

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE SIX-MONTH PERIODS ENDED  
30 June 2022 AND 2021

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 2022 and 2021, the related consolidated statements of comprehensive income for three-month and six-month periods ended 30 June 2022 and 2021, changes in equity and cash flows for the six-month periods ended 30 June 2022 and 2021, 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\$19,733 thousand and NT\$20,357 thousand as at 30 June 2022 and 2021, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT\$(364) thousand, NT\$(213) thousand, NT\$(795) thousand and NT\$305 thousand, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT\$(300) thousand, NT\$(178) thousand, NT\$438 thousand and NT\$(339) thousand for the three-month and six-month periods ended 30 June 2022 and 2021, respectively. The information related to the above associates and joint ventures accounted for under the equity method was 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 2022 and 2021, their consolidated financial performance for the three-month and six-month periods ended 30 June 2022 and 2021, and their consolidated cash flows for the six-month periods ended 30 June 2022 and 2021, 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.

Huang Yu Ting  
Chen Ming Hung

Ernst & Young, Taiwan

5 August 2022

**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 2022, 31 December 2021 and 30 June 2021 (30 June 2022 and 2021 are unaudited)

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As at		
		30 June 2022	31 Dec 2021	30 June 2021
Current assets				
Cash and cash equivalents	4, 6(1)	\$2,615,595	\$2,281,297	\$3,052,224
Financial assets at fair value through profit or loss, current	4, 6(2)	2,893	10,973	4,725
Financial assets measured at amortized cost, current	4, 6(3), 8	112,576	106,445	158,334
Accounts receivable, net	4, 5, 6(4), 8	3,064,688	2,879,295	2,922,853
Inventories, net	4, 5, 6(5), 8	4,527,639	4,289,152	3,572,757
Prepayment	6(6)	238,900	175,556	264,797
Other current assets		572,205	729,061	692,783
Total current assets		<u>11,134,496</u>	<u>10,471,779</u>	<u>10,668,473</u>
Non-current assets				
Financial assets at fair value through other comprehensive income, non-current	4, 6(7)	33,180	36,480	39,540
Investments accounted for under the equity method	4, 6(8)	19,733	20,090	20,357
Property, plant and equipment	4, 6(9), 8	2,334,140	2,419,829	2,468,170
Right-of-use assets	4, 6(23)	2,182,931	2,117,441	2,118,212
Intangible assets	4, 6(10)	33,093	30,342	34,606
Goodwill	4, 5, 6(10)(11)	663,747	683,574	703,509
Deferred tax assets	4, 5	204,391	192,706	196,957
Deposits-out		35,446	34,137	34,011
Other non-current assets	6(12)	192,516	168,442	145,059
Total non-current assets		<u>5,699,177</u>	<u>5,703,041</u>	<u>5,760,421</u>
Total assets		<u>\$16,833,673</u>	<u>\$16,174,820</u>	<u>\$16,428,894</u>

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

(continued)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
30 June 2022, 31 December 2021 and 30 June 2021 (30 June 2022 and 2021 are unaudited)  
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As at		
		30 June 2022	31 Dec 2021	30 June 2021
<b>Current liabilities</b>				
Short-term loans	4, 6(13)	\$2,809,153	\$2,159,121	\$1,779,923
Financial liabilities at fair value through profit or loss, current	4, 6(14)	5,262	3,500	10,029
Contract liabilities, current	6(21)	1,558	2,806	4,228
Notes payable		63,966	58,788	71,728
Accounts payable		2,190,450	2,177,220	2,414,215
Other payables	6(15)	165,103	253,750	346,635
Accrued expenses	6(16)	2,185,704	1,343,849	1,166,670
Current tax liabilities	4	29,506	72,518	34,951
Lease liabilities, current	4, 6(23)	291,788	248,831	261,485
Current portion of long-term loans	4, 6(17)	230,000	519,947	540,832
Other current liabilities		48,834	46,714	70,077
Total current liabilities		8,021,324	6,887,044	6,700,773
<b>Non-current liabilities</b>				
Long-term loans	4, 6(17)	1,940,000	1,710,000	1,710,000
Deferred tax liabilities	4, 5	17,839	15,057	4,372
Lease liabilities, non-current	4, 6(23)	2,058,385	1,988,523	1,946,969
Other non-current liabilities		417,360	389,375	531,166
Net defined benefit obligation, non-current	4, 6(18)	9,658	12,136	63,786
Total non-current liabilities		4,443,242	4,115,091	4,256,293
Total liabilities		12,464,566	11,002,135	10,957,066
<b>Equity attributable to the parent company</b>				
<b>Capital</b>				
Common stock		3,581,640	3,581,640	3,581,640
Capital surplus		882,107	877,995	943,943
<b>Retained earnings</b>				
Legal reserve		892,412	886,922	861,006
Special reserve		902,450	852,940	728,214
(Accumulated deficits) retained earnings		(1,085,710)	55,000	394,978
Total retained earnings		709,152	1,794,862	1,984,198
<b>Other components of equity</b>				
Exchange differences on translation of foreign operations		(805,772)	(1,087,092)	(1,046,293)
Unrealized gains or losses on financial assets at fair value through other comprehensive income		1,980	5,280	8,340
Total other components of equity		(803,792)	(1,081,812)	(1,037,953)
Total equity		4,369,107	5,172,685	5,471,828
<b>Total liabilities and equity</b>		\$16,833,673	\$16,174,820	\$16,428,894

(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 2022 and 2021  
(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	
		2022	2021	2022	2021
Net sales	6(21)	\$5,207,844	\$4,866,317	\$10,429,498	\$9,868,410
Cost of sales	6(5),6(24)	(3,938,043)	(3,594,824)	(8,001,368)	(7,334,771)
Gross profit		1,269,801	1,271,493	2,428,130	2,533,639
Operating expenses	6(23),6(24)				
Selling and marketing		(510,812)	(492,340)	(1,040,029)	(948,026)
General and administrative		(1,577,387)	(623,519)	(2,185,197)	(1,250,419)
Research and development		(56,669)	(61,598)	(115,012)	(122,384)
Expected credit losses	6(22)	(2,573)	(1,451)	(4,798)	(5,726)
Total operating expenses		(2,147,441)	(1,178,908)	(3,345,036)	(2,326,555)
Operating (loss) income		(877,640)	92,585	(916,906)	207,084
Non-operating income and expenses	6(25)				
Other revenue		35,695	39,737	59,534	74,702
Other gains and losses		(109,608)	48,803	(103,138)	61,782
Finance costs		(50,498)	(44,300)	(96,444)	(87,724)
Share of profit or loss of associates and joint ventures	4, 6(8)	(364)	(213)	(795)	305
Total non-operating income and expenses		(124,775)	44,027	(140,843)	49,065
(Loss) income from continuing operations before income tax		(1,002,415)	136,612	(1,057,749)	256,149
Income tax expense	4, 5, 6(27)	(21,932)	(57,823)	(27,961)	(121,861)
(Loss) income from continuing operations, net of tax		(1,024,347)	78,789	(1,085,710)	134,288
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		(2,160)	(3,360)	(3,300)	540
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(8,437)	(142,433)	280,882	(185,214)
Share of other comprehensive of associates and joint ventures	6(8)	(300)	(178)	438	(339)
Total other comprehensive (loss) income, net of tax		(10,897)	(145,971)	278,020	(185,013)
Total comprehensive loss		<u>\$(1,035,244)</u>	<u>\$(67,182)</u>	<u>\$(807,690)</u>	<u>\$(50,725)</u>
Net (loss) income attributable to:					
Stockholders of the parent		\$(1,024,347)	\$78,789	\$(1,085,710)	\$134,288
Non-controlling interests		-	-	-	-
		<u>\$(1,024,347)</u>	<u>\$78,789</u>	<u>\$(1,085,710)</u>	<u>\$134,288</u>
Comprehensive loss attributable to:					
Stockholder of the parent		\$(1,035,244)	\$(67,182)	\$(807,690)	\$(50,725)
Non-controlling interests		-	-	-	-
		<u>\$(1,035,244)</u>	<u>\$(67,182)</u>	<u>\$(807,690)</u>	<u>\$(50,725)</u>
(Losses) earnings per share (NTD)	6(28)				
(Losses) earnings per share-basic		<u>\$ (2.86)</u>	<u>\$ 0.22</u>	<u>\$ (3.03)</u>	<u>\$ 0.37</u>
(Losses) earnings per share-diluted		<u>\$ (2.86)</u>	<u>\$ 0.22</u>	<u>\$ (3.03)</u>	<u>\$ 0.37</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 2022 and 2021

(Reviewed, Not Audited)

(Expressed in Thousands of New Taiwan Dollars)

Item	Notes	Common Stock	Additional Paid-in Capital	Retained Earnings			Other components of equity		Total equity
				Legal Reserve	Special reserve	Unappropriated Earnings (Accumulated Dedicits)	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 2021	6(19)	\$3,581,640	\$938,667	\$861,006	\$728,214	\$260,690	\$(860,740)	\$7,800	\$5,517,277
Net income for the six-month periods ended 30 Jun 2021						134,288			134,288
Other comprehensive income (loss), net of tax for the six-month periods ended 30 Jun 2021							(185,553)	540	(185,013)
Total comprehensive income (loss) for the six-month periods 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
Balance as at 1 Jan 2022	6(19)	\$3,581,640	\$877,995	\$886,922	\$852,940	\$55,000	\$(1,087,092)	\$5,280	\$5,172,685
Appropriations of earnings, 2021:									
Legal reserve				5,490		(5,490)			-
Special reserve					49,510	(49,510)			-
Net loss for the six-month period ended 30 Jun 2022						(1,085,710)			(1,085,710)
Other comprehensive income (loss), net of tax for the six-month period ended 30 Jun 2022							281,320	(3,300)	278,020
Total comprehensive income (loss) for the six-month period ended 30 Jun 2022						(1,085,710)	281,320	(3,300)	(807,690)
Share-based payment transactions-Share-based payment expense	6(20)		4,112						4,112
Balance as at 30 Jun 2022	6(19)	\$3,581,640	\$882,107	\$892,412	\$902,450	\$(1,085,710)	\$(805,772)	\$1,980	\$4,369,107

