u>	<u>\$841,474</u>
Net carrying amount:				
30 Jun. 2021	<u>\$28,043</u>	<u>\$6,563</u>	<u>\$703,509</u>	<u>\$738,115</u>
31 Dec. 2020	<u>\$29,754</u>	<u>\$9,652</u>	<u>\$718,003</u>	<u>\$757,409</u>
30 Jun. 2020	<u>\$36,655</u>	<u>\$11,902</u>	<u>\$669,410</u>	<u>\$717,967</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

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

	3-month periods ended		6-month periods ended	
	30 Jun.		30 Jun.	
	2021	2020	2021	2020
Operating costs	\$302	\$415	\$570	\$665
Operating expenses	\$5,192	\$4,202	\$10,180	\$8,493

(11) Impairment testing of goodwill

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

	As at		
	30 Jun. 2021	31 Dec. 2020	30 Jun. 2020
Goodwill			
- Channel unit	\$621,766	\$636,124	\$587,887
- Manufacturing unit	81,743	81,879	81,523
Total	\$703,509	\$718,003	\$669,410

Channel cash-generating unit

The recoverable amount of the channel unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The discount rate applied to cash flow projections was 11.1% and 10.5% as at 31 December 2020 and 2019, respectively, and cash flows beyond the five-year period were extrapolated using both 0% growth rate as at 31 December 2020 and 2019, that was the same as the long-term average growth rate for the electronics industry.

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### Notes to Consolidated Financial Statements (Continued)

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There have been no significant changes in the abovementioned discount rate projections made by the Company's management. As a result of this analysis, management did not identify any impairment for goodwill as at 30 June 2021 and 2020 amounted to \$621,766 and \$587,887, respectively, which is allocated to this cash-generating unit.

#### 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 15.4% and 14.4% as at 31 December 2020 and 2019, respectively, and cash flows beyond the five-year period were extrapolated using both 0% growth rate as at 31 December 2020 and 2019, that does not exceed the long-term average growth rate for the electronics industry.

There have been no significant changes in the abovementioned discount rate projections made by the Company's management. As a result of this analysis, management did not identify any impairment for goodwill as at 30 June 2021 and 2020 amounted to \$81,743 and \$81,523, respectively, which is allocated to this cash-generating unit.

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

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

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

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

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### Notes to Consolidated Financial Statements (Continued)

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

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

#### Sensitivity to changes in assumptions

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

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

Raw materials price inflation – Management didn't consider the possibility of raw material price inflation. Budgeted price inflation 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 6-month periods ended 30 June 2021 and 2020, and therefore no further impairment may arise.

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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 2020 and 2019, respectively. Management deemed these growth rates reasonable after considering the long-term growth rate and the economic environment for the six-month periods ended 30 June 2021 and 2020. Therefore, no further impairment may result.

(12) Other non-current assets

	As at		
	30 Jun. 2021	31 Dec. 2020	30 Jun. 2020
Prepayment for equipment	\$143,526	\$73,575	\$70,403
Others	1,533	1,933	2,333
Total	<u>\$145,059</u>	<u>\$75,508</u>	<u>\$72,736</u>

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 \$1,878,900 (USD \$60,000 thousand). The Group has completed the legal transfer in the first half of 2020.

(13) Short-term loans

	As at		
	30 Jun. 2021	31 Dec. 2020	30 Jun. 2020
Unsecured bank loans	\$1,494,098	\$1,335,000	\$1,535,781
Secured bank loans	285,825	157,720	164,906
Total	<u>\$1,779,923</u>	<u>\$1,492,720</u>	<u>\$1,700,687</u>
Interest Rates (%)	0.78%-2.30%	0.83%-1.40%	0.83%-2.60%

The Group's unused short-term lines of credits amounted to \$2,186,778, \$2,521,610 and \$2,105,933 as at 30 June 2021, 31 December 2020 and 30 June 2020, respectively.

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

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

	As at		
	30 Jun. 2021	31 Dec. 2020	30 Jun. 2020
Held for trading:			
Derivatives not designated as hedging instruments			
Forward foreign exchange contracts	<u>\$10,029</u>	<u>\$3,109</u>	<u>\$1,146</u>

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

(15) Other payables

	As at		
	30 Jun. 2021	31 Dec. 2020	30 Jun. 2020
Dividend payable	\$-	\$-	\$214,109
Accrued VAT payables	22,243	25,366	21,743
Output tax	230,727	186,511	55,738
Others	93,665	97,101	87,476
Total	<u>\$346,635</u>	<u>\$308,978</u>	<u>\$379,066</u>

(16) Accrued expenses

	As at		
	30 Jun. 2021	31 Dec. 2020	30 Jun. 2020
Accrued payroll and bonus	\$309,191	\$348,443	\$278,400
Accrued sales discounts	338,465	373,833	222,699
Accrued freight	189,295	102,390	57,806
Others	329,719	336,147	326,829
Total	<u>\$1,166,670</u>	<u>\$1,160,813</u>	<u>\$885,734</u>



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(17) Long-term loans

(a) As at 30 Jun. 2021

Lenders	Type	As at 30 Jun. 2021	Maturity date and terms of repayment	Guarantee
CTBC Bank (Leading Bank of Syndicated Loan)	Syndicated bank loans	\$900,000	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	210,000	2020/06-2022/03 Interest is paid monthly.	
KGI Bank	Credit	180,000	2020/09-2022/09 Interest is paid monthly.	None
Cathay United Bank	Credit	130,000	2021/06-2023/06 Interest is paid monthly.	None
Taishin International Bank	Credit	100,000	2021/05-2023/05 Interest is paid monthly.	None
Bank SinoPac	Credit	100,000	2020/04-2022/10 Interest is paid monthly.	None
O-Bank	Credit	100,000	2019/09-2021/09 Interest is paid monthly.	None
Far Eastern International Bank	Credit	100,000	2021/01-2023/01 Interest is paid monthly.	None
CTBC Bank	Credit	50,000	2020/04-2022/12 Interest is paid monthly	None
HSBC UK BANK PLC	Credit	30,832	2019/09-2022/03 Interest is paid monthly	None
Subtotal		<u>\$2,250,832</u>		
Less: current portion		(540,832)		
Total		<u><u>\$1,710,000</u></u>		
Interest rate		0.950%-1.797%		

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(b) As at 31 Dec. 2020

Lenders	Type	As at 31 Dec. 2020	Maturity date and terms of repayment	Guarantee
CTBC Bank (Leading Bank of Syndicated Loan)	Syndicated bank loans	\$900,000	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
CTBC Bank	Credit	100,000	2020/04-2023/12 Interest is paid monthly.	None
Yuanta Bank	Credit	300,000	2020/06-2022/03 Interest is paid monthly.	None
Taipei Fubon Commercial Bank	Credit	240,000	2020/10-2023/11 Interest is paid monthly.	None
KGI Bank	Credit	180,000	2020/09-2021/09 Interest is paid monthly.	None
Cathay United Bank	Credit	130,000	2020/06-2022/04 Interest is paid monthly.	None
The Shanghai Commercial & Savings Bank, Ltd.	Credit	100,000	2019/06-2021/06 Interest is paid monthly.	None
Taishin International Bank	Credit	100,000	2020/11-2022/11 Interest is paid monthly.	None
Bank SinoPac	Credit	100,000	2020/04-2022/06 Interest is paid monthly.	None
O-Bank	Credit	100,000	2019/09-2021/06 Interest is paid monthly.	None
HSBC UK BANK PLC	Credit	52,574	2019/09-2022/03 Interest is paid monthly. Payable quarterly after the grace period.	None
Shin Kong Bank	Credit	50,000	2020/07-2023/03 Interest is paid monthly.	None
Subtotal		<u>\$2,702,574</u>		
Less: current portion		<u>(442,059)</u>		
Total		<u><u>\$2,260,515</u></u>		
Interest rate		0.950%-1.797%		

