

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED
31 DECEMBER 2023 AND 2022

Notice to readers:

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

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REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

To Globe Union Industrial Corp.

Opinion

We have audited the accompanying consolidated balance sheets of Globe Union Industrial Corp. (the “Company”) and its subsidiaries as at 31 December 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2023 and 2022, and notes to the consolidated financial statements, including the summary of material accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of 31 December 2023 and 2022, and their consolidated financial performance and cash flows for the years ended 31 December 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill assessment

As at 31 December 2023, the goodwill was carried at NT\$713,874 thousand which accounted for 5% of the total consolidated assets. The Company performed impairment testing on the cash-generating units according to the International Financial Reporting Standards. The recoverable amount of the cash-generating units has been determined based on the value in use because their fair value cannot be reliably measured. The impairment testing indicated that the value in use of certain cash-generating units was higher than their carrying amount. We determined goodwill assessment to be a key audit matter because the carrying amounts of goodwill were material to the Group; the determination of value in use was complex, and high level of management judgment was involved when making assumptions about cash flow forecasts.

Our audit procedures included, but were not limited to, evaluating whether the components of the cash-generating units have significantly changed, including analyzing the sales model and regions involved; evaluating the management's assessment approaches and assumptions of value in use; involving internal expert to assist us in evaluating the reasonableness of key assumptions used by management such as growth rates, discount rates, and gross margin; involving internal expert to assist us in evaluating the reasonableness of key components of discount rates such as cost of equity, company-specific risk premium and market risk premium by comparing them to other companies of similar size with the cash-generating units; interviewing management and assessing the reasonableness of assumptions used in their model such as cash flows, gross margin, growth rates, and the expected future market and economic conditions; comparing the actual financials to date with previously forecast financials and analyzing the Company's historical data and performance to assess the reasonableness of the cash flow forecast. We also assessed the adequacy of the disclosures related to result of impairment test and assumption's sensitivity in Notes 4, 5 and 6 to the financial statements.

Inventory valuation

As at 31 December 2023, the net inventories amounted to NT\$3,665,912 thousand, which accounted for 24% of the total consolidated assets. The determination of the provisions for obsolete inventories involved a high level of management judgment, and were subject to uncertainty due to product diversity. Furthermore, the cost of inventory included direct labor, raw material, and overhead, and the calculation and allocation were complex. Also, the allocation basis could have a material impact on the financial statements. As such, we determined this to be a key audit matter.

Our audit procedures included, but were not limited to, understanding and testing the design and operating effectiveness of internal control over inventory cost and allowance for inventory; performing inventory price testing to verify the allocation of cost, direct labor, and overhead is reasonable; assessing the appropriateness of the policy of provision for excess and obsolete inventory by testing the accuracy of inventory ageing and analyzing movement of the ageing, analyzing the difference between the policy of the current year and the prior year, and analyzing the difference between the historical provisions and the actual write-off amount; verifying that inventories were valued at the lower of cost or net realizable value by comparing the book value of inventories at the balance sheet date with recent sales price on selected samples; verifying the existence and completeness of inventories by tracing items on the final inventory listing to the physical inventory compilation; attending inventory counts to understand the status of the inventories and evaluate the appropriateness of the excess and obsolescence provision. We also assessed the adequacy of the disclosures related to inventories in Notes 4,5 and 6 to the financial statements.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as at and for the years ended 31 December 2023 and 2022.

Tu, Ching Yuan

Lo, Wen Chen

Ernst & Young, Taiwan

11 March 2024

Notice to Readers

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 December 2023 and 31 December 2022
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As at	
		31 Dec 2023	31 Dec 2022
Current assets			
Cash and cash equivalents	4, 6(1)	\$2,964,092	\$2,271,437
Financial assets at fair value through profit or loss, current	4, 6(2)	971	19,862
Financial assets measured at amortized cost, current	4, 6(3), 8	103,029	171,070
Accounts receivable, net	4, 5, 6(4), 8	2,131,271	2,565,843
Inventories, net	4, 5, 6(5), 8	3,665,912	4,788,457
Prepayment	6(6)	266,278	184,476
Other current assets		686,814	607,907
Total current assets		9,818,367	10,609,052
Non-current assets			
Financial assets at fair value through other comprehensive income, non-current	4, 6(7)	32,760	27,960
Investments accounted for under the equity method	4, 6(8)	-	19,047
Property, plant and equipment	4, 6(9), 8	2,298,557	2,311,704
Right-of-use assets	4, 6(22)	2,146,445	2,328,096
Investment properties	4, 6(10)	35,761	-
Intangible assets	4, 6(11)	56,885	52,631
Goodwill	4, 5, 6(11)(12)	713,874	680,469
Deferred tax assets	4, 5, 6(26)	292,627	322,514
Deposits-out		32,277	27,282
Other non-current assets	6(13)	57,640	223,070
Total non-current assets		5,666,826	5,992,773
Total assets		\$15,485,193	\$16,601,825

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

(continued)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 December 2023 and 31 December 2022
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As at	
		31 Dec 2023	31 Dec 2022
Current liabilities			
Short-term loans	4, 6(14)	\$2,293,648	\$1,777,167
Financial liabilities at fair value through profit or loss, current	4	844	6,102
Contract liabilities, current	6(20)	77	665
Notes payable		71,789	69,539
Accounts payable		1,549,681	1,888,505
Other payables	6(15)	1,716,835	2,069,625
Current tax liabilities	4	80,475	74,413
Lease liabilities, current	4, 6(22)	386,173	354,880
Current portion of long-term loans	4, 6(16)	200,000	330,000
Other current liabilities		71,746	50,698
Total current liabilities		6,371,268	6,621,594
Non-current liabilities			
Long-term loans	4, 6(16)	1,100,000	2,810,000
Provision for decommissioning, restoration and rehabilitation costs	4	27,742	-
Deferred tax liabilities	4, 5, 6(26)	17,518	11,838
Lease liabilities, non-current	4, 6(22)	1,933,327	2,183,928
Other non-current liabilities		112,853	266,316
Net defined benefit obligation, non-current	4, 6(17)	22,754	34,345
Total non-current liabilities		3,214,194	5,306,427
Total liabilities		9,585,462	11,928,021
Equity attributable to the parent company	4, 6(18)		
Capital			
Common stock		4,087,290	3,581,640
Advance receipts for common stock		3,259	3,100
Total capital		4,090,549	3,584,740
Capital surplus		988,391	887,844
Retained earnings			
Legal reserve		201,221	892,412
Special reserve		678,770	902,450
Unappropriated earnings (accumulated deficits)		590,529	(914,871)
Total retained earnings		1,470,520	879,991
Other components of equity			
Exchange differences on translation of foreign operations		(651,289)	(675,531)
Unrealized gains or losses on financial assets at fair value through other comprehensive income		1,560	(3,240)
Total other components of equity		(649,729)	(678,771)
Total equity		5,899,731	4,673,804
Total liabilities and equity		\$15,485,193	\$16,601,825

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the Years Ended 31 December	
		2023	2022
Net sales	6(20)	\$18,313,929	\$20,211,011
Cost of sales	6(5)(23)	(12,694,083)	(15,247,819)
Gross profit		5,619,846	4,963,192
Operating expenses	6(22)(23)		
Selling and marketing		(2,268,736)	(2,035,670)
General and administrative		(2,830,739)	(3,390,531)
Research and development		(178,143)	(221,388)
Expected credit losses	6(21)	(11,172)	(12,482)
Total operating expenses		(5,288,790)	(5,660,071)
Operating income (loss)		331,056	(696,879)
Non-operating income and expenses	6(24)		
Other revenue		481,658	150,157
Other gains and losses		228,846	(136,052)
Finance costs		(226,537)	(212,716)
Share of profit or loss of associates and joint ventures	4, 6(8)	(3,073)	(1,353)
Total non-operating income and expenses		480,894	(199,964)
Income (loss) before income tax		811,950	(896,843)
Income tax (expense) income	4, 5, 6(26)	(206,849)	7,969
Income (loss) from continuing operations, net of tax		605,101	(888,874)
Other comprehensive income (loss)	6(25)		
Items that may not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		(19,175)	(32,288)
Unrealized gains or losses on financial assets at fair value through other comprehensive income		4,800	(8,520)
Income tax related to items that may not to be reclassified subsequently		4,603	6,291
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		24,377	411,251
Share of other comprehensive (loss) income of associates and joint ventures	6(8)	(135)	310
Total other comprehensive income, net of tax		14,470	377,044
Total comprehensive income (loss)		\$619,571	\$(511,830)
Net income (loss) attributable to:			
Stockholders of the parent		\$605,101	\$(888,874)
Non-controlling interests		-	-
		\$605,101	\$(888,874)
Comprehensive income (loss) attributable to:			
Stockholder of the parent		\$619,571	\$(511,830)
Non-controlling interests		-	-
		\$619,571	\$(511,830)
Earnings (losses) per share (NTD)	6(27)		
Earnings (losses) per share-basic		\$1.52	\$(2.48)
Earnings (losses) per share-diluted		\$1.51	\$(2.48)