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



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the six-month periods ended 30 June 2022 and 2021  
(Reviewed, Not Audited)  
(Expressed in Thousands of New Taiwan Dollars)

	Notes	For the six-month periods ended 30 June	
		2022	2021
Cash flows from operating activities:			
Net (loss) income before tax		\$(1,057,749)	\$256,149
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation		354,294	352,673
Amortization		8,791	10,750
Expected credit losses		4,798	5,726
Net loss (gain) of financial assets/liabilities at fair value through profit or loss		35,737	(44,810)
Interest expense		96,444	87,724
Interest revenue		(14,169)	(10,819)
Dividend income		(1,320)	(2,694)
Share-based payment expense		4,112	5,276
Share of profit or loss of subsidiaries, associates and joint ventures		795	(305)
Loss on disposal of property, plant and equipment		10,334	652
Gain on lease modification		(189)	(33,873)
Impairment loss on non-financial assets		117,633	-
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss, current		(25,895)	78,240
Accounts receivable		(104,886)	17,774
Inventories, net		(101,993)	(236,485)
Prepayments		(63,344)	(48,506)
Other current assets		156,856	14,477
Other non-current assets		(24,074)	(69,551)
Notes payable		5,178	11,459
Accounts payable		2,446	(240,939)
Other payables		751,409	43,888
Contract liabilities, current		(1,248)	(930)
Other current liabilities		2,057	(14,283)
Defined benefit obligation		(2,415)	(38,228)
Other non-current liabilities		27,985	(11,982)
Cash generated from operations		181,587	131,383
Interest received		14,169	10,819
Interest paid		(94,645)	(88,098)
Income tax paid		(79,876)	(151,621)
Net cash generated from (used in) operating activities		21,235	(97,517)

(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 2022 and 2021  
(Reviewed, Not Audited)  
(Expressed in Thousands of New Taiwan Dollars)

	Notes	For the six-month periods ended 30 June	
		2022	2021
(Continued)			
Cash flows from investing activities:			
Acquisition of property, plant and equipment		\$(108,546)	\$(78,869)
Disposal of property, plant and equipment		343	991
(Increase) decrease in deposits-out		(1,309)	570
Increase in financial assets measured at amortized cost, current		(6,131)	(12,045)
Acquisition of intangible assets		(12,063)	(7,350)
Dividend received		1,320	2,694
Net cash used in investing activities		<u>(126,386)</u>	<u>(94,009)</u>
Cash flows from financing activities:			
Increase in short-term loans		2,779,944	973,563
Decrease in short-term loans		(2,129,912)	(686,360)
Increase in long-term loans		1,210,000	100,000
Decrease in long-term loans		(1,269,947)	(551,742)
Decrease in lease liabilities		(157,815)	(176,182)
Net cash generated from (used in) financing activities		<u>432,270</u>	<u>(340,721)</u>
Effect of changes in exchange rate on cash and cash equivalents		<u>7,179</u>	<u>12,152</u>
Net increase (decrease) in cash and cash equivalents		334,298	(520,095)
Cash and cash equivalents at beginning of period	6(1)	<u>2,281,297</u>	<u>3,572,319</u>
Cash and cash equivalents at end of period		<u><u>\$2,615,595</u></u>	<u><u>\$3,052,224</u></u>

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

# GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

For the six-month periods ended 30 June 2022 and 2021

(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, Chien-Kuo 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 2022 and 2021 were authorized for issue by the Company’s board of directors on 5 August 2022.

### 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 2022. 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	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

- (a) 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.

- (b) 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.

- (c) 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 were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2023. As the Group is still currently determining the potential impact of the standards and interpretations listed below, it is not practicable to estimate their impact on the Group at this point in time.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

- (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.

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

- (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 2020 and 2021. 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 – from annual reporting periods beginning on or after 1 January 2023.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The consolidated financial statements of the Group for the six-month periods ended 30 June 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34 *Interim Financial Reporting* as endorsed and became effective by the FSC.

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in 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:

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

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

If the Company loses control of a subsidiary, it:

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



**GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES**

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

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

(b) The consolidated entities are as follows:

Investor	Subsidiary	Main Business	Percentage of ownership (%)			Note
			30 June 2022	31 December 2021	30 June 2021	
Globe Union Industrial Corp.	Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Holding company	100.00%	100.00%	100.00%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Shenzhen Globe Union Enterprise Co., Ltd.	Manufacturing and selling bathroom products	100.00%	100.00%	100.00%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Milim G&G Ceramics Co.,Ltd.	Manufacturing and selling sanitary ceramic wares	10.71%	10.71%	10.71%	
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) Limited	Holding company	100.00%	100.00%	100.00%	
Globe Union(UK) Limited	PJH Trustees Limited	Trust industry	100.00%	100.00%	100.00%	
Globe Union (UK) Limited	PJH Group Limited	Selling kitchen and bathroom products	100.00%	100.00%	100.00%	
Globe Union (UK) Limited	PJH (HK) Limited	Holding company	-	100.00%	100.00%	Note1
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%	100.00%	100.00%	
Globe Union Industrial Corp.	Globe Union Ann Bo Manufacturing Co., Ltd.	Manufacturing and selling bathroom products	100.00%	-	-	Note2

Note1: One of the subsidiaries, PJH(HK) Limited, ceased to operate and cancelled its registration in April 2022. Therefore, Globe Union (UK) Limited's ownership in PJH(HK) Limited decreased from 100% to 0%.

Note2: The Company established a subsidiary, Globe Union Ann Bo Manufacturing Co., Ltd. in June 2022.

## 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 comprise 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 and
- B. The contractual cash flow characteristics of the financial asset.

*Financial assets measured at amortized cost*

A financial asset is measured at amortized cost if both of the following conditions are met and presented as 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 and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

## 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 represent 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.

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.



## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

- 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:

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

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

#### (4) Financial liabilities and equity

##### Classification between liabilities or equity

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### 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.

#### 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:

- 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:

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

- 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.

#### Derecognition of financial liabilities

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (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. 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.

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

#### (11) Inventories

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

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

Raw materials – Purchase cost on a weighted average method.

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

Merchandise – Purchase cost on weighted average method.

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not 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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (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.

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	2~6 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.



## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (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.

#### 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:

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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.

#### 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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (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.

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (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.

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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (17) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. 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.

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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (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.

#### (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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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.

#### (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.



## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (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.

##### 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:

- (a) 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;
- (b) 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.

## 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 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:

- (a) 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.
- (b) 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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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.

#### (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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

#### 5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

##### (1) 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)

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

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

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

#### (b) Impairment of goodwill

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

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

#### (c) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. Please refer to Note 6 for more details.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

#### (f) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective 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.

#### (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 for more details.

#### (h) Evaluation of inventories

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



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As at		
	30 Jun. 2022	31 Dec. 2021	30 Jun. 2021
Cash on hand	\$703	\$774	\$779
Demand deposits	1,978,293	1,607,501	2,389,890
Time deposits	636,599	673,022	661,555
Total	<u>\$2,615,595</u>	<u>\$2,281,297</u>	<u>\$3,052,224</u>

Cash and cash equivalents were not pledged.

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

	As at		
	30 Jun. 2022	31 Dec. 2021	30 Jun. 2021
Mandatorily measured at fair value through profit or loss:			
Derivatives not designated as hedging instruments			
Forward foreign exchange contracts	<u>\$2,893</u>	<u>\$10,973</u>	<u>\$4,725</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. 2022	31 Dec. 2021	30 Jun. 2021
Bank deposits-time deposit (longer than three months)	\$7,234	\$6,731	\$49,848
Bank deposits-time deposit-pledged	60,163	56,032	56,416
Bank deposits-reserve account	45,179	43,682	52,070
Subtotal (total carrying amount)	112,576	106,445	158,334
Less: loss allowance	-	-	-
Total	<u>\$112,576</u>	<u>\$106,445</u>	<u>\$158,334</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. 2022	31 Dec. 2021	30 Jun. 2021
Accounts receivable	\$3,197,466	\$3,022,791	\$3,058,837
Less: allowance for sales discounts	(131,183)	(135,459)	(121,894)
Less: loss allowance	(1,595)	(8,037)	(14,090)
Total	<u>\$3,064,688</u>	<u>\$2,879,295</u>	<u>\$2,922,853</u>

Accounts receivable are generally on 60-150 day terms. The total carrying amount as at 30 June 2022, 31 December 2021 and 30 June 2021 were \$3,197,466, \$3,022,791 and \$3,058,837, respectively. Please refer to Note 6(22) for more details on loss allowance of accounts receivable for the six-month periods ended 30 June 2022 and 2021. 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. 2022	31 Dec. 2021	30 Jun. 2021
Raw materials	\$303,826	\$261,972	\$302,421
Supplies & parts	140,295	144,303	161,821
Work in progress	227,491	300,056	298,616
Finished goods	457,380	588,759	674,752
Merchandise	3,398,647	2,994,062	2,135,147
Total	<u>\$4,527,639</u>	<u>\$4,289,152</u>	<u>\$3,572,757</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 2022 and 2021 were \$3,938,043 and \$3,594,824; the cost of inventories recognized in expenses for the six-month periods ended 30 June 2022 and 2021 were \$8,001,368 and \$7,334,771, respectively. The profit and loss related to cost of goods sold are as follows:

	3-month periods ended		6-month periods ended	
	30 June		30 June	
	2022	2021	2022	2021
Losses on obsolete inventory				
price recovery	\$(65,325)	\$(5,337)	\$(72,694)	\$(16,263)
Scraps	(97)	(3,789)	(929)	(4,944)
Gains on physical inventory count	523	191	548	251
Net	<u>\$(64,899)</u>	<u>\$(8,935)</u>	<u>\$(73,075)</u>	<u>\$(20,956)</u>

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

(6) Prepayments

	As at		
	30 Jun. 2022	31 Dec. 2021	30 Jun. 2021
Prepayment for purchases	\$60,858	\$20,637	\$79,720
Offset against VAT	29,545	29,124	28,600
Other prepayments	148,497	125,795	156,477
Total	<u>\$238,900</u>	<u>\$175,556</u>	<u>\$264,797</u>

Prepayments were not pledged.