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(c) As at 30 Jun. 2020

Lenders	Type	As at 30 Jun. 2021	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
Taipei Fubon Commercial Bank	Credit	240,000	2020/04-2022/11 Interest is paid monthly.	None
CTBC Bank	Credit	200,000	2020/04-2021/12 Interest is paid monthly.	None
KGI Bank	Credit	180,000	2020/05-2021/09 Interest is paid monthly.	None
The Shanghai Commercial & Savings Bank, Ltd.	Credit	100,000	2019/06-2021/06 Interest is paid monthly.	None
Taishin International Bank	Credit	100,000	2019/11-2021/11 Interest is paid monthly.	None
Bank SinoPac	Credit	100,000	2019/10-2022/06 Interest is paid monthly.	None
O-Bank	Credit	100,000	2019/09-2021/06 Interest is paid monthly.	None
Cathay United Bank	Credit	80,000	2020/06-2022/04 Interest is paid monthly.	None
HSBC UK BANK PLC	Credit	58,304	2019/09-2022/03 Interest is paid monthly. Payable quarterly after the grace period.	None
Yuanta Bank	Credit	50,000	2020/06-2022/03 Interest is paid monthly.	None
Subtotal		<u>\$2,558,304</u>		
Less: current portion		<u>(329,152)</u>		
Total		<u>\$2,229,152</u>		
Interest rate		1.000%-1.797%		

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (18) Post-employment benefits

##### Defined contribution plan

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

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

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

Expenses under the defined contribution plan for the three-month and six-month periods ended 30 June 2021 and 2020 were \$44,059, \$27,299, \$88,982 and \$62,682, respectively.

##### Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. The Company's 2019 pension fund deposited at the Bank of Taiwan has reached sufficient allocation and does not require further allocation based on the approval of the management department of processing zone. 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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

Expenses under the defined benefits plan for the three-month and six-month periods ended 30 June 2021 and 2020 were \$3,402, \$2,953, \$6,803 and \$5,905, respectively.

#### (19) Equities

##### (a) Common stock

The Company's authorized capital was \$6,000,000 as at 31 December 2019, divided into 600,000,000 shares with par value of NT\$10 each. The paid-in capital amounted to \$3,562,130 with 356,538,962 shares issued. 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. The above share options executed amounted to 326,000 shares which have completed the registration process in the first quarter of 2020 and have converted into common stock.

In the first half of 2020, the employees converted their options into 310,000 shares at NT\$11.8 per share. All shares have completed the registration process and were booked as common stock.

As at 30 June 2020, 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 \$3,568,490, divided into 356,848,962 shares. Each share has one voting right and a right to receive dividends.

As at 31 December 2020 and 30 June 2021, the Company's authorized capitals were both \$6,000,000, divided into 600,000,000 shares with par value of NT\$10 each. The paid-in capital amounted to \$3,581,640 with 358,163,962 shares issued. 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)

(b) Capital surplus

	As at		
	30 Jun. 2021	31 Dec. 2020	30 Jun. 2020
Additional paid-in capital	\$893,555	\$893,555	\$891,846
Share of changes in net assets of associates and joint ventures accounted for using the equity method	6,005	6,005	6,005
Premium from merger	1,895	1,895	1,895
Share-based payment transactions	42,488	37,212	32,381
Total	<u>\$943,943</u>	<u>\$938,667</u>	<u>\$932,127</u>

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

(c) 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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

The policy of dividend distribution should reflect factors such as the current and future development plan, investment environment, fund requirements and domestic and international competition; as well as the interest of the shareholders. At least 30% of the distributable retained earnings must be distributed to shareholders annually. The Company seeks sustainable development based on capital expenditure, business expansion and financial planning. Earnings distribution can be made in the form of stock dividends or cash dividends. However, cash dividends must be greater than 60% of the current year bonus distributed to shareholders. The dividend distribution policy may depend on the company's business needs, reinvestment or merger and acquisition capital requirements, and major regulatory requirement changes. The board of directors shall submit a proposal to the shareholders meeting to adjust the cash dividend distribution ratio appropriately.

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.

When the Company distributing distributable earnings, it shall set aside to special reserve, 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 for the adoption of TIFRS, 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 from the special reserve.

The FSC on 31 March 2021 issued Order No. Financial – Supervisory – Securities – Corporate – 1090150022, which sets out the following provisions for compliance:

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

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

Details of the 2020 and 2019 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and the shareholders' meeting on 13 April 2021 and 29 May 2020, respectively, are as follows:

	<u>Appropriation of earnings (Note)</u>		<u>Dividend per share (NT\$)</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Legal reserve	\$25,915	\$30,665		
Special reserve	124,726	205,507		
Common stock - cash dividend	109,956	149,877	\$0.307	\$0.42
Capital surplus - cash	69,126	64,232	\$0.193	\$0.18

Note: Please refer to Note 11 for further details on appropriation of earnings.

Please refer to Note 6(24) for further details on employees' compensation and remuneration to directors and supervisors.

(20) 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.

The employee share options expired on 28 October 2020.

- c. The following table contains further details on the aforementioned share-based payment plan as at 30 June 2020:

	<u>6-month period ended 30 June 2020</u>	
	Number of share	
	options	Weighted average
	outstanding	exercise price of
	<u>(unit)</u>	<u>share options (NT\$)</u>
Outstanding at beginning of period	3,055	\$11.80
Converted	(310)	11.80
Forfeited	<u>-</u>	11.80
Outstanding at end of period	<u><u>2,745</u></u>	\$11.80
Weighted average fair value of share		
options (NT\$)	<u><u>\$-</u></u>	

- d. The aforementioned share-based payment plan expired on 28 October 2020. Therefore, both total number of options outstanding and shares exercisable to option holders were zero.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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 for the three-month periods and six-month periods ended 30 June 2021 and 2020 were \$0, \$0, \$0 and \$0, respectively. 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

- (b) On 10 August 2020, 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 10,200 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 50% and 100% of the options starting two years and three years, respectively, from the grant date 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.

The contractual term of each option granted is five years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these employee share options.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

As at 30 June 2021, 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\$)
10 Aug. 2020	10,200	9,700	-	\$12.75

- a. The following table contains further details on the aforementioned share-based payment plan as at 30 June 2021:

	6-month periods ended 30 June 2021	
	Number of share options outstanding (unit)	Weighted average exercise price of share options (NT\$)
Outstanding at beginning of period	10,200	\$12.75
Additions	-	-
Converted	-	-
Forfeited	(500)	12.75
Outstanding at end of period	9,700	\$12.75
Weighted average fair value of share options (NT\$)	\$3.1	

- b. The following table contains further details on the aforementioned share-based payment plan as at 30 June 2021:

Share options	Range of exercise price (NT\$)	Share options outstanding			Share options exercisable		
		Number (unit)	Maturity date	Weighted average remaining contractual life (Years)	Weighted average exercise price of share options (NT\$)	Number (unit)	Weighted average exercise price of share options (NT\$)
2020/8/10 Share options plan - 10,200 units issued	\$12.75	9,700	2025/8/9	4.11	\$12.75	-	\$12.75

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.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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 for the three-month period and six-month period ended 30 June 2021 were \$2,757 and \$5,276, respectively. The following table lists the inputs to the model used for the plan:

For the 10,200 units issued:

	<u>Share-based payment plan</u>
Dividend yield (%)	0%
Expected volatility (%)	28.51%
Risk-free interest rate (%)	0.31%
Expected option life (Years)	5 years

(21) Operating revenue	<u>3-month periods ended 30 Jun.</u>		<u>6-month periods ended 30 Jun.</u>	
	2021	2020	2021	2020
Revenue from contracts with customers				
Sale of goods	\$5,278,101	\$3,707,790	\$10,676,511	\$7,818,767
Less: sales returns and allowance	(411,784)	(300,829)	(808,101)	(636,270)
Total	<u>\$4,866,317</u>	<u>\$3,406,961</u>	<u>\$9,868,410</u>	<u>\$7,182,497</u>