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

Item	Notes	Equity Attributable to the Parent Company								Total Equity
		Capital			Retained Earnings			Other Components of Equity		
		Common Stock	Advance Receipts for Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	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 January 2022	6(18)	\$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 in 2022							(888,874)			(888,874)
Other comprehensive income (loss), net of tax in 2022							(25,997)	411,561	(8,520)	377,044
Total comprehensive income (loss)							(914,871)	411,561	(8,520)	(511,830)
Share-based payment transactions-Exercise of employee stock option	6(18)(19)		3,100							3,100
Share-based payment transactions-Share-based payment expense	6(19)			9,849						9,849
Balance as at 31 December 2022	6(18)	\$3,581,640	\$3,100	\$887,844	\$892,412	\$902,450	\$(914,871)	\$(675,531)	\$(3,240)	\$4,673,804
Balance as at 1 January 2023	6(18)	\$3,581,640	\$3,100	\$887,844	\$892,412	\$902,450	\$(914,871)	\$(675,531)	\$(3,240)	\$4,673,804
Deficit compensation, 2022:										
Legal reserved used to cover deficits					(691,191)		691,191			-
Reversal of special reserve						(223,680)	223,680			-
Net income in 2023							605,101			605,101
Other comprehensive income (loss), net of tax in 2023							(14,572)	24,242	4,800	14,470
Total comprehensive income							590,529	24,242	4,800	619,571
Cash capital increase		500,000		87,500						587,500
Share-based payment transactions-Conversion of advance receipts for common stock	6(18)	5,650	(6,975)	1,325						-
Share-based payment transactions-Exercise of employee stock option	6(18)(19)		7,134							7,134
Share-based payment transactions-Share-based payment expense	6(19)			11,722						11,722
Balance as at 31 December 2023	6(18)	\$4,087,290	\$3,259	\$988,391	\$201,221	\$678,770	\$590,529	\$(651,289)	\$1,560	\$5,899,731

(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 year ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Notes	For the year ended 31 December	
		2023	2022
Cash flows from operating activities:			
Net income (loss) before tax		\$811,950	\$(896,843)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation		799,269	738,028
Amortization		20,905	16,221
Expected credit losses		11,172	12,482
Net (gain) loss of financial assets/liabilities at fair value through profit or loss		(16,444)	77,640
Interest expense		226,537	212,716
Interest income		(45,728)	(58,608)
Dividend income		(1,362)	(1,920)
Share-based payment expense		11,722	9,849
Share of profit or loss of associates and joint ventures		3,073	1,353
(Gain) loss on disposal of property, plant and equipment		(98,564)	12,904
Gain on disposal of right-of-use assets		(50,404)	-
Loss (gain) on lease modification		846	(184)
Gain on disposal of investments accounted for under the equity method		(19,414)	-
Impairment loss on non-financial assets		35,219	139,296
Changes in operating assets and liabilities:			
Financial instrument at fair value through profit or loss, current		30,077	(83,927)
Accounts receivable		475,662	457,688
Inventories, net		1,188,842	(243,692)
Prepayments		(55,249)	13,734
Other current assets		(77,956)	121,154
Other non-current assets		85,271	(54,628)
Notes payable		2,250	10,751
Accounts payable		(257,172)	(326,425)
Other payables		(484,763)	470,663
Contract liabilities, current		(588)	(2,141)
Other current liabilities		1,817	3,431
Defined benefit obligation		(11,143)	(9,526)
Other non-current liabilities		(153,463)	(123,059)
Cash generated from operations		2,432,362	496,957
Interest received		45,728	58,608
Interest paid		(226,644)	(211,353)
Income tax paid		(160,617)	(116,872)
Net cash generated from operating activities		2,090,829	227,340

(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 year ended 31 December 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Notes	For the year ended 31 December	
		2023	2022
(Continued)			
Cash flows from investing activities:			
Disposal of investments accounted for under the equity method		36,627	-
Acquisition of property, plant and equipment		(431,523)	(307,913)
Disposal of property, plant and equipment		117,532	24,662
Disposal of right-of-use assets		53,627	-
(Increase) decrease in deposits-out		(4,995)	6,855
Financial assets measured at amortized cost, current		68,041	(64,625)
Acquisition of intangible assets		(23,738)	(16,870)
Dividend received		1,362	1,920
Net cash used in investing activities		<u>(183,067)</u>	<u>(355,971)</u>
Cash flows from financing activities:			
Increase in short-term loans		2,968,000	4,571,996
Decrease in short-term loans		(2,466,272)	(4,953,950)
Increase in long-term loans		500,000	2,760,000
Decrease in long-term loans		(2,340,000)	(1,849,947)
Decrease in lease liabilities		(417,891)	(337,653)
Cash capital increase		587,500	-
Exercise of employee stock option		7,134	3,100
Net cash (used in) generated from financing activities		<u>(1,161,529)</u>	<u>193,546</u>
Effect of changes in exchange rate on cash and cash equivalents		<u>(53,578)</u>	<u>(74,775)</u>
Net increase (decrease) in cash and cash equivalents		692,655	(9,860)
Cash and cash equivalents at beginning of period		<u>2,271,437</u>	<u>2,281,297</u>
Cash and cash equivalents at end of period	6(1)	<u><u>\$2,964,092</u></u>	<u><u>\$2,271,437</u></u>

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the Years Ended 31 December 2023 and 2022

(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 Taipei Exchange 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 years ended 31 December 2023 and 2022 were authorized for issue by the Company’s board of directors on 11 March 2024.

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 2023. The adoption of these new standards and amendments and interpretations of initial application has 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	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

- (a) 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.

- (b) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

- (c) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

- (d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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 2024. The remaining standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by 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	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

- (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)

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(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) Lack of Exchangeability – Amendments to IAS 21

These amendments specify how to assess whether a currency is exchangeable and how to determine a spot exchange rate if it is not, and the additional disclosures when a currency lacks exchangeability. The amendments apply to annual reporting periods beginning on or after 1 January 2025.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. The 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)
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES INFORMATION

(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended 31 December 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee, which are 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

Preparation principle of consolidated financial statements

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

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

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfer directly to retained earnings if required by other IFRSs; and
- (f) recognizes any resulting difference in profit or loss.

The consolidated entities are as follows:

Investor	Subsidiary	Main Business	Percentage of ownership (%)		Note
			31 December 2023	31 December 2022	
Globe Union Industrial Corp.	Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Holding company	100.00%	100.00%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Shenzhen Globe Union Enterprise Co., Ltd.	Manufacturing and selling faucets and related parts	100.00%	100.00%	

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

Investor	Subsidiary	Main Business	Percentage of ownership (%)		
			31 December 2023	31 December 2022	Note
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Milim G&G Ceramics Co., Ltd.	Manufacturing and selling porcelain bathroom fittings	10.71%	10.71%	
Globe Union Industrial Corp.	Globe Union Cayman Corp.	Holding company	100.00%	100.00%	
Globe Union Cayman Corp.	Globe Union Verwaltungs GmbH	Holding company	100.00%	100.00%	
Globe Union Cayman Corp.	Globe Union Germany GmbH & Co. KG	Selling faucets and related parts	100.00%	100.00%	
Globe Union Cayman Corp.	Globe Union (UK) Limited	Holding company	100.00%	100.00%	
Globe Union (UK) Limited	PJH Trustees Limited	Trust company	100.00%	100.00%	
Globe Union (UK) Limited	PJH Group Limited	Selling kitchen and bathroom products	100.00%	100.00%	
Globe Union Industrial Corp.	Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Holding company	100.00%	100.00%	
Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Globe Union Group, Inc.	Holding company	100.00%	100.00%	
Globe Union Group, Inc.	Danze, Inc.	Overseas sales and maintenance center	100.00%	100.00%	
Globe Union Group, Inc.	Globe Union (Canada) Inc.	Sales and marketing support services	100.00%	100.00%	
Globe Union Group, Inc.	Gerber Plumbing Fixtures, LLC	Assembling and selling bathroom products	100.00%	100.00%	
Globe Union Group, Inc.	Globe Union Services, Inc.	Marketing support services	100.00%	100.00%	
Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Milim G&G Ceramics Co., Ltd.	Manufacturing and selling porcelain bathroom fittings	89.29%	89.29%	
Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	Manufacturing and selling porcelain bathroom fittings	100.00%	100.00%	
Globe Union Industrial Corp.	Globe Union Business Consultancy Shanghai Company Limited	Consulting industry	100.00%	100.00%	
Globe Union Industrial Corp.	Globe Union Ann Bo Manufacturing Co., Ltd.	Manufacturing and selling bathroom products	100.00%	100.00%	Note 1
Shenzhen Globe Union Enterprise Co., Ltd.	He Shun Investment Co., Ltd.	Investment, developing and manufacturing hardware products	100.00%	100.00%	Note 2

Note 1: The Company established a subsidiary, Globe Union Ann Bo Manufacturing Co., Ltd. in June 2022.

Note 2: The Company established a sub-subsidiary, He Shun Investment Co., Ltd., in September 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.

(a) 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 represents a recovery of part of the cost of investment.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Financial assets at fair value through profit or loss

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

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

(b) 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.

(c) 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.

(d) 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)

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Equity instruments

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

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:

- 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.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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.

(e) 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.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

(10) Fair value measurement

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

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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.

(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.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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.

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:

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- (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.

(13) Property, plant and equipment

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

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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
Office 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 profit or loss.

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

(14) Investment property

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

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

Items	Useful Lives
Buildings	9~20 years
Right-of-use assets	46 years

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

The Group transfers properties to or from investment properties according to the actual use of the properties.

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

(15) Leases

On the date that contracts are established, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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Group as a lessee

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

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

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

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

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

- (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.