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

	As at		
	30 Jun. 2022	31 Dec. 2021	30 Jun. 2021
Equity instrument investments measured at fair value through other comprehensive income – Non-Current:			
Listed company stocks	<u>\$33,180</u>	<u>\$36,480</u>	<u>\$39,540</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)

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

Please refer to Note 12 for more details on the credit risk of the equity instrument investments measured at fair value through other comprehensive income.

The Group's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the three-month periods and six-month periods ended 30 June 2022 and 2021 are as follows:

	3-month periods ended 30 June		6-month periods ended 30 June	
	2022	2021	2022	2021
Related to investments held at the end of the reporting period				
Dividends recognized during the period	\$-	\$2,694	\$1,320	\$2,694

(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. 2022		31 Dec. 2021		30 Jun. 2021	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in associates:						
Chengxinzhao (Zhangzhou) Hardware Co., Ltd.	\$19,733	49.00%	\$20,090	49.00%	\$20,357	49.00%
Arte En Bronce, S.A. DE C.V.	-	48.89%	-	48.89%	-	48.89%
Total	\$19,733		\$20,090		\$20,357	

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.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

	3-month periods ended		6-month periods ended	
	30 June		30 June	
	2022	2021	2022	2021
Loss (gain) from continuing operations	\$(364)	\$(213)	\$(795)	\$305
Other comprehensive (loss) gain	(300)	(178)	438	(339)
Total comprehensive loss	<u>\$(664)</u>	<u>\$(391)</u>	<u>\$(357)</u>	<u>\$(34)</u>

The associates had no contingent liabilities or capital commitments as at 30 June 2022, 31 December 2021 and 30 June 2021, and did not provide any guarantee.

(9) Property, plant and equipment

	As at		
	30 Jun. 2022	31 Dec. 2021	30 Jun. 2021
Owner occupied property, plant and equipment	<u>\$2,334,140</u>	<u>\$2,419,829</u>	<u>\$2,468,170</u>

(a) Owner occupied property, plant and equipment

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in	Total
						progress and equipment awaiting examination	
Cost:							
As at 1 Jan. 2022	\$826,747	\$3,081,890	\$50,746	\$312,336	\$651,477	\$44,995	\$4,968,191
Additions	4,429	16,801	1,904	18,571	7,634	59,207	108,546
Disposals	-	(20,178)	(5,883)	(2,795)	(6,400)	-	(35,256)
Transfers	2,898	(7,783)	-	(39)	27,130	(22,212)	(6)
Exchange differences	14,537	147,730	(524)	7,876	10,647	2,253	182,519
As at 30 Jun. 2022	<u>\$848,611</u>	<u>\$3,218,460</u>	<u>\$46,243</u>	<u>\$335,949</u>	<u>\$690,488</u>	<u>\$84,243</u>	<u>\$5,223,994</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
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	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>
Depreciation and impairment:							
As at 1 Jan. 2022	\$584,089	\$1,193,027	\$44,257	\$248,012	\$478,977	\$-	\$2,548,362
Depreciation	15,357	101,042	1,500	12,826	33,293	-	164,018
Impairment	-	117,633	-	-	-	-	117,633
Disposals	-	(9,710)	(5,883)	(2,647)	(6,339)	-	(24,579)
Transfers	-	(13,322)	-	(39)	13,361	-	-
Exchange differences	12,037	56,688	(620)	6,701	9,614	-	84,420
As at 30 Jun. 2022	<u>\$611,483</u>	<u>\$1,445,358</u>	<u>\$39,254</u>	<u>\$264,853</u>	<u>\$528,906</u>	<u>\$-</u>	<u>\$2,889,854</u>
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	-	(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>
Net carrying amount:							
30 Jun. 2022	<u>\$237,128</u>	<u>\$1,773,102</u>	<u>\$6,989</u>	<u>\$71,096</u>	<u>\$161,582</u>	<u>\$84,243</u>	<u>\$2,334,140</u>
31 Dec. 2021	<u>\$242,658</u>	<u>\$1,888,863</u>	<u>\$6,489</u>	<u>\$64,324</u>	<u>\$172,500</u>	<u>\$44,995</u>	<u>\$2,419,829</u>
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>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

- (b) GU PLUMBING de MEXICO S.A. de C.V., a subsidiary of the Company, plans to clear out some equipment that was no longer usable according to current conditions, in order to improve the utilization rate of plant space allocation. For the six-month period ended 30 June 2022, parts of the property, plant and equipment were written down to the recoverable amount. The Group recognized the impairment loss in the amount of \$51,043, which has been included in other gains and losses in the statement of comprehensive income.
- (c) Shenzhen Globe Union Enterprise Co.Ltd., a subsidiary of the Company, plans to clear out some property, plant and equipment as a result of factory relocation. The impairment loss in the amount of \$66,590 was booked according to the recoverable amount of the assets. Such loss has been included in other gains and losses in the statement of comprehensive income. Please refer to Note 11 for more details.
- (d) 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.
- (e) Please refer to Note 8 for more details on property, plant and equipment under pledge as at 30 June 2022.
- (f) There is no occurrence of capitalization of interest due to purchasing property, plant and equipment for the six-month periods ended 30 June 2022 and 2021.

(10) Intangible assets and goodwill

	Computer software	Trademarks	Goodwill	Total
Cost:				
As at 1 Jan. 2022	\$235,650	\$63,783	\$1,291,564	\$1,590,997
Addition-acquired separately	12,063	-	-	12,063
Disposal	-	(63,726)	-	(63,726)
Reclassifications	420	-	-	420
Exchange differences	(1,071)	(57)	(40,039)	(41,167)
As at 30 Jun. 2022	<u>\$247,062</u>	<u>\$-</u>	<u>\$1,251,525</u>	<u>\$1,498,587</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	Computer software	Trademarks	Goodwill	Total
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>

Amortization and impairment:

As at 1 Jan. 2022	\$206,427	\$62,664	\$607,990	\$877,081
Amortization	7,673	1,118	-	8,791
Disposal	-	(63,726)	-	(63,726)
Reclassifications	420	-	-	420
Exchange differences	(551)	(56)	(20,212)	(20,819)
As at 30 Jun. 2022	<u>\$213,969</u>	<u>\$-</u>	<u>\$587,778</u>	<u>\$801,747</u>

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>

Net carrying amount:

30 Jun. 2022	<u>\$33,093</u>	<u>\$-</u>	<u>\$663,747</u>	<u>\$696,840</u>
31 Dec. 2021	<u>\$29,223</u>	<u>\$1,119</u>	<u>\$683,574</u>	<u>\$713,916</u>
30 Jun. 2021	<u>\$28,043</u>	<u>\$6,563</u>	<u>\$703,509</u>	<u>\$738,115</u>

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

	3-month periods ended 30 June		6-month periods ended 30 June	
	2022	2021	2022	2021
Operating costs	<u>\$140</u>	<u>\$302</u>	<u>\$222</u>	<u>\$570</u>
Operating expenses	<u>\$3,821</u>	<u>\$5,192</u>	<u>\$8,569</u>	<u>\$10,180</u>



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(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 unit are as follows:

	As at		
	30 Jun. 2022	31 Dec. 2021	30 Jun. 2021
Goodwill			
- Channel unit	\$581,756	\$601,761	\$621,766
- Manufacturing unit	81,991	81,813	81,743
Total	<u>\$663,747</u>	<u>\$683,574</u>	<u>\$703,509</u>

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 were both 11.1% as at 31 December 2021 and 2020, and cash flows beyond the five-year period were extrapolated using both 0% growth rate as at 31 December 2021 and 2020, that was the same as the long-term average growth rate for the 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 2022 and 2021 amounted to \$581,756 and \$621,766, 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 were both 15.4% as at 31 December 2021 and 2020, respectively, and cash flows beyond the five-year period were extrapolated using both 0% growth rate as at 31 December 2021 and 2020, that does not exceed the long-term average growth rate for the industry.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### 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 2022 and 2021 amounted to \$81,991 and \$81,743, 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.

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.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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 has considered the possibility of raw material price inflation. The Group used past actual raw materials price movement as an indicator of future price movements. Management believes there is no raw materials price deviating from the budget for the six-month periods ended 30 June 2022 and 2021, and therefore no further impairment may arise.

Growth rate assumptions – Management recognizes that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts included in the budget. The estimated long-term growth rate of channel unit, and manufacturing unit were 0%, 0%, and 0%, 0% for the years ended 31 December 2021 and 2020, 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 2022 and 2021. Therefore, no further impairment may result.