Analysis of revenue from contracts with customers during the six-month periods ended 30 June 2021 and 2020 is as follows:

(a) Disaggregation of revenue

2021.4.1~2021.6.30

	<u>Taiwan Segment</u>	<u>China Segment</u>	<u>America Segment</u>	<u>Europe Segment</u>	<u>Total</u>
Sale of goods	<u>\$504,206</u>	<u>\$45,761</u>	<u>\$2,483,165</u>	<u>\$1,833,185</u>	<u>\$4,866,317</u>
Timing of revenue recognition					
At a point in time	<u>\$504,206</u>	<u>\$45,761</u>	<u>\$2,483,165</u>	<u>\$1,833,185</u>	<u>\$4,866,317</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

2020.4.1~2020.6.30

	Taiwan Segment	China Segment	America Segment	Europe Segment	Total
Sale of goods	<u>\$1,226,494</u>	<u>\$38,785</u>	<u>\$1,382,570</u>	<u>\$759,112</u>	<u>\$3,406,961</u>
Timing of revenue recognition					
At a point in time	<u>\$1,226,494</u>	<u>\$38,785</u>	<u>\$1,382,570</u>	<u>\$759,112</u>	<u>\$3,406,961</u>

2021.1.1~2021.6.30

	Taiwan Segment	China Segment	America Segment	Europe Segment	Total
Sale of goods	<u>\$1,168,606</u>	<u>\$84,623</u>	<u>\$4,827,001</u>	<u>\$3,788,180</u>	<u>\$9,868,410</u>
Timing of revenue recognition					
At a point in time	<u>\$1,168,606</u>	<u>\$84,623</u>	<u>\$4,827,001</u>	<u>\$3,788,180</u>	<u>\$9,868,410</u>

2020.1.1~2020.6.30

	Taiwan Segment	China Segment	America Segment	Europe Segment	Total
Sale of goods	<u>\$1,879,664</u>	<u>\$54,665</u>	<u>\$2,997,036</u>	<u>\$2,251,132</u>	<u>\$7,182,497</u>
Timing of revenue recognition					
At a point in time	<u>\$1,879,664</u>	<u>\$54,665</u>	<u>\$2,997,036</u>	<u>\$2,251,132</u>	<u>\$7,182,497</u>

(b) Contract balances

Contract liabilities - current

	2021.6.30	2020.12.31	2020.6.30	2020.1.1
Sales of goods	<u>\$4,228</u>	<u>\$5,158</u>	<u>\$15,947</u>	<u>\$20,272</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

The significant changes in the Group's balances of contract liabilities for the six-month periods ended 30 June 2021 and 2020 are as follows:

	6-month periods ended 30 June	
	2021	2020
The opening balance transferred to revenue	\$(4,878)	\$(4,857)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	3,973	724
Exchange differences	(25)	(192)

(22) Expected credit losses

	3-month periods ended 30 Jun.		6-month periods ended 30 Jun.	
	2021	2020	2021	2020
Operating expenses – Expected credit losses				
Accounts receivable	\$1,451	\$3,925	\$5,726	\$7,420

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

The Group measures the loss allowance of its accounts receivable at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as at 30 June 2021, 31 December 2020 and 30 June 2020 is as follows:

(1) The Group considers the grouping of accounts receivable 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:

2021.6.30

	Not yet due	Overdue				Total
		1-90 days	91-180 days	181-365 days	Upon 366 days	
Gross carrying amount	\$2,540,695	\$340,815	\$23,809	\$17,262	\$14,362	\$2,936,943
Loss ratio	-%	1.45%	1.25%	12.20%	46.98%	
Lifetime Expected credit losses	-	(4,940)	(297)	(2,106)	(6,747)	(14,090)
Carrying amount	<u>\$2,540,695</u>	<u>\$335,875</u>	<u>\$23,512</u>	<u>\$15,156</u>	<u>\$7,615</u>	<u>\$2,922,853</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

2020.12.31

	Not yet due	Overdue				Total
		1-90 days	91-180 days	181-365 days	Upon 366 days	
Gross carrying amount	\$2,676,925	\$291,412	\$33,170	\$1,212	\$14,487	\$3,017,206
Loss ratio	0.05%	0.61%	0.12%	40.84%	65.80%	
Lifetime Expected credit losses	(1,460)	(1,792)	(41)	(495)	(9,533)	(13,321)
Carrying amount	<u>\$2,675,465</u>	<u>\$289,620</u>	<u>\$33,129</u>	<u>\$717</u>	<u>\$4,954</u>	<u>\$3,003,885</u>

2020.6.30

	Not yet due	Overdue				Total
		1-90 days	91-180 days	181-365 days	Upon 366 days	
Gross carrying amount	\$2,234,220	\$196,734	\$11,539	\$11,809	\$6,879	\$2,461,181
Loss ratio	0.24%	5.12%	2.98%	18.14%	100.00%	
Lifetime Expected credit losses	(5,448)	(10,066)	(344)	(2,142)	(6,879)	(24,879)
Carrying amount	<u>\$2,228,772</u>	<u>\$186,668</u>	<u>\$11,195</u>	<u>\$9,667</u>	<u>\$-</u>	<u>\$2,436,302</u>

(2) The movement in the provision for impairment of note receivables and accounts receivable during the 6-month periods ended 30 June 2021 and 2020 is as follows:

	Accounts receivable
Beginning balance at 2021.1.1	\$13,321
Addition for the current period	5,726
Write off	(4,476)
Exchange differences	(481)
Ending balance at 2021.6.30	<u>\$14,090</u>

	Accounts receivable
Beginning balance at 2020.1.1	\$24,392
Addition for the current period	7,420
Write off	(6,239)
Exchange differences	(694)
Ending balance at 2020.6.30	<u>\$24,879</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
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(23) Leases

(1) Group as a lessee

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

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

A. Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

	<u>2021.6.30</u>	<u>2020.12.31</u>	<u>2020.6.30</u>
Land	\$60,773	\$63,081	\$61,807
Buildings	1,913,576	1,771,893	1,908,712
Machinery and equipment	55,171	45,687	42,371
Transportation equipment	62,546	30,511	31,125
Other equipment	<u>26,146</u>	<u>45,670</u>	<u>62,356</u>
Total	<u>\$2,118,212</u>	<u>\$1,956,842</u>	<u>\$2,106,371</u>

During the six-month periods ended 30 June 2021 and 2020, the Group's additions to right-of-use assets amounted to \$707,767 and \$355,012, respectively.

b. Lease liabilities

	<u>2021.6.30</u>	<u>2020.12.31</u>	<u>2020.6.30</u>
Lease liabilities	<u>\$2,208,454</u>	<u>\$2,036,798</u>	<u>\$2,152,557</u>
Current	<u>\$261,485</u>	<u>\$235,330</u>	<u>\$231,995</u>
Non-current	<u>\$1,946,969</u>	<u>\$1,801,468</u>	<u>\$1,920,562</u>



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Please refer to Note 6(25)(c) for the interest on lease liabilities recognized during the six-month periods ended 30 June 2021 and 2020, and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at 30 June 2021.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	3-month periods ended 30 Jun.		6-month periods ended 30 Jun.	
	2021	2020	2021	2020
Land	\$658	\$582	\$1,321	\$1,244
Buildings	70,025	65,349	133,416	127,235
Machinery and equipment	5,736	3,897	10,944	7,703
Transportation equipment	8,255	3,969	15,509	8,065
Other equipment	8,997	12,723	18,670	26,103
Total	<u>\$93,671</u>	<u>\$86,520</u>	<u>\$179,860</u>	<u>\$170,350</u>

C. Income and costs relating to leasing activities

	3-month period ended 30 Jun.		6-month period ended 30 Jun.	
	2021	2020	2021	2020
The expenses relating to short-term leases	\$7,191	\$7,982	\$21,012	\$13,631
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	125	-	216	-
The expenses relating to variable lease payments not included in the measurement of lease liabilities	3,865	998	5,597	3,966
Total	<u>\$11,181</u>	<u>\$8,980</u>	<u>\$26,825</u>	<u>\$17,597</u>

As at the three-month period and six-month period ended 30 June 2020, the relevant rent reductions \$1,210 and \$1,210 that were directly resulted from Covid-19 were recognized in other income to reflect changes in lease payment caused by relevant expedient practices.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### D. Cash outflow relating to leasing activities

During the six-month periods ended 30 June 2021 and 2020, the Group's total cash outflows for leases amounted to \$264,417 and \$255,150, respectively.