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

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

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

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

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

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.

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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.

(16) Intangible assets

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

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

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

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

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

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

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

(17) Impairment of non-financial assets

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

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

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.

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

(18) Post-employment benefits

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

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

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.

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

(19) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is 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.

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Provision for warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgement and other known factors.

(20) Revenue recognition

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

Sale of goods

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

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

The credit period of the Group's sale of goods is from 60 to 90 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as 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.

(21) Borrowing cost

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

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(22) Government grants

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

(23) Share-based payment transactions

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

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

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

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.

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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.

(24) Income Tax

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

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.

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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; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- (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.

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; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- (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

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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.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

(25) Business combinations and goodwill

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

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

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

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

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

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.

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(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.

(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.

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(c) Pension benefits

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

(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

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expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for more details on deferred tax assets that the Group have not recognized as at 31 December 2023.

(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.

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6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As at 31 December	
	2023	2022
Cash on hand	\$475	\$639
Demand deposits	2,852,099	2,171,868
Time deposits	111,518	98,930
Total	<u>\$2,964,092</u>	<u>\$2,271,437</u>

Cash and cash equivalents were not pledged.

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

	As at 31 December	
	2023	2022
Mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments		
Forward foreign exchange contracts	<u>\$971</u>	<u>\$19,862</u>

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

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

(3) Financial assets measured at amortized cost- current

	As at 31 December	
	2023	2022
Bank deposits-time deposit-pledged	\$62,188	\$62,167
Bank deposits-reserve account	40,841	55,945
Bank deposits-time deposit (longer than three months)	-	52,958
Subtotal (total carrying amount)	103,029	171,070
Less: loss allowance	-	-
Total	<u>\$103,029</u>	<u>\$171,070</u>

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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 31 December	
	2023	2022
Accounts receivable	\$2,243,202	\$2,692,426
Less: allowance for sales discounts	(109,151)	(125,289)
Less: loss allowance	(2,780)	(1,294)
Total	\$2,131,271	\$2,565,843

Accounts receivables are generally on 60-90 day terms. The total carrying amount as at 31 December 2023 and 2022 were \$2,243,202 and \$2,692,426, respectively. Please refer to Note 6(21) for more details on loss allowance of accounts receivable for the years ended 31 December 2023 and 2022. 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 31 December	
	2023	2022
Raw materials	\$224,497	\$343,552
Supplies & parts	94,266	128,070
Work in progress	160,974	272,526
Finished goods	2,123,745	2,999,039
Merchandise	1,062,430	1,045,270
Total	\$3,665,912	\$4,788,457

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- (b) The cost of inventories recognized in cost of goods sold for the years ended 31 December 2023 and 2022 amounted to \$12,694,083 and \$15,247,819, respectively, including the expense amounted to \$11,751 and \$124,682 from reducing inventories to net realizable value.

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

(6) Prepayments

	As at 31 December	
	2023	2022
Prepayment for purchases	\$35,943	\$39,937
Offset against VAT	28,241	30,038
Prepaid insurance	29,282	2,096
Other prepayments	172,812	112,405
Total	<u>\$266,278</u>	<u>\$184,476</u>

Prepayments were not pledged.

(7) Financial assets at fair value through other comprehensive income - non current

	As at 31 December	
	2023	2022
Equity instrument investments measured at fair value through other comprehensive income - non current:		
Listed company stocks	<u>\$32,760</u>	<u>\$27,960</u>

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

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.

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(8) Investments accounted for using the equity method

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

Investees	As at 31 December			
	2023		2022	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in associates:				
Arte En Bronce, S.A. DE C.V.	\$-	48.89%	\$-	48.89%
Chengxinzhao (Zhangzhou) Hardware Co., Ltd.	-	-%	19,047	49.00%
Total	\$-		\$19,047	

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.

Considering the adjustments to the Group's operational strategy, the Group sold its 49% interest in Chengxinzhao (Zhangzhou) Hardware Co., Ltd. in December 2023. From the settlement date, the Group no longer had any investment relationship or influence over Chengxinzhao (Zhangzhou) Hardware Co., Ltd..

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

	For the years ended 31 December	
	2023	2022
Loss from continuing operations	\$(3,073)	\$(1,353)
Other comprehensive (loss) gain	(135)	310
Total comprehensive loss	\$(3,208)	\$(1,043)

The associates had no contingent liabilities or capital commitments as at 31 December 2023 and 2022, and did not provide any guarantee.

(9) Property, plant and equipment

	As at 31 December	
	2023	2022
Owner occupied property, plant and equipment	\$2,298,557	\$2,311,704

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(a) Owner occupied property, plant and equipment

	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment awaiting examination	Total
Cost:							
As at 1 Jan. 2023	\$861,092	\$3,158,630	\$47,865	\$330,049	\$707,999	\$105,894	\$5,211,529
Additions	63,488	93,885	3,691	17,916	12,484	215,784	407,248
Disposals	(62,572)	(137,530)	(8,039)	(40,157)	(94,465)	-	(342,763)
Transfers	1,857	134,210	-	-	37,820	(286,524)	(112,637)
Exchange differences	(6,537)	(28,091)	1,299	2,098	(2,140)	247	(33,124)
As at 31 Dec. 2023	<u>\$857,328</u>	<u>\$3,221,104</u>	<u>\$44,816</u>	<u>\$309,906</u>	<u>\$661,698</u>	<u>\$35,401</u>	<u>\$5,130,253</u>
As at 1 Jan. 2022	\$826,747	\$3,081,890	\$50,746	\$312,336	\$651,477	\$44,995	\$4,968,191
Additions	16,291	18,380	3,360	35,220	35,779	198,883	307,913
Disposals	-	(214,665)	(6,429)	(6,024)	(30,130)	-	(257,248)
Transfers	3,070	78,239	-	(23,280)	36,792	(140,879)	(46,058)
Exchange differences	14,984	194,786	188	11,797	14,081	2,895	238,731
As at 31 Dec. 2022	<u>\$861,092</u>	<u>\$3,158,630</u>	<u>\$47,865</u>	<u>\$330,049</u>	<u>\$707,999</u>	<u>\$105,894</u>	<u>\$5,211,529</u>
Depreciation and impairment:							
As at 1 Jan. 2023	\$626,310	\$1,415,426	\$40,995	\$276,240	\$540,854	\$-	\$2,899,825
Depreciation	44,571	231,831	3,176	22,717	57,250	-	359,545
Impairment	-	35,219	-	-	-	-	35,219
Disposals	(56,034)	(131,195)	(8,040)	(37,611)	(90,915)	-	(323,795)
Transfers	(122,142)	2,145	(8)	(85)	(361)	-	(120,451)
Exchange differences	(2,862)	(15,614)	1,266	822	(2,259)	-	(18,647)
As at 31 Dec. 2023	<u>\$489,843</u>	<u>\$1,537,812</u>	<u>\$37,389</u>	<u>\$262,083</u>	<u>\$504,569</u>	<u>\$-</u>	<u>\$2,831,696</u>
As at 1 Jan. 2022	\$584,089	\$1,193,027	\$44,257	\$248,012	\$478,977	\$-	\$2,548,362
Depreciation	30,232	207,909	3,076	27,068	64,491	-	332,776
Impairment	-	139,296	-	-	-	-	139,296
Disposals	-	(179,072)	(6,375)	(5,850)	(28,385)	-	(219,682)
Transfers	-	(13,322)	-	(1,976)	13,361	-	(1,937)
Exchange differences	11,989	67,588	37	8,986	12,410	-	101,010
As at 31 Dec. 2022	<u>\$626,310</u>	<u>\$1,415,426</u>	<u>\$40,995</u>	<u>\$276,240</u>	<u>\$540,854</u>	<u>\$-</u>	<u>\$2,899,825</u>
Net carrying amount:							
31 Dec. 2023	<u>\$367,485</u>	<u>\$1,683,292</u>	<u>\$7,427</u>	<u>\$47,823</u>	<u>\$157,129</u>	<u>\$35,401</u>	<u>\$2,298,557</u>
31 Dec. 2022	<u>\$234,782</u>	<u>\$1,743,204</u>	<u>\$6,870</u>	<u>\$53,809</u>	<u>\$167,145</u>	<u>\$105,894</u>	<u>\$2,311,704</u>

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- (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 years ended 31 December 2023 and 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 \$35,219 and \$54,929, respectively, 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. For the six-month period ended 30 June 2022, 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 12 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 31 December 2023.
- (f) There is no occurrence of capitalization of interest due to purchasing property, plant and equipment for the years ended 31 December 2023 and 2022.

(10) Investment property

The Group's investment properties include both owned investment properties and investment properties held by the Group as right-of-use assets. The investment properties held by the Group as right-of-use assets with non-cancellable period of 46 years.

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	Buildings	Right-of-use assets	Total
Cost:			
As at 1 Jan. 2023	\$-	\$-	\$-
Held as right-of-use assets	-	26,752	26,752
Transfer from owner-occupied property	133,808	-	133,808
Exchange differences	(2,129)	(425)	(2,554)
As at 31 Dec. 2023	<u>\$131,679</u>	<u>\$26,327</u>	<u>\$158,006</u>
Depreciation and impairment:			
As at 1 Jan. 2023	\$-	\$-	\$-
Depreciation	-	197	197
Held as right-of-use assets	-	3,707	3,707
Transfer	120,319	-	120,319
Exchange differences	(1,914)	(64)	(1,978)
As at 31 Dec. 2023	<u>\$118,405</u>	<u>\$3,840</u>	<u>\$122,245</u>
Net carrying amount:			
31 Dec. 2023	<u>\$13,274</u>	<u>\$22,487</u>	<u>\$35,761</u>
31 Dec. 2022	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

No investment property was pledged.