(12) Other non-current assets

	As at		
	30 Jun. 2022	31 Dec. 2021	30 Jun. 2021
Prepayment for equipment	\$188,553	\$167,308	\$143,526
Others	3,963	1,134	1,533
Total	<u>\$192,516</u>	<u>\$168,442</u>	<u>\$145,059</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(13) Short-term loans

	As at		
	30 Jun. 2022	31 Dec. 2021	30 Jun. 2021
Unsecured bank loans	\$2,423,845	\$1,938,769	\$1,494,098
Secured bank loans	385,308	220,352	285,825
Total	<u>\$2,809,153</u>	<u>\$2,159,121</u>	<u>\$1,779,923</u>
Interest Rates (%)	0.98%-3.45%	0.65%-2.45%	0.78%-2.30%

The Group's unused short-term lines of credits amounted to \$1,561,857, \$1,879,889 and \$2,186,778 as at 30 June 2022, 31 December 2021 and 30 June 2021, respectively.

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

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

	As at		
	30 Jun. 2022	31 Dec. 2021	30 Jun. 2021
Held for trading:			
Derivatives not designated as hedging instruments			
Forward foreign exchange contracts	<u>\$5,262</u>	<u>\$3,500</u>	<u>\$10,029</u>

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

(15) Other payables

	As at		
	30 Jun. 2022	31 Dec. 2021	30 Jun. 2021
Output tax	\$79,812	\$160,152	\$230,727
Accrued VAT payables	25,202	26,914	22,243
Others	60,089	66,684	93,665
Total	<u>\$165,103</u>	<u>\$253,750</u>	<u>\$346,635</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

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(16) Accrued expenses

	As at		
	30 Jun. 2022	31 Dec. 2021	30 Jun. 2021
Accrued payroll and bonus	\$1,083,932	\$300,581	\$309,191
Accrued sales discounts	340,810	432,707	338,465
Accrued freight	265,574	269,481	189,295
Others	495,388	341,080	329,719
Total	<u>\$2,185,704</u>	<u>\$1,343,849</u>	<u>\$1,166,670</u>

Shenzhen Globe Union Enterprise Co. Ltd., the subsidiary of the Company, has started the process of terminating employment contracts with its employees because of the factory relocation and has booked severance packages in the amount of \$838,490. The severance packages have been included in the operating expenses in the statement of comprehensive income. Please refer to Note 11 for more details.

(17) Long-term loans

(a) As at 30 Jun. 2022

Lenders	Type	As at 30 Jun. 2022	Maturity date and terms of repayment	Guarantee
E.SUN Bank (Leading Bank of Syndicated Loan)	Syndicated bank loans	\$1,000,000	2022/05-2027/05 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
Taipei Fubon Commercial Bank	Credit	210,000	2022/03-2024/11 Interest is paid monthly.	None
KGI Bank	Credit	180,000	2022/05-2024/05 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	2021/09-2023/09 Interest is paid monthly.	None
Bank SinoPac	Credit	100,000	2021/09-2024/07 Interest is paid monthly.	None

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Lenders	Type	As at 30 Jun. 2022	Maturity date and terms of repayment	Guarantee
O-Bank	Credit	100,000	2021/09-2023/09 Interest is paid monthly.	None
Far Eastern International Bank	Credit	100,000	2022/01-2024/01 Interest is paid monthly.	None
The Shanghai Commercial & Savings Bank	Credit	100,000	2021/07-2023/07 Interest is paid monthly.	None
Shin Kong Bank	Credit	100,000	2021/07-2023/03 Interest is paid monthly.	None
CTBC Bank	Credit	50,000	2021/12-2023/12 Interest is paid monthly	None
Subtotal		<u>\$2,170,000</u>		
Less: current portion		<u>(230,000)</u>		
Total		<u><u>\$1,940,000</u></u>		
Interest rate		1.280%-1.797%		

(b) As at 31 Dec. 2021

Lenders	Type	As at 31 Dec. 2021	Maturity date and terms of repayment	Guarantee
CTBC Bank (Leading Bank of Syndicated Loan)	Syndicated bank loans	\$700,000	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.	None
KGI Bank	Credit	180,000	2021/09-2023/09 Interest is paid monthly.	None
Cathay United Bank	Credit	130,000	2021/06-2023/06 Interest is paid monthly.	None
The Shanghai Commercial & Savings Bank, Ltd.	Credit	100,000	2021/07-2023/07 Interest is paid monthly.	None
Taishin International Bank	Credit	100,000	2021/09-2023/09 Interest is paid monthly.	None

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Lenders	Type	As at 31 Dec. 2021	Maturity date and terms of repayment	Guarantee
Bank SinoPac	Credit	100,000	2021/09-2024/09 Interest is paid monthly.	None
O-Bank	Credit	100,000	2021/09-2023/09 Interest is paid monthly.	None
Shin Kong Bank	Credit	100,000	2021/07-2023/03 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	2021/12-2023/12 Interest is paid monthly.	None
HSBC UK BANK PLC	Credit	9,947	2019/09-2022/03 Interest is paid monthly. Payable quarterly after the grace period.	None
Subtotal		<u>\$2,229,947</u>		
Less: current portion		(519,947)		
Total		<u><u>\$1,710,000</u></u>		
Interest rate		0.950%-1.797%		

(c) As at 30 Jun. 2021

Lenders	Type	As at 30 Jun. 2022	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.	None
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

**GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
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Lenders	Type	As at 30 Jun. 2022	Maturity date and terms of repayment	Guarantee
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%		

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

(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 are provided in accordance with the local regulations.



## 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 contribution plan for the three-month and six-month periods ended 30 June 2022 and 2021 were \$54,759, \$44,059, \$99,401 and \$88,982, 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 assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

Expenses under the defined benefits plan for the three-month and six-month periods ended 30 June 2022 and 2021 were \$2,696, \$3,402, \$5,392 and \$6,803, respectively.

#### (19) Equities

##### (a) Common stock

The Company's authorized capital was \$6,000,000 as at both 30 June 2022, 31 December 2021 and 30 June 2021, 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. 2022	31 Dec. 2021	30 Jun. 2021
Additional paid-in capital	\$824,430	\$824,430	\$893,555
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	49,777	45,665	42,488
Total	<u>\$882,107</u>	<u>\$877,995</u>	<u>\$943,943</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 reserve 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. If the company has already set aside special reserve according to the requirements for the adoption of IFRS, 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. 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 special reserve in the amount equal to the reversal may be released for earnings distribution.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

Details of the 2021 and 2020 earnings distribution and dividends per share as approved and resolved by the shareholders' meeting on 27 May 2022 and 2 August 2021, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$5,490	\$25,916		
Special reserve	49,510	124,726		
Common stock - cash dividend	-	109,956	\$-	\$0.307
Capital surplus - cash	-	69,126	\$-	\$0.193

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 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% or 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.

As at 30 June 2022, 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:

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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	7,400	-	\$12.40

- a. The following table contains further details on the aforementioned share-based payment plan for the six-month periods ended 30 June 2022 and 2021:

	6-month period ended 30 June 2022		6-month period ended 30 June 2021	
	Number of share options outstanding (unit)	Weighted average exercise price of share options (NT\$)	Number of share options outstanding (unit)	Weighted average exercise price of share options (NT\$)
Outstanding at beginning of period	8,250	\$12.40	10,200	\$12.75
Converted	-	-	-	-
Forfeited	(850)	12.40	(500)	12.75
Outstanding at end of period	<u>7,400</u>	\$12.40	<u>9,700</u>	\$12.75
Weighted average fair value of share options (NT\$)	<u>\$3.1</u>		<u>\$3.1</u>	

- b. The following table contains further details on the aforementioned share-based payment plan as at 30 June 2022:

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	\$12.40	7,400	2025/8/9	3.11	\$12.40	-	\$12.40

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 periods and six-month periods ended 30 June 2022 and 2021 were \$591, \$2,757, \$2,836 and \$5,276, respectively. The following table lists the inputs to the model used for the plan:

For the 10,200 units first 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

(b) On 14 February 2022, 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 2,100 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 2022, 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\$)
14 Feb. 2022	2,100	2,100	-	\$14.70

- a. The following table contains further details on the aforementioned share-based payment plan for the six-month period ended 30 June 2022:

	6-month period ended 30 June 2022	
	Number of share options outstanding (unit)	Weighted average exercise price of share options (NT\$)
Outstanding at beginning of period	-	\$-
Additions	2,100	14.70
Converted	-	-
Forfeited	-	-
Outstanding at end of period	2,100	\$14.70
Weighted average fair value of share options (NT\$)	\$3.5	

- b. The following table contains further details on the aforementioned share-based payment plan as at 30 June 2022:

Share options	Share options outstanding				Share options exercisable		
	Range of exercise price (NT\$)	Number (unit)	Maturity date	Weighted average remaining contractual life (Years)	Weighted average exercise price of share options (NT\$)	Number (unit)	Weighted average exercise price of share options (NT\$)
2022/2/14 Share options plan – 2,100 units issued	\$14.70	2,100	2027/2/13	4.58	\$14.70	-	\$14.70

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 2022 were \$766 and \$1,276, respectively. The following table lists the inputs to the model used for the plan:

For the 2,100 units issued:

	<u>Share-based payment plan</u>
Dividend yield (%)	0%
Expected volatility (%)	25.71%
Risk-free interest rate (%)	0.64%
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>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers				
Sale of goods	\$5,652,654	\$5,278,101	11,341,166	\$10,676,511
Less: sales returns and allowance	(444,810)	(411,784)	(911,668)	(808,101)
Total	<u>\$5,207,844</u>	<u>\$4,866,317</u>	<u>\$10,429,498</u>	<u>\$9,868,410</u>

Analysis of revenue from contracts with customers during the six-month periods ended 30 June 2022 and 2021 is as follows:

(a) Disaggregation of revenue

2022.4.1~2022.6.30

	<u>Taiwan Segment</u>	<u>China Segment</u>	<u>America Segment</u>	<u>Europe Segment</u>	<u>Total</u>
Sale of goods	<u>\$657,473</u>	<u>\$12,412</u>	<u>\$2,696,169</u>	<u>\$1,841,790</u>	<u>\$5,207,844</u>
Timing of revenue recognition					
At a point in time	<u>\$657,473</u>	<u>\$12,412</u>	<u>\$2,696,169</u>	<u>\$1,841,790</u>	<u>\$5,207,844</u>