#### 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.

##### (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.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(24) Summary statement of employee benefits, depreciation and amortization expenses by function for the three-month and six-month periods ended 30 June 2021 and 2020:

Nature \ Function	3-month periods ended 30 June					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$381,592	\$461,231	\$842,823	\$330,896	\$312,316	\$643,212
Labor and health insurance	4,656	34,985	39,641	4,119	29,304	33,423
Pension	30,231	17,230	47,461	15,846	14,406	30,252
Other employee benefits expense	15,779	7,615	23,394	12,196	12,349	24,545
Depreciation	83,582	96,597	180,179	84,020	88,697	172,717
Amortization	302	5,192	5,494	415	4,202	4,617

Nature \ Function	6-month periods ended 30 June					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$743,864	\$912,349	\$1,656,213	\$551,092	\$747,856	\$1,298,948
Labor and health insurance	9,260	71,216	80,476	8,351	60,536	68,887
Pension	60,311	35,474	95,785	37,555	31,032	68,587
Other employee benefits expense	30,758	14,570	45,328	18,347	19,175	37,522
Depreciation	168,858	183,815	352,673	153,875	198,359	352,234
Amortization	570	10,180	10,750	665	8,493	9,158

According to the Company's Articles of Incorporation, when there is profit in current year, the Company shall set no less than 2% of profit as employees' compensation and no higher than 2% of profit 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. Its targets may include employees of controlling or affiliated companies that meet certain conditions. Such distribution shall be reported at the shareholders' meeting. Information on the board of directors' resolution regarding the employees' compensation and directors' remuneration can be obtained from the "Market Observation Post System" on the website of the TWSE.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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Based on profit of the six-month period ended 30 June 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors for the six-month period ended 30 June 2021 to be 4.21% and 0% of profit, respectively. The employees' compensation and remuneration to directors for the three-months period and six-month periods ended 30 June 2021 amount to \$5,900, \$0, \$5,900, and \$0, respectively, recognized as salary expense. The company experienced a loss for the six-month period ended 30 June 2020, hence no employees' compensation and remuneration to directors have been estimated.

A resolution was passed at a board meeting held on 11 March 2021 to distribute \$13,215 and \$0 in cash as 2020 employees' compensation and remuneration to directors, respectively. The difference of \$(319) between the actual employee bonuses and the estimated amount of \$13,534 was recognized as an adjustment to current income in 2021.

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, 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.

(25) Non-operating income and expenses

(a) Other income

	<u>3-month periods ended 30 Jun.</u>		<u>6-month periods ended 30 Jun.</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interest income				
Financial assets measured at amortized cost	\$5,450	\$12,588	\$10,819	\$23,074
Dividend revenue	2,694	-	2,694	-
Others	31,593	20,633	61,189	52,116
Total	<u>\$39,737</u>	<u>\$33,221</u>	<u>\$74,702</u>	<u>\$75,190</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(b) Other gains and losses

	3-month periods ended 30 Jun.		6-month periods ended 30 Jun.	
	2021	2020	2021	2020
Losses on disposal of property, plant and equipment	\$(454)	\$(765)	\$(652)	\$(1,023)
Gains on disposal of investment	-	-	-	20
Foreign exchange gains (losses), net	988	7,224	(3,539)	(24,926)
Gains on financial assets at fair value through profit or loss	26,467	11,839	44,810	12,272
Gains (losses) gains on change in leases	29,324	(3,134)	33,873	244
Others	(7,522)	(16,513)	(12,710)	(27,313)
Total	<u>\$48,803</u>	<u>\$(1,349)</u>	<u>\$61,782</u>	<u>\$(40,726)</u>

(c) Finance costs

	3-month periods ended 30 Jun.		6-month periods ended 30 Jun.	
	2021	2020	2021	2020
Interest on loans from bank	\$12,843	\$15,173	\$26,314	\$30,808
Interest on lease liabilities	31,457	32,160	61,410	62,559
Total	<u>\$44,300</u>	<u>\$47,333</u>	<u>\$87,724</u>	<u>\$93,367</u>

(26) Components of other comprehensive income

For the three-month period ended 30 June 2021:

	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:					
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	\$(3,360)	\$-	\$(3,360)	\$-	\$(3,360)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(142,433)	-	(142,433)	-	(142,433)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(178)	-	(178)	-	(178)
Total of other comprehensive income	<u>\$(145,971)</u>	<u>\$-</u>	<u>\$(145,971)</u>	<u>\$-</u>	<u>\$(145,971)</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

For the three-month period ended 30 June 2020:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	\$(153,294)	\$-	\$(153,294)	\$-	\$(153,294)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(301)	-	(301)	-	(301)
Total of other comprehensive income	<u>\$(153,595)</u>	<u>\$-</u>	<u>\$(153,595)</u>	<u>\$-</u>	<u>\$(153,595)</u>

For the six-month period ended 30 June 2021:

	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:					
Unrealized gains (losses) from equity instrument investments measured at fair value through other comprehensive income	\$540	\$-	\$540	\$-	\$540
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(185,214)	-	(185,214)	-	(185,214)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(339)	-	(339)	-	(339)
Total of other comprehensive income	<u>\$(185,013)</u>	<u>\$-</u>	<u>\$(185,013)</u>	<u>\$-</u>	<u>\$(185,013)</u>

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Notes to Consolidated Financial Statements (Continued)  
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For the six-month period ended 30 June 2020:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	\$(260,920)	\$-	\$(260,920)	\$-	\$(260,920)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(609)	-	(609)	-	(609)
Total of other comprehensive income	<u>\$(261,529)</u>	<u>\$-</u>	<u>\$(261,529)</u>	<u>\$-</u>	<u>\$(261,529)</u>

(27) Income tax

The major components of income tax expense are as follows:

(a) Income tax expense recognized in profit or loss

	<u>3-month periods ended 30 Jun.</u>		<u>6-month periods ended 30 Jun.</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current income tax expense:				
Current income tax charge	\$44,994	\$44,243	\$87,816	\$60,047
Deferred tax expense (income):				
Deferred tax expense (income) relating to origination and reversal of temporary differences	12,829	(14,433)	34,045	(560)
Deferred tax expense relating to changes in tax rate or the imposition of new taxes	-	-	-	39
Total income tax expense	<u>\$57,823</u>	<u>\$29,810</u>	<u>\$121,861</u>	<u>\$59,526</u>

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Notes to Consolidated Financial Statements (Continued)  
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(b) Income tax relating to components of other comprehensive income

	3-month periods ended		6-month periods ended	
	30 Jun.		30 Jun.	
	2021	2020	2021	2020
Deferred tax expense (income):				
Remeasurements of defined benefit plans	\$-	\$-	\$-	\$-
Income tax relating to components of other comprehensive income	\$-	\$-	\$-	\$-

(c) The assessment of income tax returns

As at 30 June 2021, the assessment of the income tax returns of the Company is as follows:

	<u>The assessment of income tax returns</u>
Globe Union Industrial Corp.	Assessed and approved up to 2018

As at 30 June 2021, all foreign subsidiaries governed by foreign tax authorities have filed income tax returns up to 2020.