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized with Level 3. The fair value of the investment properties held by the Group amounted to \$215,045 as of December 31, 2023. The fair value has been determined based on valuations performed by the Group's management referring to the price of real estate in the active neighborhood market.

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(11) Intangible assets and goodwill

	Computer software	Trademarks	Goodwill	Total
Cost:				
As at 1 Jan. 2023	\$255,156	\$74,090	\$1,285,199	\$1,614,445
Addition-acquired separately	23,738	-	-	23,738
Exchange differences	3,947	3,272	67,309	74,528
As at 31 Dec. 2023	<u>\$282,841</u>	<u>\$77,362</u>	<u>\$1,352,508</u>	<u>\$1,712,711</u>
As at 1 Jan. 2022	\$235,650	\$74,147	\$1,291,564	\$1,601,361
Addition-acquired separately	16,870	-	-	16,870
Disposal	(24,116)	-	-	(24,116)
Reclassification	23,661	-	-	23,661
Exchange differences	3,091	(57)	(6,365)	(3,331)
As at 31 Dec. 2022	<u>\$255,156</u>	<u>\$74,090</u>	<u>\$1,285,199</u>	<u>\$1,614,445</u>
Amortization and impairment:				
As at 1 Jan. 2023	\$202,525	\$74,090	\$604,730	\$881,345
Amortization	20,905	-	-	20,905
Exchange differences	2,526	3,272	33,904	39,702
As at 31 Dec. 2023	<u>\$225,956</u>	<u>\$77,362</u>	<u>\$638,634</u>	<u>\$941,952</u>
As at 1 Jan. 2022	\$206,427	\$73,028	\$607,990	\$887,445
Amortization	15,103	1,118	-	16,221
Disposal	(24,116)	-	-	(24,116)
Reclassification	2,357	-	-	2,357
Exchange differences	2,754	(56)	(3,260)	(562)
As at 31 Dec. 2022	<u>\$202,525</u>	<u>\$74,090</u>	<u>\$604,730</u>	<u>\$881,345</u>
Net carrying amount:				
31 Dec. 2023	<u>\$56,885</u>	<u>\$-</u>	<u>\$713,874</u>	<u>\$770,759</u>
31 Dec. 2022	<u>\$52,631</u>	<u>\$-</u>	<u>\$680,469</u>	<u>\$733,100</u>

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

	For the years ended 31 December	
	2023	2022
Operating costs	\$514	\$560
Operating expenses	\$20,391	\$15,661

(12) Impairment testing of goodwill

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

	As at 31 December	
	2023	2022
Goodwill		
- Channel unit	\$632,091	\$598,535
- Manufacturing unit	81,783	81,934
Total	\$713,874	\$680,469

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 15.4% and 14.9% as at 31 December 2023 and 2022, and cash flows beyond the five-year period were extrapolated using both 0% growth rate as at 31 December 2023 and 2022, that was the same as the long-term average growth rate for the channel unit's 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 of \$632,091 and \$598,535 as at 31 December 2023 and 2022 which is allocated to this cash-generating unit.

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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 15.15% and 14.7% as at 31 December 2023 and 2022, and cash flows beyond the five-year period were extrapolated using both 0% growth rate as at 31 December 2023 and 2022, that was the same as the long-term average growth rate for the manufacturing unit's 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 of \$81,783 and \$81,934 as at 31 December 2023 and 2022 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.

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

Sensitivity to changes in assumptions

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

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

Raw materials price inflation – Management has considered the possibility of raw material price inflation. The Group used past actual raw material price movements as an indicator of future price movements. Management believes there is no raw materials price deviating from the budget for the years ended 31 December 2023 and 2022, 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 2023 and 2022, respectively. Management deemed these growth rates reasonable after considering the long-term growth rate and the economic environment for the years ended 31 December 2023 and 2022. Therefore, no further impairment may result.

(13) Other non-current assets

	As at 31 December	
	2023	2022
Prepayment for equipment	\$55,430	\$219,847
Others	2,210	3,223
Total	<u>\$57,640</u>	<u>\$223,070</u>

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(14) Short-term loans

	As at 31 December	
	2023	2022
Unsecured bank loans	\$2,158,000	\$1,442,290
Secured bank loans	135,648	334,877
Total	<u>\$2,293,648</u>	<u>\$1,777,167</u>
Interest Rates (%)	1.75%-7.20%	1.47%-5.70%

The Group's unused short-term lines of credits amounted to \$2,563,182 and \$2,687,113 as at 31 December 2023 and 2022, respectively.

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

(15) Other payables

	As at 31 December	
	2023	2022
Accrued payroll and bonus	\$344,422	\$792,824
Accrued sales discounts	311,699	336,298
Compensation payable	258,150	81,419
Accrued freight	108,873	257,211
Output tax	95,036	140,661
Accrued VAT payables	13,832	20,662
Others	584,823	440,550
Total	<u>\$1,716,835</u>	<u>\$2,069,625</u>

For the year ended 31 December 2022, Shenzhen Globe Union Enterprise Co. Ltd., the sub-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 \$730,484. As of 31 December 2023 and 2022, the unpaid amount totaled \$35,549 and \$496,722, respectively.

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(16) Long-term loans

(a) As at 31 Dec. 2023

Lenders	Type	As at 31 Dec. 2023	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
Bank SinoPac	Credit	100,000	2021/09-2024/07 Interest is paid monthly.	None
Cathay United Bank	Credit	200,000	2023/07-2025/06 Interest is paid monthly.	None
Subtotal		1,300,000		
Less: current portion		(200,000)		
Total		\$1,100,000		
Interest rate		1.82%-2.16%		

(b) As at 31 Dec. 2022

Lenders	Type	As at 31 Dec. 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
E.SUN Bank (Leading Bank of Syndicated Loan)	Syndicated bank loans	990,000	2022/10-2024/03 Interest is paid monthly.	
KGI Bank	Credit	350,000	2022/05-2024/05 Interest is paid monthly.	None
Bank SinoPac	Credit	200,000	2021/09-2024/07 Interest is paid monthly.	None
China Trust Commercial Bank	Credit	170,000	2022/12-2024/12 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	2022/09-2024/09 Interest is paid monthly.	None
O-Bank	Credit	100,000	2021/09-2023/11 Interest is paid monthly.	None
The Shanghai Commercial & Savings Bank, Ltd.	Credit	100,000	2021/07-2023/07 Interest is paid monthly.	None
Subtotal		3,140,000		
Less: current portion		(330,000)		
Total		\$2,810,000		
Interest rate		1.57%-2.06%		

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 9(3) for further details on syndicated bank loans.

(17) Post-employment benefits

Defined contribution plan

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

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

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

Expenses under the defined contribution plan for the years ended 31 December 2023 and 2022 were \$169,866 and \$195,142, 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 assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is managed by the in-house managers or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute \$20,457 to its defined benefit plan in the next year starting from 31 December 2023.

The average duration of the defined benefits plan obligation as at 31 December 2023 and 2022, were 14 years and 14 years.

Pension costs recognized in profit or loss for the years ended 31 December 2023 and 2022:

	For the years ended 31 December	
	2023	2022
Current period service costs	\$3,104	\$4,056
Interest income or expense	11,559	7,706
Total	\$14,663	\$11,762

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

	As at		
	31 December 2023	31 December 2022	1 January 2022
Defined benefit obligation	\$870,322	\$804,873	\$1,150,061
Plan assets at fair value	(827,111)	(769,302)	(1,137,252)
Defined benefit obligation	43,211	35,571	12,809
Other current liabilities - the Group expects to contribute in the coming year	(20,457)	(1,226)	(673)
Other non-current liabilities - defined benefit obligation	\$22,754	\$34,345	\$12,136

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As at 1 January 2022	\$1,150,061	\$(1,137,252)	\$12,809
Current period service costs	4,056	-	4,056
Net interest expense (income)	20,350	(12,644)	7,706
Subtotal	1,174,467	(1,149,896)	24,571
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	4,044	-	4,044
Actuarial gains and losses arising from changes in financial assumptions	(379,538)	-	(379,538)
Experience adjustments	41,016	-	41,016
Remeasurements of the net defined benefit asset	-	366,766	366,766
Subtotal	(334,478)	366,766	32,288
Payments from the plan	(31,742)	31,321	(421)
Contributions by employer	-	(23,187)	(23,187)
Effect of changes in foreign exchange rates	(3,374)	5,694	2,320
As at 31 December 2022	\$804,873	\$(769,302)	\$35,571
Current period service costs	3,104	-	3,104
Net interest expense (income)	37,586	(26,027)	11,559
Subtotal	845,563	(795,329)	50,234
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(19,081)	-	(19,081)
Actuarial gains and losses arising from changes in financial assumptions	26,073	-	26,073
Experience adjustments	24,863	-	24,863
Remeasurements of the net defined benefit asset	-	(12,680)	(12,680)
Subtotal	31,855	(12,680)	19,175
Payments from the plan	(49,131)	47,599	(1,532)
Contributions by employer	-	(28,042)	(28,042)
Effect of changes in foreign exchange rates	42,036	(38,660)	3,376
As at 31 December 2023	\$870,323	\$(827,112)	\$43,211

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

	As at 31 December	
	2023	2022
Discount rate	1.24%-4.50%	1.39%-4.75%
Expected rate of salary increases	0.00%-3.00%	0.00%-3.00%

A sensitivity analysis for significant assumption as at 31 December 2023 and 2022 is, as shown below:

	Effect on the defined benefit obligation			
	2023		2022	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	\$-	\$3,817	\$-	\$4,857
Discount rate decrease by 0.5%	4,097	-	5,226	-
Future salary increase by 0.5%	4,004	-	5,115	-
Future salary decrease by 0.5%	-	3,772	-	4,807

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

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

(18) Equities

(a) Common stock

The Company's authorized capital was \$6,000,000 as at 1 January 2022, 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)

For the year ended 31 December 2022, the employees converted their options into 250,000 shares at NT\$12.4 per share. The above shares have not completed the registration process and were recorded as capital collected in advance.