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

2021.4.1~2021.6.30

	Taiwan Segment	China Segment	America Segment	Europe Segment	Total
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>

2022.1.1~2022.6.30

	Taiwan Segment	China Segment	America Segment	Europe Segment	Total
Sale of goods	<u>\$1,132,158</u>	<u>\$23,974</u>	<u>\$5,432,300</u>	<u>\$3,841,066</u>	<u>\$10,429,498</u>
Timing of revenue recognition					
At a point in time	<u>\$1,132,158</u>	<u>\$23,974</u>	<u>\$5,432,300</u>	<u>\$3,841,066</u>	<u>\$10,429,498</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>

(b) Contract balances

Contract liabilities - current

	2022.6.30	2021.12.31	2021.6.30	2021.1.1
Sales of goods	<u>\$1,558</u>	<u>\$2,806</u>	<u>\$4,228</u>	<u>\$5,158</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 2022 and 2021 are as follows:

	6-month periods ended 30 June	
	2022	2021
The opening balance		
transferred to revenue	\$(2,527)	\$(4,878)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	1,279	3,973
Exchange differences	-	(25)

(22) Expected credit losses

	3-month periods ended 30 Jun.		6-month periods ended 30 Jun.	
	2022	2021	2022	2021
Operating expenses – Expected credit losses				
Accounts receivable	\$2,573	\$1,451	\$4,798	\$5,726

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 2022, 31 December 2021 and 30 June 2021 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:

2022.6.30

	Not yet due	Overdue				Total
		1-90 days	91-180 days	181-365 days	Upon 366 days	
Gross carrying amount	\$2,754,833	\$272,962	\$18,019	\$5,255	\$15,214	\$3,066,283
Loss ratio	-%	-%	-%	1.77%	9.87%	
Lifetime Expected credit losses	-	-	-	(93)	(1,502)	(1,595)
Carrying amount	\$2,754,833	\$272,962	\$18,019	\$5,162	\$13,712	\$3,064,688

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

2021.12.31

	Not yet due	Overdue				Total
		1-90 days	91-180 days	181-365 days	Upon 366 days	
Gross carrying amount	\$2,442,323	\$369,450	\$22,090	\$10,380	\$43,089	\$2,887,332
Loss ratio	-%	-%	0.44%	2.48%	17.83%	
Lifetime Expected credit losses	-	-	(98)	(257)	(7,682)	(8,037)
Carrying amount	\$2,442,323	\$369,450	\$21,992	\$10,123	\$35,407	\$2,879,295

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	\$2,540,695	\$335,875	\$23,512	\$15,156	\$7,615	\$2,922,853

(2) The movement in the provision for impairment of accounts receivable during the six-month periods ended 30 June 2022 and 2021 is as follows:

	Accounts receivable
Beginning balance at 2022.1.1	\$8,037
Addition for the current period	4,798
Write off	(11,010)
Exchange differences	(230)
Ending balance at 2022.6.30	<u>\$1,595</u>
	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>

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

	As at		
	30 Jun. 2022	31 Dec. 2021	30 Jun. 2021
Land	\$59,903	\$59,968	\$60,773
Buildings	1,934,263	1,915,782	1,913,576
Machinery and equipment	41,656	52,149	55,171
Transportation equipment	142,160	76,875	62,546
Other equipment	4,949	12,667	26,146
Total	<u>\$2,182,931</u>	<u>\$2,117,441</u>	<u>\$2,118,212</u>

During the six-month periods ended 30 June 2022 and 2021, the Group's additions to right-of-use assets amounted to \$201,784 and \$707,767, respectively.

b. Lease liabilities

	As at		
	30 Jun. 2022	31 Dec. 2021	30 Jun. 2021
Lease liabilities	<u>\$2,350,173</u>	<u>\$2,237,354</u>	<u>\$2,208,454</u>
Current	<u>\$291,788</u>	<u>\$248,831</u>	<u>\$261,485</u>
Non-current	<u>\$2,058,385</u>	<u>\$1,988,523</u>	<u>\$1,946,969</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 2022 and 2021, and refer to Note 12(5) liquidity risk management for the maturity analysis for lease liabilities as at 30 June 2022.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	<u>3-month periods ended 30 June</u>		<u>6-month periods ended 30 June</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$671	\$658	\$1,335	\$1,321
Buildings	71,915	70,025	141,949	133,416
Machinery and equipment	5,859	5,736	11,896	10,944
Transportation equipment	16,523	8,255	29,101	15,509
Other equipment	1,935	8,997	5,995	18,670
Total	<u>\$96,903</u>	<u>\$93,671</u>	<u>\$190,276</u>	<u>\$179,860</u>

C. Income and costs relating to leasing activities

	<u>3-month period ended 30 June</u>		<u>6-month period ended 30 June</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
The expenses relating to short-term leases	\$3,366	\$7,191	\$8,333	\$21,012
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	747	125	1,547	216
The expenses relating to variable lease payments not included in the measurement of lease liabilities	1,770	3,865	3,574	5,597
Total	<u>\$5,883</u>	<u>\$11,181</u>	<u>\$13,454</u>	<u>\$26,825</u>

D. Cash outflow relating to leasing activities

During the six-month periods ended 30 June 2022 and 2021, the Group's total cash outflows for leases amounted to \$235,701 and \$264,417, respectively.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

E. Other information relating to leasing activities

(a) 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.

(b) 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 2022 and 2021:

Nature \ Function	3-month periods ended 30 June					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$382,269	\$1,286,080	\$1,668,349	\$381,592	\$461,231	\$842,823
Labor and health insurance	7,198	34,741	41,939	4,656	34,985	39,641
Pension	38,214	19,241	57,455	30,231	17,230	47,461
Other employee benefits expense	17,820	12,500	30,320	15,779	7,615	23,394
Depreciation	88,549	96,247	184,796	83,582	96,597	180,179
Amortization	140	3,821	3,961	302	5,192	5,494

Nature \ Function	6-month periods ended 30 June					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$726,206	\$1,717,056	\$2,443,262	\$743,864	\$912,349	\$1,656,213
Labor and health insurance	11,341	68,745	80,086	9,260	71,216	80,476
Pension	65,359	39,434	104,793	60,311	35,474	95,785
Other employee benefits expense	33,671	19,693	53,364	30,758	14,570	45,328
Depreciation	164,574	189,720	354,294	168,858	183,815	352,673
Amortization	222	8,569	8,791	570	10,180	10,750

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. Such distribution shall be reported at the shareholders' meeting. Information on the board of directors' resolution regarding the employees' compensation and directors' remuneration can be obtained from the "Market Observation Post System" on the website of the TWSE.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

The Company experienced a loss for the six-month period ended 30 June 2022, hence no employees' compensation and remuneration to directors have been estimated. 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-month period and six-month period ended 30 June 2021 amount to \$5,900, \$0, \$5,900, and \$0, respectively, recognized as salary expense.

A resolution was passed at a board meeting held on 8 March 2022 to distribute \$1,897 and \$0 in cash as 2021 employees' compensation and remuneration to directors, respectively. No material differences existed between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended 31 December 2021.

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.

(25) Non-operating income and expenses

(a) Other income

	<u>3-month periods ended 30 June</u>		<u>6-month periods ended 30 June</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest income				
Financial assets measured				
at amortized cost	\$5,796	\$5,450	\$14,169	\$10,819
Dividend revenue	-	2,694	1,320	2,694
Others	29,899	31,593	44,045	61,189
Total	<u>\$35,695</u>	<u>\$39,737</u>	<u>\$59,534</u>	<u>\$74,702</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

	<u>3-month periods ended 30 June</u>		<u>6-month periods ended 30 June</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Losses on disposal of property, plant and equipment	\$(10,576)	\$(454)	\$(10,334)	\$(652)
Foreign exchange gains (losses), net	71,070	988	69,031	(3,539)
Impairment losses	(117,633)	-	(117,633)	-
(Losses) gains on financial assets and liabilities at fair value through profit or loss	(45,970)	26,467	(35,737)	44,810
(Losses) gains on change in leases	(131)	29,324	189	33,873
Others	(6,368)	(7,522)	(8,654)	(12,710)
Total	<u>\$(109,608)</u>	<u>\$48,803</u>	<u>\$(103,138)</u>	<u>\$61,782</u>

Shenzhen Globe Union Enterprise Co.Ltd., a subsidiary of the Company, plans to clear out some property, plant and equipment as result of the factory relocation, and booked losses on disposal of property, plant and equipment and impairment loss according to the recoverable amount of such assets. Please refer to Note 11 for more details.