(28) 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.



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Notes to Consolidated Financial Statements (Continued)

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

	3-month periods ended 30 Jun.		6-month periods ended 30 Jun.	
	2021	2020	2021	2020
(a) Basic earnings (losses) per share				
Profit (loss) attributable to ordinary equity holders of the Company	\$78,789	\$24,275	\$134,288	\$(48,319)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	358,164	356,849	358,164	355,482
Basic earnings (losses) per share (NT\$)	\$0.22	\$0.07	\$0.37	\$(0.14)
(b) Diluted earnings (losses) per share				
Profit (loss) attributable to ordinary equity holders of the Company	\$78,789	\$24,275	\$134,288	\$(48,319)
Profit (loss) attributable to ordinary equity holders of the Company after dilution	\$78,789	\$24,275	\$134,288	\$(48,319)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	358,164	356,849	358,164	355,482
Effect of dilution:				
Employee compensation—stock (in thousands)	341	-	497	-
Employee stock options (in thousands)	1,511	204	1,066	877
Weighted average number of ordinary shares outstanding after dilution (in thousands)	360,016	357,053	359,727	356,359
Diluted earnings (losses) per share (NT\$)	\$0.22	\$0.07	\$0.37	\$(0.14)

There have been no other transactions that might impact the ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were completed.

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

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Notes to Consolidated Financial Statements (Continued)

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

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

	As at		
	30 Jun. 2021	31 Dec. 2020	30 Jun. 2020
Chengxinzhao (Zhangzhou) Hardware Co., Ltd.	\$-	\$1,692	\$1,692

(b) Key management personnel compensation

	3-month periods ended 30 June		6-month periods ended 30 June	
	2021	2020	2021	2020
Short-term employee benefits	\$70,537	\$42,924	\$114,467	\$93,231
Post-employment benefits	6,533	795	13,740	1,645
Termination benefits	-	-	784	-
Share-based payment	2,358	-	4,480	-
Total	\$79,428	\$43,719	\$133,471	\$94,876

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
	30 Jun.2021	31 Dec. 2020	30 Jun. 2020	
Machinery	\$1,194,593	\$1,281,869	\$1,455,794	Secured for other non-current liabilities
Inventory	1,032,190	120,198	138,077	Secured for other non-current liabilities and loans
Accounts receivable	851,122	858,240	495,803	Secured for loans
Financial assets measured at amortized cost, current	108,486	95,586	106,189	Secured for loans
Other equipment	49,006	-	9,567	Secured for loans
Buildings	37,759	-	-	Secured for loans
Office equipment	25,198	24	26	Secured for other non-current liabilities and loans
Transportation equipment	2,678	-	-	Secured for loans
Total	\$3,301,032	\$2,355,917	\$2,205,456	

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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 \$64.
- (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.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

The shareholders' meeting of the company on 2 August 2021 resolved the 2020 earnings distribution.

12. OTHERS

- (1) Categories of financial instruments

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Notes to Consolidated Financial Statements (Continued)

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Financial assets

	As at		
	30 Jun. 2021	31 Dec. 2020	30 Jun. 2020
Financial assets at fair value through profit or loss:			
Mandatorily measured at Fair value through profit or loss	\$4,725	\$31,235	\$99,062
Financial assets measured at amortized cost (Note)	6,132,632	6,721,477	5,750,731
Financial assets at fair value through other comprehensive income	39,540	39,000	-

Financial liabilities

	As at		
	30 Jun. 2021	31 Dec. 2020	30 Jun. 2020
Financial liabilities at amortized cost:			
Short-term borrowings	\$1,779,923	\$1,492,720	\$1,700,687
Notes and accounts payable	2,485,943	2,765,520	1,529,355
Long-term loans (including current portion with maturity less than 1 year)	2,250,832	2,702,574	2,558,304
Other payables	346,635	308,978	379,066
Accrued expenses	1,166,670	1,160,813	885,734
Leases liabilities (including current portion with maturity less than 1 year)	2,208,454	2,036,798	2,152,557
Financial liabilities at fair value through profit or loss:			
Held for trading	10,029	3,109	1,146

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

(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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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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, interest rate risk, and other price risk (such as equity 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.

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Notes to Consolidated Financial Statements (Continued)

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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:

When NTD strengthens against USD by 1%:

	Increase (decrease) in equity	Decrease (increase) in profit or loss
Six-month period ended 30 June 2021	\$-	\$16,574
Six-month period ended 30 June 2020	\$-	\$10,852

When NTD strengthens against CNY by 1%:

	Increase (decrease) in equity	Decrease (increase) in profit or loss
Six-month period ended 30 June 2021	\$-	\$1,999
Six-month period ended 30 June 2020	\$-	\$6,701

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

b. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's investment in debt instruments 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.

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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 six-month periods ended 30 June 2021 and 2020 to decrease/increase by \$4,031 and \$4,259, respectively.

#### c. 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 fair value through profit or loss or fair value through other comprehensive income, 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.

A change of 5% in the price of the listed companies' stocks classified as equity instrument investments measured at fair value through other comprehensive income could have an impact of \$1,977 and \$0 on the equity attributable to the Group for the six-month periods ended 30 June 2021 and 2020, respectively.

Please refer to Note 12(9) 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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (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 accounts receivable) and from its financing activities, including bank deposits and other financial instruments.

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

As at 30 June 2021, 31 December 2020 and 30 June 2020, accounts receivable from top ten customers represented 48.14%, 38.09% and 51.64% of the total accounts receivable of the Group, respectively. The credit concentration risk of other accounts receivable 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.



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

The Group used simplified approach (Note) to assess the expected credit losses of accounts receivable. As at 30 June 2021, 31 December 2020 and 30 June 2020, the Group's accounts receivable overdue amounted to \$396,248, \$340,281 and \$226,961, respectively. As at 30 June 2021, 31 December 2020 and 30 June 2020, the expected credit loss was estimated at 3.56%, 3.91% and 10.96%, respectively, while the loss allowances was measured at \$14,090, \$13,321 and \$24,879, respectively.

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

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).

(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 Group'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 30 Jun. 2021					
Short-term borrowings	\$1,783,815	\$-	\$-	\$-	\$1,783,815
Notes and accounts payable	2,485,943	-	-	-	2,485,943
Long-term borrowings (including current portion with maturity less than 1 year)	569,635	1,729,089	-	-	2,298,724
Other payables	346,635	-	-	-	346,635
Accrued expenses	1,166,670	-	-	-	1,166,670
Leases liabilities	402,093	688,837	574,349	1,725,345	3,390,624

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. 2020					
Short-term borrowings	\$1,495,923	\$-	\$-	\$-	\$1,495,923
Notes and accounts payable	2,765,520	-	-	-	2,765,520
Long-term borrowings (including current portion with maturity less than 1 year)	477,927	2,296,162	-	-	2,774,089
Other payables	308,978	-	-	-	308,978
Accrued expenses	1,160,813	-	-	-	1,160,813
Leases liabilities	358,782	576,215	495,615	1,754,162	3,184,774
As at 30 Jun. 2020					
Short-term borrowings	\$1,704,198	\$-	\$-	\$-	\$1,704,198
Notes and accounts payable	1,529,355	-	-	-	1,529,355
Long-term borrowings (including current portion with maturity less than 1 year)	366,084	1,520,030	751,123	-	2,637,237
Other payables	379,066	-	-	-	379,066
Accrued expenses	885,734	-	-	-	885,734
Lease liabilities	360,965	600,016	515,159	1,915,606	3,391,746
<u>Derivative financial liabilities</u>					
As at 30 Jun. 2021					
Inflows	\$964,021	\$-	\$-	\$-	\$964,021
Outflows	(974,050)	-	-	-	(974,050)
Net	<u>\$(10,029)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(10,029)</u>
As at 31 Dec. 2020					
Inflows	\$376,168	\$-	\$-	\$-	\$376,168
Outflows	(379,277)	-	-	-	(379,277)
Net	<u>\$(3,109)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(3,109)</u>
As at 30 Jun. 2020					
Inflows	\$106,903	\$-	\$-	\$-	\$106,903
Outflows	(108,049)	-	-	-	(108,049)
Net	<u>\$(1,146)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(1,146)</u>