As at 31 December 2022, the Company's authorized capital amounted to \$6,000,000, divided into 600,000,000 shares with par value of NT\$10 each. The paid-in capital amounted to \$3,584,140, divided into 358,413,962 shares. Among the issued shares, 250,000 shares have not completed the registration process and were recorded as capital collected in advance in the amount of \$3,100. For the three-month period ended 31 March 2023, the aforementioned 250,000 employee stock options have completed the registration process and have been converted to common stock.

On 5 August 2022, the Company's board of directors resolved to issue 50,000,000 new shares of NT\$10 each in cash and at a premium of NT\$11.75 per share. In accordance with Article 267 of the Company Act, 10% of the total number of new shares issued, amounting to 5,000,000 shares, are reserved for subscription by the Company's employees on a preferential basis. Due to market changes and fluctuations in stock prices, the actual price of the cash capital increase and the employee stock option price of NT\$11.75 per share were measured based on the fair value of the stock options on the grant date, and \$6,750 was recognized as the compensation cost. The above cash capital increase was approved by the Financial Supervisory Commission of the Republic of China on 9 November 2022, and the board of directors authorized the chairman to set 20 March 2023 as the capital increase base date. The capital increase has completed the registration of the change on 24 March 2023.

For the year ended 31 December 2023, the employees converted their options into 580,000 shares at NT\$12.3 per share. Among the above shares, 315,000 shares have completed the registration process and another 265,000 shares have not completed the registration process and were recorded as capital collected in advance.

The Company's authorized capital was \$6,000,000 as at 31 December 2023, divided into 600,000,000 shares with par value of NT\$10 each. The paid-in capital amounted to \$4,089,940 with 408,993,962 shares issued. Among the issued shares, 265,000 shares have not completed the registration process and were recorded as capital collected in advance in the amount of \$3,259. 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 31 December	
	2023	2022
Additional paid-in capital	\$913,255	\$824,430
Share-based payment transactions	67,236	55,514
Share of changes in net assets of associates and joint ventures accounted for using the equity method	6,005	6,005
Premium from merger	1,895	1,895
Total	<u>\$988,391</u>	<u>\$887,844</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 dividends must be distributed to shareholders annually. The Company seeks sustainable development based on capital expenditure, business expansion and financial planning. Earnings distribution can be made in the form of stock dividends or cash dividends. However, cash dividends must be greater than 60% of the current year bonus distributed to shareholders. The dividend distribution policy may depend on the company's business needs, reinvestment or merger and acquisition capital requirements, and major regulatory requirement changes. The board of directors shall submit a proposal to the shareholders meeting to adjust the cash dividend distribution ratio appropriately.

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

When the Company distributes distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of TIFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

The FSC on 31 March 2021 issued Order No. Financial – Supervisory – Securities – Corporate – 1090150022, which sets out the following provisions for compliance. 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 2022 deficit compensation and 2021 appropriation of earnings as resolved by the shareholders' meeting on 26 May 2023 and 27 May 2022, are as follows:

	Deficit compensation and appropriation of earnings	
	2022	2021
Legal reserve (used to cover deficits)	\$(691,191)	\$5,490
Special reserve (reversal)	(223,680)	49,510

Please refer to Note 6(23) for more details on employees' compensation and remuneration to directors.

(19) Share-based payment plans

- (a) On 10 August 2020, the Company was authorized by the Financial Supervisory Commission Republic of China, 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 31 December 2023, the Company has not cancelled or modified the share-based payment plan proposed for employees. The relevant details of the aforementioned share-based payment plan are as follows:

Date of grant	Total number of share options granted (unit)	Total number of share options outstanding (unit)	Shares to be subscribed (unit)	Exercise price of share options (NT\$)
10 Aug. 2020	10,200	6,570	6,570	\$12.30

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

- a. The following table contains further details on the aforementioned share-based payment plan for the years ended 31 December 2023 and 2022:

	As at 31 December 2023		As at 31 December 2022	
	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	7,150	\$12.40	8,250	\$12.40
Additions	-	-	-	-
Converted	(580)	12.30	(250)	12.40
Forfeited	-	-	(850)	12.40
Outstanding at end of period	<u>6,570</u>	<u>\$12.30</u>	<u>7,150</u>	<u>\$12.40</u>
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 31 December 2023:

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\$)
10 Aug. 2020 Share options plan - 10,200 units issued	\$12.40	6,570	9 Aug. 2025	1.61	\$12.30	6,570	\$12.30

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

The compensation cost is accounted for under the fair value method. The fair value of the share options is estimated at the grant date using a Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. The Company recognized compensation expense for the years ended 31 December 2023 and 2022 were \$2,613 and \$7,042, respectively. The following table lists the inputs to the model used for the plan:

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

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, 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.

As at 31 December 2023, 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	1,600	-	\$14.60

- a. The following table contains further details on the aforementioned share-based payment plan for the year ended 31 December 2023 and 2022:

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

	As at 31 December 2023		As at 31 December 2022	
	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	2,100	\$14.70	-	\$-
Additions	-	-	2,100	14.70
Converted	-	-	-	-
Forfeited	(500)	14.70	-	-
Outstanding at end of period	<u>1,600</u>	\$14.60	<u>2,100</u>	\$14.70
Weighted average fair value of share options (NT\$)	<u>\$3.5</u>		<u>\$3.5</u>	

- b. The following table contains further details on the aforementioned share-based payment plan as at 31 December 2023:

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\$)
14 Feb. 2022 Share options plan – 2,100 units issued	\$14.70	1,600	13 Feb. 2027	3.08	\$14.60	-	\$14.60

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

The compensation cost is accounted for under the fair value method. The fair value of the share options is estimated at the grant date using a Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. The Company recognized compensation expense for the years ended 31 December 2023 and 2022 were \$1,665 and \$2,807, respectively. The following table lists the inputs to the model used for the plan:

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Notes to Consolidated Financial Statements (Continued)

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

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

(c) Stock appreciation right plan for employees

In July 2022, the Company implemented a compensation plan to grant 1,500 units of the cash-settled stock appreciation rights to qualified employees of the Company without consideration. One unit of stock appreciation right to employees represents a right to the intrinsic value of 1,000 common shares of Globe Union Industrial Corp. The life of the plan is two years. Upon maturity of one and a half years following the date of grant, those employees who fulfill both service period and performance conditions set by the Company are gradually eligible for the vested stock appreciation right at certain percentage and time frame. For those employees who fail to meet the vesting conditions, the Company will withdraw their rights without consideration. During the vesting period, the holders of the stock appreciation right are not entitled to the same rights as those of common stockholders of Globe Union Industrial Corp.

The compensation cost for the cash-settled share-based payment was measured at fair value on the grant date by using Black-Scholes Option Pricing Model and will be remeasured at the end of each reporting period until settlement. As at 31 December 2023, the assumptions used are as follows:

	<u>Stock appreciation right plan for employees</u>
Share price of measurement date (NT\$/unit)	\$15.45
Dividend yield (%)	0%
Expected volatility (%)	18.35%
Risk-free interest rate (%)	1.08%
Expected option life (Years)	0.5 years

The Company recognized the compensation expense of \$5,825 and \$925 for the years ended 31 December 2023 and 2022, respectively. The liability of \$6,750 and \$925 under the stock appreciation right plan was recognized in accrued expenses as at 31 December 2023 and 2022, respectively. The intrinsic value for the liability of vested rights was \$6,750.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(d) Stock appreciation right plan for employees

In July 2023, the Company implemented a compensation plan to grant 1,000 units of the cash-settled stock appreciation rights to qualified employees of the Company without consideration. One unit of stock appreciation right to employees represents a right to the intrinsic value of 1,000 common shares of Globe Union Industrial Corp. The life of the plan is three and a half years. Upon maturity of one year following the date of grant, those employees who fulfill both service period and performance conditions set by the Company are gradually eligible for the vested stock appreciation right at certain percentage and time frame. For those employees who fail to meet the vesting conditions, the Company will withdraw their rights without consideration. During the vesting period, the holders of the stock appreciation right are not entitled to the same rights as those of common stockholders of Globe Union Industrial Corp.