(c) Finance costs

	<u>3-month periods ended 30 June</u>		<u>6-month periods ended 30 June</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest on loans from bank	\$17,851	\$12,843	\$32,012	\$26,314
Interest on lease liabilities	32,647	31,457	64,432	61,410
Total	<u>\$50,498</u>	<u>\$44,300</u>	<u>\$96,444</u>	<u>\$87,724</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(26) Components of other comprehensive income

For the three-month period ended 30 June 2022:

	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	\$(2,160)	\$-	\$(2,160)	\$-	\$(2,160)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(8,437)	-	(8,437)	-	(8,437)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(300)	-	(300)	-	(300)
Total of other comprehensive income	<u>\$(10,897)</u>	<u>\$-</u>	<u>\$(10,897)</u>	<u>\$-</u>	<u>\$(10,897)</u>

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 six-month period ended 30 June 2022:

	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	\$(3,300)	\$-	\$(3,300)	\$-	\$(3,300)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	280,882	-	280,882	-	280,882
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	438	-	438	-	438
Total of other comprehensive income	<u>\$278,020</u>	<u>\$-</u>	<u>\$278,020</u>	<u>\$-</u>	<u>\$278,020</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>

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

(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 June</u>		<u>6-month periods ended 30 June</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current income tax expense:				
Current income tax charge	\$21,796	\$44,994	\$27,206	\$87,816
Deferred tax expense:				
Deferred tax expense relating to origination and reversal of temporary differences	136	12,829	755	34,045
Total income tax expense	<u>\$21,932</u>	<u>\$57,823</u>	<u>\$27,961</u>	<u>\$121,861</u>

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

	<u>3-month periods ended</u>		<u>6-month periods ended</u>	
	<u>30 June</u>		<u>30 June</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Deferred tax expense (income):				
Remeasurements of defined benefit plans	\$-	\$-	\$-	\$-
Income tax relating to components of other comprehensive income	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

(c) The assessment of income tax returns

As at 30 June 2022, the assessment of the income tax returns of the Company is as follows:

	The assessment of income tax returns
Globe Union Industrial Corp.	Assessed and approved up to 2019

As at 30 June 2022, all foreign subsidiaries governed by foreign tax authorities have filed income tax returns up to 2021.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(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 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.

	3-month periods ended 30 June		6-month periods ended 30 June	
	2022	2021	2022	2021
(a) Basic (losses) earnings per share				
(Loss) profit attributable to ordinary equity holders of the Company	<u>\$(1,024,347)</u>	<u>\$78,789</u>	<u>\$(1,085,710)</u>	<u>\$134,288</u>
Weighted average number of ordinary shares outstanding for basic (losses) earnings per share (in thousands)	<u>358,164</u>	<u>358,164</u>	<u>358,164</u>	<u>358,164</u>
Basic (losses) earnings per share (NT\$)	<u>\$(2.86)</u>	<u>\$0.22</u>	<u>\$(3.03)</u>	<u>\$0.37</u>
(b) Diluted (losses) earnings per share				
(Loss) profit attributable to ordinary equity holders of the Company	<u>\$(1,024,347)</u>	<u>\$78,789</u>	<u>\$(1,085,710)</u>	<u>\$134,288</u>
(Loss) profit attributable to ordinary equity holders of the Company after dilution	<u>\$(1,024,347)</u>	<u>\$78,789</u>	<u>\$(1,085,710)</u>	<u>\$134,288</u>
Weighted average number of ordinary shares outstanding for basic (losses) earnings per share (in thousands)	358,164	358,164	358,164	358,164
Effect of dilution:				
Employee compensation — stock (in thousands)	Note	341	Note	497
Employee stock options (in thousands)	Note	1,511	Note	1,066
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>358,164</u>	<u>360,016</u>	<u>358,164</u>	<u>359,727</u>
Diluted (losses) earnings per share (NT\$)	<u>\$(2.86)</u>	<u>\$0.22</u>	<u>\$(3.03)</u>	<u>\$0.37</u>

(Note) It was not included in the calculation because of the antidilutive effect.

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.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

7. RELATED PARTY TRANSACTIONS

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

(a) Key management personnel compensation

	<u>3-month periods ended 30 June</u>		<u>6-month periods ended 30 June</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$35,190	\$70,537	\$87,699	\$114,467
Post-employment and termination benefits	17,557	6,533	23,576	14,524
Share-based payment	1,205	2,358	3,762	4,480
Total	<u>\$53,952</u>	<u>\$79,428</u>	<u>\$115,037</u>	<u>\$133,471</u>

8. ASSETS PLEDGED AS SECURITY

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

<u>Assets pledged for security</u>	<u>Carrying amount as at</u>			<u>Secured liabilities</u>
	<u>30 Jun.2022</u>	<u>31 Dec. 2021</u>	<u>30 Jun. 2021</u>	
Inventory	\$1,238,423	\$1,109,888	\$1,032,190	Secured for other non-current liabilities and loans
Machinery	1,095,893	1,127,481	1,194,593	Secured for other non-current liabilities
Accounts receivable	775,539	746,483	851,122	Secured for loans
Financial assets measured at amortized cost, current	105,342	99,714	108,486	Secured for loans
Other equipment	40,997	44,857	49,006	Secured for loans
Buildings	32,665	35,126	37,759	Secured for loans
Office equipment				Secured for other non-current liabilities and loans
	24,448	24,395	25,198	
Transportation equipment	822	551	2,678	Secured for loans
Total	<u>\$3,314,129</u>	<u>\$3,188,495</u>	<u>\$3,301,032</u>	

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 April 2022, the Company has entered into a syndicated loan agreement with E.SUN Commercial Bank and ten other lending institutions of syndicated credits, such as CTBC Bank, Taipei Fubon Commercial Bank, and Bank of Taiwan. 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 200%.
  - (c) The interest coverage ratio shall not be lower than 2.
  - (d) According to the syndicated loan agreement, if the financial ratio of the Company does not meet the previous requirements, the Company should make improvement within six months after the end of the accounting period (the improvement period will not be regarded as default), and review the results in the next financial statement (the consolidated financial statements for the six-month period ended or for the year ended) to verify whether the improvement has been completed. If the Company completes the improvement in line with the previous financial ratio agreed, it is not regarded as default; otherwise, it is regarded as default. On 5 August 2022, the board of directors of the Company approved the annual cash capital increase through the issuance of ordinary shares to improve the financial structure.
- (4) As of 30 June 2022, the Group's unrecognized commitment of acquisition of property, plant and equipment amounted to \$132,410.

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

(1) The board of directors of Shenzhen Globe Union Enterprise Co., Ltd., a subsidiary of the Company, in order to comply with the local government's future urbanization plan and schedule of the area around the subsidiary's manufacturing facility, has approved the plan to move the faucet assembly facility to a factory located in Machong Town, Dongguan City. The factory relocation is expected to complete by the end of 2023. The subsidiary has started the process of terminating employment contracts with its employees in July 2022 and offered severance packages. Except for the property, plant and equipment that will be relocated to the new factory, the remaining assets will be evaluated based on their recoverable amount and recognize impairment loss. The occurrence of this subsequent event has affected the evaluation of assets and liabilities. Therefore, the related assets and liabilities were adjusted. The related expenses are summarized as follows:

	6-month period ended 30 June 2022	Account
Losses on obsolete inventory price decline	\$49,560	Cost of goods sold
Severance expenses	838,490	Operating expenses
Impairment losses of property, plant and equipment	66,590	Other gains and losses
Losses on disposal of property, plant and equipment	9,218	Other gains and losses
Others	109,179	Operating expenses (including demolition expenses and consultant fees, etc.)
Total	<u>\$1,073,037</u>	

(2) On 5 August 2022, the board of directors of the Company approved the cash capital increase plan through the issuance of ordinary shares.



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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12. OTHERS

(1) Categories of financial instruments

Financial assets

	As at		
	30 Jun. 2022	31 Dec. 2021	30 Jun. 2021
Financial assets at fair value through profit or loss:			
Mandatorily measured at Fair value through profit or loss	\$2,893	\$10,973	\$4,725
Financial assets measured at amortized cost (Note)	5,792,156	5,266,263	6,132,632
Financial assets at fair value through other comprehensive income	33,180	36,480	39,540

Financial liabilities

	As at		
	30 Jun. 2022	31 Dec. 2021	30 Jun. 2021
Financial liabilities at amortized cost:			
Short-term borrowings	\$2,809,153	\$2,159,121	\$1,779,923
Notes and accounts payable	2,254,416	2,236,008	2,485,943
Long-term loans (including current portion with maturity less than 1 year)	2,170,000	2,229,947	2,250,832
Other payables	165,103	253,750	346,635
Accrued expenses	2,185,704	1,343,849	1,166,670
Leases liabilities (including current portion with maturity less than 1 year)	2,350,173	2,237,354	2,208,454
Financial liabilities at fair value through profit or loss:			
Held for trading	5,262	3,500	10,029

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

(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)

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

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 independently from other risk variable, there is usually 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) and the Group's net investment in foreign subsidiaries.

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

When NTD strengthens against USD by 1%:

	Increase (decrease) in equity	Decrease (increase) in profit or loss
Six-month period ended 30 June 2022	\$-	\$9,573
Six-month period ended 30 June 2021	\$-	\$16,574

When NTD strengthens against CNY by 1%:

	Increase (decrease) in equity	Decrease (increase) in profit or loss
Six-month period ended 30 June 2022	\$-	\$5,780
Six-month period ended 30 June 2021	\$-	\$1,999

For depreciation 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 bank borrowings with fixed interest rates and variable interest rates.

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. 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 2022 and 2021 to decrease/increase by \$4,979 and \$4,031, respectively.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### c. Equity price risk

The fair value of the Group's listed equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed equity securities are classified under fair value through other comprehensive income. 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.

At the reporting date, 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 \$1,659 and \$1,977 on the equity attributable to the Group for the six-month periods ended 30 June 2022 and 2021, 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.

#### (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.

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### Notes to Consolidated Financial Statements (Continued)

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

As at 30 June 2022, 31 December 2021 and 30 June 2021, accounts receivable from top ten customers represented 44.63%, 47.14% and 48.14% 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.

The Group used simplified approach (Note) to assess the expected credit losses of accounts receivable. As at 30 June 2022, 31 December 2021 and 30 June 2021, the Group's accounts receivable overdue amounted to \$311,450, \$445,009 and \$396,248, respectively. As at 30 June 2022, 31 December 2021 and 30 June 2021, the expected credit loss was estimated at 0.51%, 1.81% and 3.56%, respectively, while the loss allowances were measured at \$1,595, \$8,037 and \$14,090, respectively.