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the six-month period ended 30 June 2021:

	Long-term borrowings (including current portion with maturity less than 1 year)			Total liabilities from financing activities
	Short-term borrowings	Leases liabilities		
As at 1 Jan. 2021	\$1,492,720	\$2,702,574	\$2,036,798	\$6,232,092
Cash flows	287,203	(451,742)	(176,182)	(340,721)
Non-cash flows (Note)	-	-	347,838	347,838
As at 30 Jun. 2021	<u>\$1,779,923</u>	<u>\$2,250,832</u>	<u>\$2,208,454</u>	<u>\$6,239,209</u>

Note: In the first half of 2021, the Group's right-of-use assets and lease liabilities increased by \$707,767, while right-of-use assets and lease liabilities decreased by \$326,056 and \$359,929, respectively, due to lease termination.

Reconciliation of liabilities for the six-month period ended 30 June 2020:

	Long-term borrowings (including current portion with maturity less than 1 year)			Total liabilities from financing activities
	Short-term borrowings	Leases liabilities		
As at 1 Jan. 2020	\$1,560,566	\$2,601,172	\$2,056,591	\$6,218,329
Cash flows	140,121	(42,868)	(174,994)	(77,741)
Non-cash flows (Note)	-	-	270,960	270,960
As at 30 Jun. 2020	<u>\$1,700,687</u>	<u>\$2,558,304</u>	<u>\$2,152,557</u>	<u>\$6,411,548</u>

Note: In the first half of 2020, the Group's right-of-use assets and lease liabilities increased by \$355,012, while right-of-use assets and lease liabilities decreased by \$83,808 and \$84,052, respectively, due to lease termination.

## 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 receivable, 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 30 June 2021, 31 December 2020 and 30 June 2020 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 30 Jun. 2021		
Forward currency contract	Sell USD 43,810	From Jul. 2021 to Sep. 2021
Forward currency contract	Buy USD 9,000	From Jul. 2021 to Sep. 2021
Forward currency contract	Sell EUR 1,000	Jul. 2021
Forward currency contract	Sell GBP 1,519	From Apr. 2021 to Aug. 2021
As at 31 Dec. 2020		
Forward currency contract	Sell USD 51,785	From Jan. 2021 to Apr. 2021
Forward currency contract	Sell EUR 3,000	From Jan. 2021 to Feb. 2021
Forward currency contract	Sell GBP 3,271	From Nov. 2020 to Mar. 2021

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

As at 30 Jun. 2020

Forward currency contract	Sell USD 26,680	From Jul. 2020 to Sep. 2020
Forward currency contract	Sell EUR 2,200	From Jul. 2020 to Sep. 2020
Forward currency contract	Sell GBP 1,664	From Apr. 2020 to Aug. 2020

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 30 June 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$-	\$4,725	\$-	\$4,725
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	39,540	-	-	39,540
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	10,029	-	10,029

As at 31 December 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$-	\$31,235	\$-	\$31,235
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	39,000	-	-	39,000

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Financial liabilities:

Financial liabilities at fair value through  
profit or loss

Forward foreign exchange contracts	-	3,109	-	3,109
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As at 30 June 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$-	\$4,414	\$-	\$4,414
Stocks	-	-	94,648	94,648

Financial liabilities:

Financial liabilities at fair value through  
profit or loss

Forward foreign exchange contracts	-	1,146	-	1,146
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Transfers between Level 1 and Level 2 during the period

During the six-month periods ended 30 June 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

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

None.

(10) Significant assets and liabilities denominated in foreign currencies

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



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	Unit: Thousands								
	As at 30 June 2021			As at 31 December 2020			As at 30 June 2020		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>									
Monetary items:									
USD	\$78,998	27.86	\$2,200,884	\$85,213	28.48	\$2,426,866	\$47,524	29.63	\$1,408,136
CNY	369,963	4.308	1,593,801	342,004	4.38	1,497,978	419,206	4.192	1,757,312
EUR	7,445	33.14	246,727	7,387	35.06	258,988	9,515	33.27	316,564
CAD	8,129	22.47	182,659	6,949	22.37	155,449	6,960	21.68	150,893
GBP	23,880	38.54	920,335	26,355	39.43	1,039,178	14,343	36.44	522,659
<u>Financial liabilities</u>									
Monetary items:									
USD	\$19,509	27.86	\$543,521	\$17,588	28.48	\$500,906	\$10,899	29.63	\$322,937
CNY	323,551	4.308	1,393,858	328,494	4.38	1,438,804	259,360	4.192	1,087,237
EUR	2,495	33.14	82,684	2,050	35.06	71,873	2,475	33.27	82,343
CAD	1,835	22.47	41,232	1,164	22.37	26,039	1,195	21.68	25,908
GBP	28,223	38.54	1,087,714	39,175	39.43	1,544,670	13,105	36.44	477,546

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 losses for the six-month periods ended 30 June 2021 and 2020 were \$3,539 and \$24,926, respectively.

(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.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(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:

2021.6.30		
<u>Lenders</u>	<u>Amount assigned</u>	<u>Prepaid amount (note)</u>
HSBC UK BANK PLC	\$851,122	\$208,745
2020.12.31		
<u>Lenders</u>	<u>Amount assigned</u>	<u>Prepaid amount (note)</u>
HSBC UK BANK PLC	\$858,240	\$-
2020.6.30		
<u>Lenders</u>	<u>Amount assigned</u>	<u>Prepaid amount (note)</u>
HSBC UK BANK PLC	\$495,803	\$164,906

Note: Reported on short-term loans.

- (13) The Company incorporated the Mexican subsidiary, GU PLUMBING de Mexico S.A. de C.V. in August 2019 and planned to lease NAMCE, S. DE R. L. DE C. V.'s ceramic factory and land in Mexico through the subsidiary. The Company purchased equipment and inventory from the ceramic factory amounted to \$1,878,900 (USD 60,000 thousand). As of 30 June 2021, the unpaid amount totaled \$520,264 (USD 18,674 thousand), secured by equipment and inventory. Please refer to Note 8 for more details.
- (14) The board of directors of the Company resolved on 17 June 2020 to enter into a joint venture with Thai Kin Co., Ltd. to subscribe for 51% shares of its existing subsidiary Paokin Co., Ltd.. The investment limit is USD 14,768 thousand or equivalent in Thai Baht. Upon an in-depth evaluation of the subsequent changes in the business environment by both parties, it was determined that the originally anticipated benefits and goals of the joint venture could not be achieved. As at 7 April 2021, the Company and Thai Kin Co., Ltd. therefore agreed to terminate the unexecuted joint venture.

**GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES**

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

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

**13. OTHER DISCLOSURE**

**(1) Information on significant transactions**

(a) Financing provided to others for the six-month period ended 30 June 2021: All transactions below were between consolidated entities and have been eliminated in consolidation.