The compensation cost for the cash-settled share-based payment was measured at fair value on the grant date by using Black-Scholes Option Pricing Model and will be remeasured at the end of each reporting period until settlement. As at 31 December 2023, the assumptions used are as follows:

	<u>Stock appreciation right plan for employees</u>
Share price of measurement date (NT\$/unit)	\$15.45
Dividend yield (%)	0%
Expected volatility (%)	18.44%
Risk-free interest rate (%)	1.12%
Expected option life (Years)	3 years

The Company recognized the compensation expense of \$1,257 for the year ended 31 December 2023. The liability of \$1,257 under the stock appreciation right plan was recognized in accrued expenses as at 31 December 2023. The intrinsic value for the liability of vested rights was \$0.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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(e) On 9 August 2023, the Company was authorized by the Financial Supervisory Commission Republic of China, Executive Yuan, to issue non-compensatory employee share options with a total number of 1,400 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.

As at 31 December 2023, 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\$)
9 Aug. 2023	1,400	1,400	-	\$14.10

a. The following table contains further details on the aforementioned share-based payment plan for the year ended 31 December 2023:

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Notes to Consolidated Financial Statements (Continued)

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

	As at 31 December 2023	
	Number of share options outstanding (unit)	Weighted average exercise price of share options (NT\$)
Outstanding at beginning of period	-	\$-
Additions	1,400	14.10
Converted	-	-
Forfeited	-	-
Outstanding at end of period	<u>1,400</u>	\$14.10
Weighted average fair value of share options (NT\$)	<u>\$2.86</u>	

- b. The following table contains further details on the aforementioned share-based payment plan as at 31 December 2023:

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\$)
9 Aug. 2023 Share options plan - 1,400 units issued	\$14.10	1,400	8 Aug. 2028	4.58	\$14.10	-	\$14.10

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

The compensation cost is accounted for under the fair value method. The fair value of the share options is estimated at the grant date using a Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. The Company recognized compensation expense for the year ended 31 December 2023 was \$695. The following table lists the inputs to the model used for the plan:

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Notes to Consolidated Financial Statements (Continued)

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

For the 1,400 units issued:

	<u>Share-based payment plan</u>
Dividend yield (%)	0%
Expected volatility (%)	20.35%
Risk-free interest rate (%)	1.09%
Expected option life (Years)	5 years

(20) Operating revenue

	<u>For the years ended 31 December</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Sale of goods	\$19,966,819	\$21,920,075
Less : sales returns and allowance	(1,652,890)	(1,709,064)
Total	<u>\$18,313,929</u>	<u>\$20,211,011</u>

(a) Disaggregation of revenue

For the year ended 31 December 2023

	<u>Taiwan</u>	<u>China</u>	<u>America</u>	<u>Europe</u>	<u>Total</u>
	<u>Segment</u>	<u>Segment</u>	<u>Segment</u>	<u>Segment</u>	<u>Segment</u>
Sale of goods	<u>\$1,270,273</u>	<u>\$60,532</u>	<u>\$9,524,467</u>	<u>\$7,458,657</u>	<u>\$18,313,929</u>

For the year ended 31 December 2022

	<u>Taiwan</u>	<u>China</u>	<u>America</u>	<u>Europe</u>	<u>Total</u>
	<u>Segment</u>	<u>Segment</u>	<u>Segment</u>	<u>Segment</u>	<u>Segment</u>
Sale of goods	<u>\$2,056,185</u>	<u>\$71,709</u>	<u>\$10,450,500</u>	<u>\$7,632,617</u>	<u>\$20,211,011</u>

The Group recognizes revenues when control of the products is transferred to the customers, therefore the performance obligation is satisfied at a 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)

(b) Contract balances

Contract liabilities – current

	<u>31 Dec. 2023</u>	<u>31 Dec. 2022</u>	<u>1 Jan. 2022</u>
Sales of goods	<u>\$77</u>	<u>\$665</u>	<u>\$2,806</u>

There were no significant changes in the Group's balances of contract liabilities for the years ended 31 December 2023 and 2022.

(21) Expected credit losses

	<u>For the years ended 31 December</u>	
	<u>2023</u>	<u>2022</u>
Operating expenses – Expected credit losses		
Accounts receivable	<u>\$11,172</u>	<u>\$12,482</u>

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 31 December 2023 and 2022 is as follows:

(a) 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:

31 December 2023

	<u>Not yet due</u>	<u>Overdue</u>				<u>Total</u>
		<u>1-90 days</u>	<u>91-180 days</u>	<u>181-365 days</u>	<u>Upon 366 days</u>	
Gross carrying amount	\$1,905,048	\$200,683	\$23,459	\$4,319	\$542	\$2,134,051
Loss ratio	-%	-%	-%	55.59%	69.93%	
Lifetime expected credit losses	-	-	-	(2,401)	(379)	(2,780)
Carrying amount	<u>\$1,905,048</u>	<u>\$200,683</u>	<u>\$23,459</u>	<u>\$1,918</u>	<u>\$163</u>	<u>\$2,131,271</u>

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Notes to Consolidated Financial Statements (Continued)

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

31 December 2022

	Not yet due	Overdue				Total
		1-90 days	91-180 days	181-365 days	Upon 366 days	
Gross carrying amount	\$2,320,501	\$203,531	\$27,971	\$8,798	\$6,336	\$2,567,137
Loss ratio	-%	-%	-%	0.94%	19.11%	
Lifetime expected credit losses	-	-	-	(83)	(1,211)	(1,294)
Carrying amount	\$2,320,501	\$203,531	\$27,971	\$8,715	\$5,125	\$2,565,843

(b) The movement in the provision for impairment of accounts receivable during the years ended 31 December 2023 and 2022 is as follows:

	Accounts receivable
Beginning balance at 1 Jan. 2023	\$1,294
Addition for the current period	11,172
Write off	(10,033)
Exchange differences	347
Ending balance at 31 Dec. 2023	\$2,780
	Accounts receivable
Beginning balance at 1 Jan. 2022	\$8,037
Addition for the current period	12,482
Write off	(19,619)
Exchange differences	394
Ending balance at 31 Dec. 2022	\$1,294

(22) Leases

(a) 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:

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

a. Amounts recognized in the balance sheet

(i) Right-of-use assets

The carrying amount of right-of-use assets

	As at 31 December	
	2023	2022
Land	\$139,874	\$58,178
Buildings	1,861,312	2,054,022
Machinery and equipment	16,430	31,981
Transportation equipment	109,924	177,402
Other equipment	18,905	6,513
Total	<u>\$2,146,445</u>	<u>\$2,328,096</u>

During the years ended 31 December 2023 and 2022, the Group's additions to right-of-use assets amounted to \$186,544 and \$499,355, respectively.

(ii) Lease liabilities

	As at 31 December	
	2023	2022
Current	\$386,173	\$354,880
Non-current	1,933,327	2,183,928
Lease liabilities	<u>\$2,319,500</u>	<u>\$2,538,808</u>

Please refer to Note 6(24)(c) for the interest on lease liabilities recognized during the years ended 31 December 2023 and 2022, and refer to Note 12(5) liquidity risk management for the maturity analysis for lease liabilities as at 31 December 2023.

b. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2023	2022
Land	\$4,847	\$2,669
Buildings	316,907	304,714
Machinery and equipment	20,069	22,623
Transportation equipment	89,979	67,220
Other equipment	7,725	8,026
Total	<u>\$439,527</u>	<u>\$405,252</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

c. Income and costs relating to leasing activities

	<u>For the years ended 31 December</u>	
	<u>2023</u>	<u>2022</u>
The expenses relating to short-term leases	\$80,469	\$21,454
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	7,545	6,533
The expenses relating to variable lease payments not included in the measurement of lease liabilities	447	7,305
Total	<u>\$88,461</u>	<u>\$35,292</u>

d. Cash outflow relating to leasing activities

During the years ended 31 December 2023 and 2022, the Group's total cash outflows for leases were amounted to \$646,132 and \$509,579, respectively.

e. Other information relating to leasing activities

(i) Variable lease payments

Some of the Group's warehouse rental agreements contain variable payment terms that are linked to daily usage of pallets in warehouses, which is common in the industry of the Group. As such variable lease payments do not meet the definition of lease payments, those payments are not included in the measurement of the assets and liabilities.

(ii) Extension and termination options

Some of the Group's property rental agreement contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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.

(23) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended 31 December 2023 and 2022:

Nature \ Function	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$1,194,285	\$1,830,979	\$3,025,264	\$1,442,111	\$2,467,761	\$3,909,872
Labor and health insurance	10,128	156,533	166,661	22,865	137,695	160,560
Pension	110,169	74,360	184,529	132,873	74,031	206,904
Other employee benefits expense	73,265	31,581	104,846	73,643	44,938	118,581
Depreciation	361,566	437,703	799,269	337,621	400,407	738,028
Amortization	514	20,391	20,905	560	15,661	16,221

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Based on profit of the year ended 31 December 2023, the Company estimated the amounts of the employees' compensation and remuneration to directors for the year ended 31 December 2023 to be 3.55 % and 0.66% of profit of the current year, respectively. The employees' compensation and remuneration to directors for the year ended 31 December 2023 amount to \$21,905 and \$4,095, respectively, recognized as salary expense.

A resolution was passed at a board meeting held on 11 March 2024 to distribute \$21,905 and \$4,095 in cash as 2023 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 2023.

The Company experienced a loss for the year ended 31 December 2022, hence no employees' compensation and remuneration to directors have been estimated.