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

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.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Non-derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
As at 30 Jun. 2022					
Short-term borrowings	\$2,817,366	\$-	\$-	\$-	\$2,817,366
Notes and accounts payable	2,254,416	-	-	-	2,254,416
Long-term borrowings (including current portion with maturity less than 1 year)	264,236	1,284,447	719,318	-	2,268,001
Other payables	165,103	-	-	-	165,103
Accrued expenses	2,185,704	-	-	-	2,185,704
Leases liabilities	462,719	829,515	632,865	1,610,503	3,535,602
As at 31 Dec. 2021					
Short-term borrowings	\$2,163,110	\$-	\$-	\$-	\$2,163,110
Notes and accounts payable	2,236,008	-	-	-	2,236,008
Long-term borrowings (including current portion with maturity less than 1 year)	547,861	1,727,485	-	-	2,275,346
Other payables	253,750	-	-	-	253,750
Accrued expenses	1,343,849	-	-	-	1,343,849
Leases liabilities	403,460	746,038	611,000	1,651,920	3,412,418
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
Lease liabilities	402,093	688,837	574,349	1,725,345	3,390,624

Derivative financial liabilities

As at 30 Jun. 2022

Inflows	\$641,604	\$-	\$-	\$-	\$641,604
Outflows	(646,866)	-	-	-	(646,866)
Net	\$(5,262)	\$-	\$-	\$-	\$(5,262)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As at 31 Dec. 2021					
Inflows	\$356,663	\$-	\$-	\$-	\$356,663
Outflows	(360,163)	-	-	-	(360,163)
Net	<u>\$(3,500)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(3,500)</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>

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the six-month period ended 30 June 2022:

	Short-term borrowings	Long-term borrowings (including current portion with maturity less than 1 year)	Leases liabilities	Total liabilities from financing activities
As at 1 Jan. 2022	\$2,159,121	\$2,229,947	\$2,237,354	\$6,626,422
Cash flows	650,032	(59,947)	(157,815)	432,270
Non-cash flows (Note)	-	-	270,634	270,634
As at 30 Jun. 2022	<u>\$2,809,153</u>	<u>\$2,170,000</u>	<u>\$2,350,173</u>	<u>\$7,329,326</u>

Note: In the first half of 2022, the Group's lease liabilities addition and exchange differences increased by \$301,956 in total, while right-of-use assets and lease liabilities decreased by \$31,133 and \$31,322, respectively, due to lease termination.

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

	Short-term borrowings	Long-term borrowings (including current portion with maturity less than 1 year)	Leases liabilities	Total liabilities from financing activities
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>

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

#### (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 2022, 31 December 2021 and 30 June 2021 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)	Expiry Date
As at 30 Jun. 2022		
Forward currency contract	Sell USD 31,000	From Jul. 2022 to Oct. 2022
Forward currency contract	Buy USD 7,000	From Jul. 2022 to Sep. 2022
Forward currency contract	Sell EUR 650	Jul. 2022
Forward currency contract	Sell GBP 1,792	From Jul. 2022 to Aug. 2022

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Items (by contract)	Notional Amount (in thousands)	Expiry Date
As at 31 Dec. 2021		
Forward currency contract	Sell USD 55,730	From Jan. 2022 to Apr. 2022
Forward currency contract	Buy USD 9,000	Jan. 2022
Forward currency contract	Sell EUR 650	Jan. 2022
Forward currency contract	Sell GBP 6,293	From Jan. 2022 to Jun. 2022
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 Jul. 2021 to Aug. 2021

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.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

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

As at 30 June 2022

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$-	\$2,893	\$-	\$2,893
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	33,180	-	-	33,180
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	5,262	-	5,262

As at 31 December 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$-	\$10,973	\$-	\$10,973
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	36,480	-	-	36,480

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

As at 31 December 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	3,500	-	3,500

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

Transfers between Level 1 and Level 2 during the period

During the six-month periods ended 30 June 2022 and 2021, 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.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(10) Significant assets and liabilities denominated in foreign currencies

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

	As at 30 June 2022			As at 31 December 2021			As at 30 June 2021		
	Foreign currencies	Foreign exchange	NTD	Foreign currencies	Foreign exchange	NTD	Foreign currencies	Foreign exchange	NTD
		rate			rate			rate	
<u>Financial assets</u>									
Monetary items:									
USD	\$57,142	29.71	\$1,697,689	\$62,607	27.67	\$1,732,336	\$78,998	27.86	\$2,200,884
CNY	393,228	4.439	1,745,539	298,603	4.345	1,297,430	369,963	4.308	1,593,801
EUR	6,449	31.05	200,241	5,866	31.33	183,782	7,445	33.14	246,727
CAD	8,053	23.02	185,380	10,907	21.63	235,918	8,129	22.47	182,659
GBP	22,445	36.06	809,367	20,928	37.46	783,963	23,880	38.54	920,335
<u>Financial liabilities</u>									
Monetary items:									
USD	\$24,922	29.71	\$740,433	\$23,259	27.67	\$643,577	\$19,509	27.86	\$543,521
CNY	263,017	4.439	1,167,532	268,498	4.345	1,166,624	323,551	4.308	1,393,858
EUR	2,586	31.05	80,295	2,476	31.33	77,573	2,495	33.14	82,684
CAD	4,260	23.02	98,065	4,503	21.63	97,400	1,835	22.47	41,232
GBP	27,514	36.06	992,155	26,934	37.46	1,008,948	28,223	38.54	1,087,714

The Group is unable to disclose foreign exchange gains or losses on significant assets and liabilities denominated in foreign currencies because the Group entities have too many functional currencies. The exchange gains (losses) for the six-month periods ended 30 June 2022 and 2021 were \$69,031 and \$(3,539), 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 is not recoverable. The transaction information is as follows:

2022.6.30		
<u>Lenders</u>	<u>Amount assigned</u>	<u>Prepaid amount(Note)</u>
HSBC UK BANK PLC	\$775,539	\$385,308
2021.12.31		
<u>Lenders</u>	<u>Amount assigned</u>	<u>Prepaid amount(Note)</u>
HSBC UK BANK PLC	\$746,483	\$220,352
2021.6.30		
<u>Lenders</u>	<u>Amount assigned</u>	<u>Prepaid amount(Note)</u>
HSBC UK BANK PLC	\$851,122	\$208,745

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 2022, the unpaid amount totaled \$406,262 (USD \$13,674 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 2022, 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 2022: 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 8)	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.	GU PLUMBING de MEXICO S.A. de C.V.	Other receivable	Yes	\$442,382 (USD 14,890,000)	\$442,382 (USD 14,890,000)	\$- (USD -)	1.80%~ 3.75%	1	\$1,776,038	Business relationship	\$-	-	\$-	\$1,776,038 (Note 3)	\$1,747,643 (Note 2)
1	Gerber Plumbing Fixtures, LLC	GU PLUMBING de MEXICO S.A. de C.V.	Other receivable	Yes	\$683,330 (USD 23,000,000)	\$683,330 (USD 23,000,000)	\$488,403 (USD 16,439,000)	5.50%	2	\$-	For operating	\$-	-	\$-	\$787,521 (Note 5)	\$1,181,281 (Note 4)
2	Globe Union Germany GmbH & Co.KG	Globe Union Industrial Corp.	Other receivable	Yes	\$95,760 (EUR 3,000,000)	\$93,150 (EUR 3,000,000)	\$93,150 (EUR 3,000,000)	1.50%	2	\$-	For operating	\$-	-	\$-	\$352,262 (Note 7)	\$352,262 (Note 6)

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 2022.

Note 3: Financing to individual counterparty was limited to the total transaction amounts with the lender.

Note 4: Total financing was limited to 60% of net equity of the lender as at 30 June 2022.

Note 5: Financing to individual counterparty was limited to 40% of the net equity of the lender as at 30 June 2022.

Note 6: Total financing was limited to 100% of net equity of the lender as at 30 June 2022.

Note 7: Financing to individual counterparty was limited to 100% of the net equity of the lender as at 30 June 2022.

Note 8: Code 1 represents an intercompany transaction call for a business contact; 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 2022:

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 2022	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.	GU PLUMBING de MEXICO S.A. de C.V.	2	\$1,310,732 (Note 2)	\$683,330	\$683,330	\$488,403	\$-	15.64%	\$2,184,553 (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 2022.

Note 3: The amount of guarantees/endorsements shall not exceed 50% of net equity of the guarantor as at 30 June 2022.

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 2022 (excluding subsidiaries, associates and joint venture):

Company Name	Securities Held	Relationship between Issuer and the Company (Note 1)	Account Stated	As at 30 June 2022			
				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	\$33,180	1.68%	\$33,180

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 2022: 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 2022: 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 2022: 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 2022:

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.	Shenzhen Globe Union Enterprise Co., Ltd.	Sub-subsiidary	Purchase	\$1,786,618	22.33%	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	\$(1,644,890)	(72.96%)	-
Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	Sub-subsiidary	Purchase	\$1,030,390	12.88%	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	\$(113,080)	(5.02%)	-
Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	Subsidiary	Purchase	\$793,562	9.92%	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	\$(79,927)	(3.55%)	-
Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	Sub-subsiidary	Sales	\$(3,892,855)	(37.33%)	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	\$1,185,286	38.68%	-
Globe Union Industrial Corp.	Globe Union (Canada) Inc.	Sub-subsiidary	Sales	\$(149,605)	(1.43%)	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	\$86,752	2.83%	-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	\$(1,786,618)	(17.13%)	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	\$1,644,890	53.67%	-