No (Note 1)	Lender	Counterparty	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Amount drawn	Interest rate	Nature of financing (Note 5)	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
0	Globe Union Industrial Corp.	PJH Group Limited	Other receivable	Yes	\$157,520 (GBP 4,000,000)	\$- (GBP -)	\$- (GBP -)	-	2	\$-	For operating	\$-	-	\$-	\$547,183 (Note 3)	\$2,188,731 (Note 2)
0	Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	Other receivable	Yes	\$241,079 (USD 8,450,000)	\$235,417 (USD 8,450,000)	\$235,417 (USD 8,450,000)	1.80%	2	\$-	For operating	\$-	-	\$-	\$547,183 (Note 3)	\$2,188,731 (Note 2)
0	Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	Other receivable	Yes	\$215,061 (USD 7,700,000)	\$214,522 (USD 7,700,000)	\$214,522 (USD 7,700,000)	1.80%	1	\$1,120,320	Business relationship	\$-	-	\$-	\$1,120,320 (Note 4)	\$2,188,731 (Note 2)

Note 1: The business transactions between the parent company and its subsidiaries should be indicated in the number column respectively. The method of filling in the numbers is as follows:

- (1) The parent company fills in 0.
- (2) Subsidiaries are numbered sequentially by the Arabic number 1 according to the company.

Note 2: Total financing was limited to 40% of net equity of the lender as at 30 June 2021.

Note 3: Financing to individual counterparty was limited to 10% of the net equity of the lender as at 30 June 2021.

Note 4: Financing to individual counterparty was limited to the total transaction amounts with the lender.

Note 5: Code 1 represents an intercompany transaction calls for a loan arrangement; code 2 represents short-term financing.

**GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES**

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

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

**(b) Endorsement/Guarantee provided to others for the six-month period ended  
30 June 2021:**

No. (Note1)	Endorser/ Guarantor	Counterparty		Guarantee Limited Amount for each Counterparty	Maximum balance for the period	Guarantee Amount for the six-month period ended 30 June 2021	Amount drawn	Value of Collaterals Properties	Ratio of Accumulated Amount of Guarantee Provided to Net Equity of the Latest Financial Statements	Guarantee Limited Amount	Guarantee from the parent to subsidiary	Guarantee from the subsidiary to parent	Guarantee from Mainland China
		Company Name	Relationship (Note 4)										
0	Globe Union Industrial Corp.	PJH Group Limited	4	\$1,641,548 (Note 2)	\$31,504	\$31,464	\$31,464	\$-	0.58%	\$2,735,914 (Note 3)	Y	-	-
0	Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	4	\$1,641,548 (Note 2)	\$83,500	\$83,500	\$-	\$-	1.53%	\$2,735,914 (Note 3)	Y	-	-

Note 1: The business transactions between the parent company and its subsidiaries should be indicated in the number column respectively. The method of filling in the numbers is as follows:

- (1) The parent company fills in 0.
- (2) Subsidiaries are numbered sequentially by the Arabic number 1 according to the company.

Note 2: The amount of guarantees/endorsements shall not exceed 30% of net equity of the guarantor as at 30 June 2021.

Note 3: The amount of guarantees/endorsements shall not exceed 50% of net equity of the guarantor as at 30 June 2021.

Note 4: According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, receiving parties should be disclosed as one of the following:

- (1) A company that has a business relationship with the provider.
- (2) A subsidiary in which the provider holds directly over 50% of equity interest.
- (3) An investee in which the provider and its subsidiaries hold over 50% of equity interest.
- (4) An investee in which the provider holds directly and indirectly over 90% of equity interest.
- (5) A company that has provided guarantees to the provider, and vice versa, due to contractual requirements.
- (6) An investee in which the provider conjunctly invests with other shareholders, and for which the provider has provided endorsement/guarantee in proportion to its shareholding percentage.
- (7) Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(c) Securities held as at 30 June 2021 (excluding subsidiaries, associates and joint venture):

Company Name	Securities Held	Relationship between Issuer and the Company (Note 1)	Account Stated	As at 30 June 2021			
				Number of shares	Book Value	Ratio%	Fair Value
Globe Union Industrial Corp.	Stocks Thai Kin Co., Ltd.	-	Financial assets at fair value through other comprehensive income	600,000	\$39,540	1.68%	\$39,540

Note 1: If the securities issuer is not related to the Company, no information is required to be provided.

(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 six-month period ended 30 June 2021: None.

(e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the six-month period ended 30 June 2021: 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 six-month period ended 30 June 2021: 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 six-month period ended 30 June 2021:

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.	Sub-subsidiary	Purchase	\$2,091,848	28.52%	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	\$(1,835,223)	(73.82%)	-

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	Sub-subsiidiary	Purchase	\$973,109	13.27%	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	\$(103,054)	(4.15%)	-
Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	Sub-subsiidiary	Purchase	\$596,608	8.13%	14 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	\$(36,199)	(1.46%)	-
Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	Sub-subsiidiary	Sales	\$(3,225,981)	(32.69%)	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	\$420,474	14.39%	-
Globe Union Industrial Corp.	Globe Union (Canada) Inc.	Sub-subsiidiary	Sales	\$(196,418)	(1.99%)	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	\$87,659	3.00%	-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	\$(2,091,848)	(21.20%)	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	\$1,835,223	62.79%	-
Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	\$(973,109)	(9.86%)	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	\$103,054	3.53%	-

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
GU PLUMBING de MEXICO S.A. de C.V.	Globe Union Industrial Corp.	Group direct parent company	Sales	\$(596,608)	(6.05%)	14 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	\$36,199	\$1.24%	-
Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	Group direct parent company	Purchase	\$3,225,981	43.98%	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	\$(420,474)	(16.91%)	-
Globe Union (Canada) Inc.	Globe Union Industrial Corp.	Group direct parent company	Purchase	\$196,418	2.86%	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	\$(87,659)	(3.53%)	-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co.KG	Associate	Sales	\$(140,272)	(1.42%)	60 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	\$41,931	1.43%	-
Globe Union Germany GmbH & Co.KG	Shenzhen Globe Union Enterprise Co., Ltd.	Associate	Purchase	\$140,272	1.91%	60 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	\$(41,931)	(1.69%)	-

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as at 30 June 2021:

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	\$1,835,223 RMB 426,872,307	2.08 times	\$-	-	\$452,384 RMB 105,010,167	\$-
Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	Sub-subsidiary	\$420,474	10.97 times	\$-	-	\$420,474	\$-
Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	\$103,054 RMB 23,921,450	22.14 times	\$-	-	\$103,054 RMB 23,921,450	\$-

(i) Financial instruments and derivative transactions:

Please refer to Note 6(2), 6(14) 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 (%) (Note3)
0	Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd.	1	Purchases	\$2,091,848	Note 4(1)	21.20%
0	Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd.	1	Accounts payable	(1,835,223)	Note 4(3)	(11.17%)
0	Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	1	Purchases	973,109	Note 4(1)	9.86%
0	Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	1	Accounts payable	(103,054)	Note 4(3)	(0.63%)
0	Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	1	Purchases	596,608	Note 4(1)	6.05%
0	Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	1	Other receivables	450,604	Note 4(4)	2.74%
0	Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	1	Sales	(3,225,981)	Note 4(2)	(32.69%)
0	Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	1	Accounts receivable	420,474	Note 4(3)	2.56%
0	Globe Union Industrial Corp.	Globe Union (Canada) Inc.	1	Sales	(196,418)	Note 4(2)	(1.99%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Sales	(2,091,848) RMB (478,471,398)	Note 4(2)	(21.20%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Accounts receivable	1,835,223 RMB 426,872,307	Note 4(3)	11.17%
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co.KG	3	Sales	(140,272) RMB (32,010,336)	Note 4(2)	(1.42%)

**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)
2	Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	2	Purchases	3,225,981 USD 114,641,923	Note 4(1)	32.69%
2	Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	2	Accounts Payable	(420,474) USD (15,092,392)	Note 4(3)	(2.56%)
3	Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	2	Sales	(973,109) RMB (221,950,746)	Note 4(2)	(9.86%)
3	Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	2	Accounts Receivable	103,054 RMB (23,921,450)	Note 4(3)	0.63%
4	GU PLUMBING de MEXICO S.A. de C.V.	Globe Union Industrial Corp.	2	Sales	(596,608) USD (21,123,627)	Note 4(2)	(6.05%)
4	GU PLUMBING de MEXICO S.A. de C.V.	Globe Union Industrial Corp.	2	Other payable	(450,604) USD (16,173,864)	Note 4(4)	(2.74%)
5	Globe Union (Canada) Inc.	Globe Union Industrial Corp.	2	Purchases	196,418 CAD 8,737,202	Note 4(1)	1.99%
6	Globe Union Germany GmbH & Co.KG	Shenzhen Globe Union Enterprise Co., Ltd.	3	Purchases	140,272 EUR 4,110,310	Note 4(1)	1.42%