(24) Non-operating income and expenses

(a) Other income

	<u>For the years ended 31 December</u>	
	<u>2023</u>	<u>2022</u>
Interest income		
Financial assets measured at amortized cost	\$45,728	\$58,608
Dividend revenue	1,362	1,920
Others	434,568	89,629
Total	<u>\$481,658</u>	<u>\$150,157</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

	For the years ended 31 December	
	2023	2022
Foreign exchange gains, net	\$109,374	\$109,901
Gains (losses) on disposal of property, plant and equipment	98,564	(12,904)
Gains on disposal of right-of-use assets	50,404	-
Gains on disposal of investments accounted for under the equity method	19,414	-
Impairment losses	(35,219)	(139,296)
Gains (losses) on financial assets and liabilities at fair value through profit or loss	16,444	(77,640)
(Losses) gains on change in leases	(846)	184
Others	(29,289)	(16,297)
Total	<u>\$228,846</u>	<u>\$(136,052)</u>

For the year ended 31 December 2022, 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 12 for more details.

(c) Finance costs

	For the years ended 31 December	
	2023	2022
Interest on loans from bank	\$86,757	\$76,082
Interest on lease liabilities	139,780	136,634
Total	<u>\$226,537</u>	<u>\$212,716</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(25) Components of other comprehensive income

For the year ended 31 December 2023:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(19,175)	\$-	\$(19,175)	\$4,603	\$(14,572)
Unrealized gains on financial assets at fair value through other comprehensive income	4,800	-	4,800	-	4,800
To be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	24,377	-	24,377	-	24,377
Share of other comprehensive loss of associates and joint ventures	(135)	-	(135)	-	(135)
Total of other comprehensive income	<u>\$9,867</u>	<u>\$-</u>	<u>\$9,867</u>	<u>\$4,603</u>	<u>\$14,470</u>

For the year ended 31 December 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:					
Remeasurements of defined benefit plans	\$(32,288)	\$-	\$(32,288)	\$6,291	\$(25,997)
Unrealized losses on financial assets at fair value through other comprehensive income	(8,520)	-	(8,520)	-	(8,520)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	411,251	-	411,251	-	411,251
Share of other comprehensive income of associates and joint ventures	310	-	310	-	310
Total of other comprehensive income	<u>\$370,753</u>	<u>\$-</u>	<u>\$370,753</u>	<u>\$6,291</u>	<u>\$377,044</u>

(26) Income tax

The major components of income tax expense are as follows:

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

(a) Income tax expense recognized in profit or loss

	For the years ended 31 December	
	2023	2022
Current income tax expense:		
Current income tax charge	\$247,231	\$(121,694)
Adjustments in respect of current income tax of prior periods	-	(542)
Deferred tax expense:		
Deferred tax expense relating to origination and reversal of temporary differences	(39,997)	114,497
Tax expense recognized in the period for previously unrecognized temporary difference of prior period	(385)	(230)
Total income tax expense (income)	<u>\$206,849</u>	<u>\$(7,969)</u>

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

	For the years ended 31 December	
	2023	2022
Deferred tax income:		
Remeasurements of defined benefit plans	\$4,603	\$6,291
Income tax relating to components of other comprehensive income	<u>\$4,603</u>	<u>\$6,291</u>

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

	For the years ended 31 December	
	2023	2022
Accounting profit (loss) before tax from continuing operations	<u>\$811,950</u>	<u>\$(896,843)</u>
Tax at the domestic rates applicable to profits in the country concerned	\$201,222	\$(211,511)
Tax effect of revenues exempt from taxation	(36,839)	(18,064)
Tax effect of deferred tax assets/liabilities	42,697	-
Tax effect of expenses not deductible for tax purposes	-	222,378
Tax effect of tax rate changed	154	-
Adjustments in respect of current income tax of prior periods	(385)	(772)
Total income tax (benefit) expenses recorded in profit or loss	<u>\$206,849</u>	<u>\$(7,969)</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

(i) For the year ended 31 December 2023:

Items	Beginning balance as at 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance as at 31 December
Temporary difference					
Allowance to reduce inventories to market value	\$114,453	\$(46,990)	\$-	\$460	\$67,923
Defined benefit Liability–Non-current	3,289	(3,721)	4,603	123	4,294
Unrealized intragroup profits and losses	91,272	21,987	-	-	113,259
Unrealized accrued expense	26,650	48,365	-	17	75,032
Allowance for sales discounts	17,384	(4,017)	-	-	13,367
Bad debt loss	7,890	780	-	(10)	8,660
Unrealized exchange gain or loss	6,381	(3,780)	-	-	2,601
Revaluations of financial assets and liabilities at fair value through profit or loss	(3,764)	3,764	-	-	-
Depreciation	(7,919)	(9,026)	-	(573)	(17,518)
Loss carryforward	55,040	(47,744)	-	195	7,491
Deferred tax expense/ (income)		\$(40,382)	\$4,603	\$212	
Net deferred tax assets/ (liabilities)	\$310,676				\$275,109
Reflected in balance sheet as follows:					
Deferred tax assets	\$322,514				\$292,627
Deferred tax liabilities	\$(11,838)				\$(17,518)

(ii) For the year ended 31 December 2022:

Items	Beginning balance as at 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance as at 31 December
Temporary difference					
Allowance to reduce inventories to market value	\$86,103	\$18,862	\$-	\$9,488	\$114,453
Defined benefit Liability–Non-current	(1,328)	(1,812)	6,291	138	3,289
Unrealized intragroup profits and losses	63,258	28,014	-	-	91,272
Unrealized accrued expense	11,741	13,224	-	1,685	26,650
Allowance for sales discounts	21,106	(3,722)	-	-	17,384
Bad debt loss	8,965	(1,941)	-	866	7,890
Unrealized exchange gain or loss	22	6,359	-	-	6,381
Revaluations of financial assets and liabilities at fair value through profit or loss	(1,680)	(2,084)	-	-	(3,764)
Depreciation	(11,700)	3,630	-	151	(7,919)
Loss carryforward	1,162	53,737	-	141	55,040
Deferred tax expense/ (income)		\$114,267	\$6,291	\$12,469	
Net deferred tax assets/ (liabilities)	\$177,649				\$310,676
Reflected in balance sheet as follows:					
Deferred tax assets	\$192,706				\$322,514
Deferred tax liabilities	\$(15,057)				\$(11,838)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(iii) Unrecognized deferred tax assets

As at 31 December 2023 and 2022, deferred tax assets that have not been recognized amount to \$542,393 and \$329,366, respectively.

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

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As at 31 December 2023 and 2022, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregate to \$2,777,562 and \$2,334,673, respectively.

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

Occurrence Year	Accumulated losses	Balance of unused investment tax credits as at		Expiration Year
		31 December 2023	31 December 2022	
2019	\$164,568	\$164,568	\$135,883	2029
2020	120,562	120,562	99,547	2030
2021	390,725	390,725	322,620	2031
2022	332,834	160,084	330,015	2032
2023	177,568	177,568	-	2033

(f) The assessment of income tax returns

As at 31 December 2023, the assessment of the income tax returns of the Company is as follows:

	<u>The assessment of income tax returns</u>
Globe Union Industrial Corp.	Assessed and approved up to 2019 and 2021

As at 31 December 2023, all foreign subsidiaries governed by foreign tax authorities have filed income tax returns up to 2022.

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Notes to Consolidated Financial Statements (Continued)

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(27) 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.

	<u>For the years ended 31 December</u>	
	<u>2023</u>	<u>2022</u>
(a) Basic earnings (losses) per share		
Profit (loss) attributable to ordinary equity holders of the Company	<u>\$605,101</u>	<u>\$(888,874)</u>
Weighted average number of ordinary shares outstanding for basic earnings (losses) per share (in thousands)	<u>397,964</u>	<u>358,166</u>
Basic earnings (losses) per share (NT\$)	<u>\$1.52</u>	<u>\$(2.48)</u>
(b) Diluted (losses) earnings per share		
Profit (loss) attributable to ordinary equity holders of the Company	<u>\$605,101</u>	<u>\$(888,874)</u>
Profit (loss) attributable to ordinary equity holders of the Company after dilution	<u>\$605,101</u>	<u>\$(888,874)</u>
Weighted average number of ordinary shares outstanding for basic earnings (losses) per share (in thousands)	397,964	358,166
Effect of dilution:		
Employee compensation — stock (in thousands)	1,418	Note
Employee stock options (in thousands)	<u>1,176</u>	<u>Note</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>400,558</u>	<u>358,166</u>
Diluted earnings (losses) per share (NT\$)	<u>\$1.51</u>	<u>\$(2.48)</u>

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

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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

	For the years ended 31 December	
	2023	2022
Short-term employee benefits	\$162,301	\$156,636
Post-employment benefits and termination benefits	26,825	36,381
Share-based payment	12,827	10,030
Total	<u>\$201,953</u>	<u>\$203,047</u>

8. ASSETS PLEDGED AS SECURITY

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

Item	Carrying amount as at		Secured liabilities
	31 December		
	2023	2022	
Financial assets measured at amortized cost, current	\$103,029	\$118,112	Secured for loans
Accounts receivable	736,212	858,772	Secured for loans
Inventory	1,213,453	1,193,909	Secured for other non-current liabilities and loans
Buildings	183,137	39,085	Secured for loans
Machinery and Equipment	904,345	1,065,574	Secured for other non-current liabilities
Transportation Equipment	2,146	598	Secured for loans
Office Equipment	26,401	25,746	Secured for other non-current liabilities and loans
Other Equipment	36,450	41,348	Secured for loans
Right-of-use assets - land	47,883	-	Secured for loans
Total	<u>\$3,253,056</u>	<u>\$3,343,144</u>	

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Notes to Consolidated Financial Statements (Continued)
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9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- (1) On 1 October 2023, 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 2023 to 30 September 2033. 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 China Trust Commercial 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.