**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)	
Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	\$ (1,030,390)	(9.88%)	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	\$113,080	3.69%	-
GU PLUMBING de MEXICO S.A. de C.V.	Globe Union Industrial Corp.	Group direct parent company	Sales	\$ (793,562)	(7.61%)	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	\$79,927	2.61%	-
Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	Group direct parent company	Purchase	\$3,892,855	48.65%	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	\$ (1,185,286)	(52.58%)	-
Globe Union (Canada) Inc.	Globe Union Industrial Corp.	Group direct parent company	Purchase	\$149,605	1.87%	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	\$ (86,752)	(3.85%)	-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co. KG	Associate	Sales	\$ (185,144)	(1.78%)	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	\$95,900	3.13%	-
Globe Union Germany GmbH & Co. KG	Shenzhen Globe Union Enterprise Co., Ltd.	Associate	Purchase	\$185,144	2.31%	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	\$ (95,900)	(4.25%)	-

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 2022:

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	\$1,644,890 RMB 370,862,777	1.88 times	\$-	-	\$352,552 RMB 79,421,564	\$-
Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	Sub-subsiary	\$1,185,286	7.45 times	\$-	-	\$535,208	\$-
Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	\$113,080 RMB 25,474,292	18.79 times	\$-	-	\$113,080 RMB 25,474,292	\$-

(i) Financial instruments and derivative transactions:

Company Name	Item	Transaction	Nominal Amount	Expiry Date	Fair Value
Globe Union Industrial Corp.	Forward currency contract	Sell	USD 28,000 thousand	2022/07-2022/10	\$(712)
	Forward currency contract	Buy	USD 7,000 thousand	2022/07-2022/09	(2,268)
				Subtotal	<u><u>\$(2,980)</u></u>
PJH Group Limited	Forward currency contract	Sell	GBP 1,792 thousand	2022/07-2022/08	\$724
Shenzhen Globe Union Enterprise Co.,Ltd.	Forward currency contract	Sell	USD 3,000 thousand	2022/07	\$(211)
	Forward currency contract	Sell	EUR 650 thousand	2022/07	98
				Subtotal	<u><u>\$(113)</u></u>
				Total	<u><u>\$(2,369)</u></u>

(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	\$1,786,618	Note 4(1)	17.13%
0	Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd.	1	Accounts payable	(1,644,890)	Note 4(3)	(9.77%)
0	Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	1	Purchases	1,030,390	Note 4(1)	9.88%
0	Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	1	Accounts payable	(113,080)	Note 4(3)	(0.67%)
0	Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	1	Purchases	793,562	Note 4(1)	7.61%
0	Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	1	Sales	(3,892,855)	Note 4(2)	(37.33%)
0	Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	1	Accounts receivable	1,185,286	Note 4(3)	7.04%
0	Globe Union Industrial Corp.	Globe Union (Canada) Inc.	1	Sales	(149,605)	Note 4(2)	(1.43%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Sales	(1,786,618) RMB (401,708,650)	Note 4(2)	(17.13%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Accounts receivable	1,644,890 RMB 370,862,777	Note 4(3)	9.77%
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co.KG	3	Sales	(185,144) RMB (41,636,278)	Note 4(2)	(1.78%)
2	Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	2	Purchases	3,892,855 USD 136,278,582	Note 4(1)	37.33%
2	Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	2	Accounts Payable	(1,185,286) USD (39,895,199)	Note 4(3)	(7.04%)
2	Gerber Plumbing Fixtures, LLC	GU PLUMBING de MEXICO S.A. de C.V.	3	Other receivable	490,567 USD 16,511,856	Note 4(4)	2.91%
3	Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	2	Sales	(1,030,390) RMB (231,535,408)	Note 4(2)	(9.88%)

**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)
3	Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	2	Accounts Receivable	113,080 RMB 25,474,292	Note 4(3)	0.67%
4	GU PLUMBING de MEXICO S.A. de C.V.	Globe Union Industrial Corp.	2	Sales	(793,562) USD (27,808,700)	Note 4(2)	(7.61%)
4	GU PLUMBING de MEXICO S.A. de C.V.	Gerber Plumbing Fixtures, LLC	3	Other payable	(490,567) USD (16,511,856)	Note 4(4)	(2.91%)
5	Globe Union (Canada) Inc.	Globe Union Industrial Corp.	2	Purchases	149,605 CAD 6,663,691	Note 4(1)	1.43%
6	Globe Union Germany GmbH & Co. KG	Shenzhen Globe Union Enterprise Co., Ltd.	3	Purchases	185,144 EUR5,914,117	Note 4(1)	1.78%

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 5.50%

**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 2022, net income (loss) of investee company and investment income (loss) recognized as at 30 June 2022: (excluding investees in Mainland China)

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment Amount		Investment as at 30 June 2022			Net income (loss) of investee company	Investment income (loss) recognized	Note
				30 June 2022	31 December 2021	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%	\$2,858,906	\$(1,012,251)	\$(1,004,089)	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%	\$3,690,773	\$(41,236)	\$(49,712)	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%	\$1,537,826	\$133,517	\$133,517	
Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	Blvd. Isidro López Zertuche No. 3745 La Salle, Saltillo, Coahuila, 25240 Mexico	Manufacturing and selling sanitary ceramic wares	\$1,097,365	\$1,736,117	681,612,220	100%	\$735,022	\$(167,007)	\$(167,007)	

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 2022:

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 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as at 30 June 2022	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as at 30 June 2022	Accumulated Inward Remittance of Earnings as at 30 June 2022
					Outflow	Inflow						
Shenzhen Globe Union Enterprise Co., Ltd.	Manufacturing and selling plumbing products	\$1,688,861 (RMB 380,459,896)	Investment in Mainland China companies through a company invested and established in a third region	\$-	\$-	\$-	\$-	\$(148,571)	100%	\$(148,571) (Note 1)	\$2,963,330	\$188,508
Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	\$1,082,264 (RMB 243,808,100)	Investment in Mainland China companies through a company invested and established in a third region	\$498,660 (USD 16,784,252)	\$-	\$-	\$498,660 (USD 16,784,252)	\$(27,759)	100%	\$(27,759) (Note 1)	\$1,419,162	\$-
Globe Union Business Consultancy Shanghai Company Limited	Consulting	\$2,306 (RMB 519,514)	Directly invested Mainland China company	\$3,328 (RMB 749,658)	\$-	\$-	\$3,328 (RMB 749,658)	\$136	100%	\$136 (Note 1)	\$3,804	\$-
Globe Union Ann Bo Manufacturing Co. Ltd.	Manufacturing and selling plumbing products	\$22,195 (RMB 5,000,000)	Directly invested Mainland China company	\$-	\$22,195 (RMB 5,000,000)	\$-	\$22,195 (RMB 5,000,000)	\$-	100%	\$- (Note 1)	\$22,195	\$-

Accumulated Investment in Mainland China as at 30 June 2022 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 4)	Upper Limit on Investment
\$524,183(USD 16,784,252 & RMB 5,749,658)	\$1,916,553 (USD 55,484,324 , GBP 49,191 & RMB 60,000,000)	Not applicable (Note 2)



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

Note 3: The accumulated investment amount in Mainland China as at 30 June 2022 was USD16,784,252 and RMB 5,749,658. 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.

Note 4: According to Letter No. Shen-Er-Zi-11100058240 issued by the Ministry of Economic Affairs, R.O.C. approving investment, the Company newly invested RMB 60,000,000 in Globe Union Ann Bo Manufacturing Co., Ltd.

(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 2022

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.	23,366,692	6.52%
Su-Hsiang Ou Young Chang	21,486,175	5.99%

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 Ouyong at the Taipei Branch of the United Bank of Switzerland	20,558,787	5.74%
Hsien Ou Yang	20,391,496	5.69%
Lei Ouyang	20,373,132	5.68%
Scott Ouyong	20,000,000	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 2022:

	<u>Segment A</u>	<u>Segment B</u>	<u>Adjustment and elimination</u>	<u>Consolidated</u>
Revenue				
External customer	\$5,195,432	\$12,412	\$-	\$5,207,844
Inter-segment	2,546,192	1,654,771	(4,200,963)	-
Total revenue	<u>\$7,741,624</u>	<u>\$1,667,183</u>	<u>\$(4,200,963)</u>	<u>\$5,207,844</u>
Segment profit (loss)	<u>\$(1,025,919)</u>	<u>\$(102,246)</u>	<u>\$125,750</u>	<u>\$(1,002,415)</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 2021:

	Segment A	Segment B	Adjustment and elimination	Consolidated
Revenue				
External customer	\$4,820,556	\$45,761	\$-	\$4,866,317
Inter-segment	2,262,964	1,540,495	(3,803,459)	-
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>

(c) For the six-month period ended 30 June 2022:

	Segment A	Segment B	Adjustment and elimination	Consolidated
Revenue				
External customer	\$10,405,524	\$23,974	\$-	\$10,429,498
Inter-segment	4,867,892	3,013,048	(7,880,940)	-
Total revenue	<u>\$15,273,416</u>	<u>\$3,037,022</u>	<u>\$(7,880,940)</u>	<u>\$10,429,498</u>
Segment profit (loss)	<u>\$(1,077,101)</u>	<u>\$(159,086)</u>	<u>\$178,438</u>	<u>\$(1,057,749)</u>

(d) 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>

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 2022, 31 December 2021 and 30 June 2021:

(a) Segment assets:

	Segment A	Segment B	Adjustment and elimination	Consolidated
2022.6.30	\$23,544,494	\$6,580,304	\$(13,291,125)	\$16,833,673
2021.12.31	\$24,155,542	\$6,655,729	\$(14,636,451)	\$16,174,820
2021.6.30	\$22,691,295	\$6,814,593	\$(13,076,994)	\$16,428,894

(b) Segment liabilities:

	Segment A	Segment B	Adjustment and elimination	Consolidated
2022.6.30	\$14,169,716	\$1,466,642	\$(3,171,792)	\$12,464,566
2021.12.31	\$14,116,459	\$1,504,405	\$(4,618,729)	\$11,002,135
2021.6.30	\$12,317,898	\$1,755,355	\$(3,116,187)	\$10,957,066