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

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) The transaction terms to the above-related parties were determined through a mutual agreement based on the market conditions.
- (4) Financing, ratio 1.80%

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

**(2) Information on investees:**

(a) Names, locations, main businesses and products, original investment amount, investment as at 30 June 2021, net income (loss) of investee company and investment income (loss) recognized as at 30 June 2021: (excluding investees in Mainland China)

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment Amount		Investment as at 30 June 2021			Net income (loss) of investee company	Investment income (loss) recognized	Note
				30 June 2021	31 December 2020	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%	\$3,708,522	\$76,882	\$72,647	Note
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%	\$3,672,669	\$130,909	\$192,591	Note
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	\$2,590,324	81,555,901	100%	\$1,352,273	\$101,855	\$101,855	
Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	Bldv. Isidro López Zertuche No. 3745 La Salle, Saltillo, Coahuila, 25240 Mexico	Manufacturing and selling sanitary ceramic wares	\$1,736,117	\$1,736,117	1,078,362,220	100%	\$856,922	\$(241,327)	\$(241,327)	

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

**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 directly and through Globe Union Industrial (B.V.I) Corp. and Globe Union (Bermuda) Ltd. as at 30 June 2021:**

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 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as at 30 June 2021	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as at 30 June 2021	Accumulated Inward Remittance of Earnings as at 30 June 2021
					Outflow	Inflow						
Shenzhen Globe Union Enterprise Co., Ltd.	Manufacturing and selling plumbing products	\$1,639,021 (RMB 380,459,896)	Investment in Mainland China companies through a company invested and established in a third region	\$-	\$-	\$-	\$-	\$75,370	100%	\$75,370 (Note 1)	\$2,991,751	\$188,508
Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	\$1,050,325 (RMB 243,808,100)	Investment in Mainland China companies through a company invested and established in a third region	\$467,609 (USD 16,784,252)	\$-	\$-	\$467,609 (USD 16,784,252)	\$34,918	100%	\$34,918 (Note 1)	\$1,395,821	\$-
Globe Union Business Consultancy Shanghai Company Limited	Consulting	\$2,238 (RMB 519,514)	Directly invested Mainland China company	\$-	\$-	\$-	\$3,230 (RMB 749,658)	\$101	100%	\$101 (Note 1)	\$3,328	\$-

Accumulated Investment in Mainland China as at 30 June 2021 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$470,839 (USD 16,784,252 & RMB 749,658)	\$1,547,689 (USD 55,484,324 & GBP 49,191)	Not applicable (Note 2)

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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 30 June 2021 was USD16,784,252 and RMB 749,658. The information of the existing investee companies is as follows:

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

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

(4) Information on major shareholders:

30 June 2021

Name \ Shares	Shareholding	Shareholding ratio
Yue Feng International Co., Ltd. Investment account under the custody of Taishin Bank	26,159,515	7.30%
Ming-Ling Co., Ltd. (Representative: Scott Ouyoung)	23,366,692	6.52%
Su-Hsiang Ou Young Chang	21,637,899	6.04%

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Name	Shares	Shareholding	Shareholding ratio
Trust property account of Scott Ouyoung at the Taipei Branch of the United Bank of Switzerland		20,558,787	5.74%
Lei Ouyang		20,373,132	5.68%
Scott Ouyoung		20,000,000	5.58%
Hsien Ou Yang		19,999,772	5.58%

Note:

1. The main shareholder information in the table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter. The information included the total number of ordinary shares and special shares held by the shareholders, which have completed the delivery and registration of dematerialized shares (including treasury shares) that reached 5%. The share capital stated in the Company's financial report and the number of dematerialized shares actually delivered and registered by the Company may differ because the calculation bases were different.
2. If the above information included the shareholder's shares transferred to the trust, it will be disclosed by the trustee who opened the trust account individually. As for shareholders who declared insider equity holding for more than 10% of shareholding in accordance with the Securities Exchange Act, such shareholdings shall include their shareholdings plus their shares that have been delivered to the trust and shares of the trust that they have control of. Please refer to the information on insider equity declaration in the "Market Observation Post System" on the website of the TWSE.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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 of the reportable segment:

(a) For the three-month period ended 30 June 2021:

	<u>Segment A</u>	<u>Segment B</u>	<u>Adjustment and elimination</u>	<u>Consolidated</u>
Revenue				
External customer	\$4,820,556	\$45,761	\$-	\$4,866,317
Inter-segment	<u>2,262,964</u>	<u>1,540,495</u>	<u>(3,803,459)</u>	<u>-</u>
Total revenue	<u>\$7,083,520</u>	<u>\$1,586,256</u>	<u>\$(3,803,459)</u>	<u>\$4,866,317</u>
Segment profit (loss)	<u>\$122,165</u>	<u>\$66,266</u>	<u>\$(51,819)</u>	<u>\$136,612</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 three-month period ended 30 June 2020:

	Segment A	Segment B	Adjustment and elimination	Consolidated
Revenue				
External customer	\$3,368,176	\$38,785	\$-	\$3,406,961
Inter-segment	1,195,141	1,648,128	(2,843,269)	-
Total revenue	<u>\$4,563,317</u>	<u>\$1,686,913</u>	<u>\$(2,843,269)</u>	<u>\$3,406,961</u>
Segment profit (loss)	<u>\$(79,930)</u>	<u>\$118,529</u>	<u>\$15,486</u>	<u>\$54,085</u>

(c) For the six-month period ended 30 June 2021:

	Segment A	Segment B	Adjustment and elimination	Consolidated
Revenue				
External customer	\$9,783,787	\$84,623	\$-	\$9,868,410
Inter-segment	4,107,043	3,215,912	(7,322,955)	-
Total revenue	<u>\$13,890,830</u>	<u>\$3,300,535</u>	<u>\$(7,322,955)</u>	<u>\$9,868,410</u>
Segment profit (loss)	<u>\$163,656</u>	<u>\$144,842</u>	<u>\$(52,349)</u>	<u>\$256,149</u>

(d) For the six-month period ended 30 June 2020:

	Segment A	Segment B	Adjustment and elimination	Consolidated
Revenue				
External customer	\$7,127,832	\$54,665	\$-	\$7,182,497
Inter-segment	2,062,571	2,557,193	(4,619,764)	-
Total revenue	<u>\$9,190,403</u>	<u>\$2,611,858</u>	<u>\$(4,619,764)</u>	<u>\$7,182,497</u>
Segment profit (loss)	<u>\$(181,036)</u>	<u>\$70,160</u>	<u>\$122,083</u>	<u>\$11,207</u>

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 assets and liabilities of the reportable segment as at 30 June 2021, 31 December 2020 and 30 June 2020:

(a) Segment assets:

	Segment A	Segment B	Adjustment and elimination	Consolidated
2021.6.30	\$22,691,295	\$6,814,593	\$(13,076,994)	\$16,428,894
2020.12.31	\$23,503,629	\$6,885,784	\$(13,558,670)	\$16,830,743
2020.6.30	\$20,560,861	\$6,100,586	\$(11,540,757)	\$15,120,690

(b) Segment liabilities:

	Segment A	Segment B	Adjustment and elimination	Consolidated
2021.6.30	\$12,317,898	\$1,755,355	\$(3,116,187)	\$10,957,066
2020.12.31	\$12,933,927	\$1,867,218	\$(3,487,679)	\$11,313,466
2020.6.30	\$10,409,783	\$1,489,044	\$(1,831,448)	\$10,067,379