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. The Company did not violate the above covenants for the year ended 31 December 2023.

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

None.

12. OTHERS

(1) Categories of financial instruments

Financial assets

	<u>As at 31 December</u>	
	<u>2023</u>	<u>2022</u>
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	\$971	\$19,862
Financial assets measured at amortized cost (Note)	5,197,917	5,007,711
Financial assets at fair value through other comprehensive income	32,760	27,960

Financial liabilities

	<u>As at 31 December</u>	
	<u>2023</u>	<u>2022</u>
Financial liabilities at amortized cost:		
Short-term borrowings	\$2,293,648	\$1,777,167
Notes and accounts payable	1,621,470	1,958,044
Long-term loans (including current portion with maturity less than 1 year)	1,300,000	3,140,000
Other payables	1,716,835	2,069,625
Leases liabilities (including current portion with maturity less than 1 year)	2,319,500	2,538,808
Financial liabilities at fair value through profit or loss:		
Held for trading	844	6,102

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(2) Financial risk management objectives and policies

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

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

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, 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 investments 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
For the year ended 31 December 2023	\$-	\$7,993
For the year ended 31 December 2022	\$-	\$6,945

When NTD strengthens against CNY by 1%:

	Increase (decrease) in equity	Decrease (increase) in profit or loss
For the year ended 31 December 2023	\$-	\$13,968
For the year ended 31 December 2022	\$-	\$9,580

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 years ended 31 December 2023 and 2022 to decrease/increase by \$3,594 and \$4,917, 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 \$1,638 and \$1,398 on the equity attributable to the Group for the years ended 31 December 2023 and 2022, 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.

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 2023 and 2022, accounts receivable from top ten customers represented 40.55% and 44.60% 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 31 December 2023 and 2022, the Group's accounts receivable overdue amounted to \$229,003 and \$246,636, respectively. As at 31 December 2023 and 2022, the expected credit loss was estimated at 1.21% and 0.52%, respectively, while the loss allowances were measured at \$2,780 and \$1,294, 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>> 5 years</u>	<u>Total</u>
As at 31 December 2023					
Short-term borrowings	\$2,299,912	\$-	\$-	\$-	\$2,299,912
Notes and accounts payable	1,621,470	-	-	-	1,621,470
Long-term borrowings (including current portion with maturity less than 1 year)	224,938	729,515	403,601	-	1,358,054
Other payables	1,716,835	-	-	-	1,716,835
Leases liabilities	512,299	791,823	576,611	1,262,722	3,143,455
As at 31 December 2022					
Short-term borrowings	\$1,785,049	\$-	\$-	\$-	\$1,785,049
Notes and accounts payable	1,958,044	-	-	-	1,958,044
Long-term borrowings (including current portion with maturity less than 1 year)	386,474	1,199,917	1,729,726	-	3,316,117
Other payables	2,069,625	-	-	-	2,069,625
Leases liabilities	547,908	937,164	671,413	1,621,901	3,778,386

Derivative financial liabilities

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As at 31 December 2023					
Inflows	\$57,787	\$-	\$-	\$-	\$57,787
Outflows	(58,631)	-	-	-	(58,631)
Net	<u>\$(844)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(844)</u>
As at 31 December 2022					
Inflows	\$196,018	\$-	\$-	\$-	\$196,018
Outflows	(202,120)	-	-	-	(202,120)
Net	<u>\$(6,102)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(6,102)</u>

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2023:

	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 January 2023	\$1,777,167	\$3,140,000	\$2,538,808	\$7,455,975
Cash flows	501,728	(1,840,000)	(417,891)	(1,756,163)
Non-cash changes (Note)	-	-	166,976	166,976
Foreign exchange movement	14,753	-	31,607	46,360
As at 31 December 2023	<u>\$2,293,648</u>	<u>\$1,300,000</u>	<u>\$2,319,500</u>	<u>\$5,913,148</u>

Note: For the year ended 31 December 2023, the Group's lease liabilities increased by \$179,902, while right-of-use assets and lease liabilities decreased by \$13,772 and \$12,926, respectively, due to lease termination.

Reconciliation of liabilities for the year ended 31 December 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 January 2022	\$2,159,121	\$2,229,947	\$2,237,354	\$6,626,422
Cash flows	(381,954)	910,053	(337,653)	190,446
Non-cash changes (Note)	-	-	467,897	467,897
Foreign exchange movement	-	-	171,210	171,210
As at 31 December 2022	<u>\$1,777,167</u>	<u>\$3,140,000</u>	<u>\$2,538,808</u>	<u>\$7,455,975</u>

Note: For the year ended 31 December 2022, the Group's lease liabilities increased by \$499,355, while right-of-use assets and lease liabilities decreased by \$31,274 and \$31,458, respectively, due to lease termination.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(7) Fair values of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments:

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

- a. 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.
- b. 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.
- c. 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).
- d. Fair value of debt instruments without market quotations, bank loans 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.)
- e. 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).

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(b) Fair value of financial instruments measured at amortized cost

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

(c) Fair value measurement hierarchy for financial instruments

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

(8) Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at 31 December 2023 and 2022 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 31 December 2023		
Forward currency contract	Sell USD 5,000	January 2024
Forward currency contract	Sell GBP 1,496	From January 2024 to March 2024
As at 31 December 2022		
Forward currency contract	Sell USD 25,500	From January 2023 to March 2023
Forward currency contract	Buy USD 3,000	January 2023
Forward currency contract	Sell GBP 3,796	From January 2023 to March 2023

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

(9) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability.

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

(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:

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 2023

	<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	\$-	\$971	\$-	\$971
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	32,760	-	-	32,760
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	844	-	844

As at 31 December 2022

	<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	\$-	\$19,862	\$-	\$19,862
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	27,960	-	-	27,960
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	6,102	-	6,102

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

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

As at 31 December 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment properties (Note 6(10))	\$-	\$-	\$215,045	\$215,045

As at 31 December 2022

None.

(10) Significant assets and liabilities denominated in foreign currencies

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

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Notes to Consolidated Financial Statements (Continued)

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

	As at 31 December 2023			As at 31 December 2022		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
CNY	\$518,514	4.329	\$2,244,647	\$443,165	4.409	\$1,953,914
USD	44,244	30.71	1,358,733	45,420	30.70	1,394,394
GBP	20,334	39.18	796,686	24,337	37.10	902,903
EUR	7,548	34.01	256,707	6,190	32.74	202,661
CAD	9,355	23.22	217,224	6,628	22.68	150,323
<u>Financial liabilities</u>						
Monetary items:						
GBP	\$24,219	39.18	\$948,900	\$24,507	37.10	\$909,210
CNY	195,854	4.329	847,852	225,890	4.409	995,949
USD	18,217	30.71	559,444	22,798	30.70	699,899
EUR	1,670	34.01	56,797	1,369	32.74	44,821
CAD	2,210	23.22	51,316	3,791	22.68	85,980

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 for the years ended 31 December 2023 and 2022 were \$109,374 and \$109,901, respectively.

(11) Capital management

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(12) Financial asset transfer information

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

31 December 2023		
Lenders	Amount assigned	Prepaid amount (Note)
HSBC UK BANK PLC	\$736,212	\$135,648
31 December 2022		
Lenders	Amount assigned	Prepaid amount (Note)
HSBC UK BANK PLC	\$858,772	\$334,877

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 at 31 December 2023, the unpaid amount totaled \$112,836 (USD 3,674 thousand), secured by equipment and inventory. Please refer to Note 8 for more details.
- (14) The board of directors of Shenzhen Globe Union Enterprise Co., Ltd., a sub-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 for the year ended 2022. Please refer to Note 12(15) to the Group's 2022 consolidated financial statements for more details on the related expense on the project.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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13. OTHER DISCLOSURE

(1) Information on significant transactions

(a) Financing provided to others for the year ended 31 December 2023: 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	Item	Value		
0	Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	Other receivables	Yes	\$444,017 (USD 13,700,000)	\$420,727 (USD 13,700,000)	\$229,250 (USD 7,465,000)	6.17% ~6.69%	1	\$1,453,975	For business	\$-	-	\$-	\$1,453,975 (Note 3)	\$2,359,892 (Note 2)	
1	Gerber Plumbing Fixtures, LLC	GU PLUMBING de MEXICO S.A. de C.V.	Other receivables	Yes	\$745,430 (USD 23,000,000)	\$706,330 (USD 23,000,000)	\$607,757 (USD 19,790,196)	10.75%	2	\$-	For operating	\$-	-	\$-	\$927,244 (Note 5)	\$1,390,866 (Note 4)	
2	Globe Union Germany GmbH & Co. KG	Globe Union Industrial Corp.	Other receivables	Yes	\$104,130 (EUR 3,000,000)	\$- (EUR -)	\$- (EUR -)	-%	2	\$-	For operating	\$-	-	\$-	\$307,441 (Note 7)	\$307,441 (Note 6)	
3	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Ann Bo Manufacturing Co., Ltd.	Other receivables	Yes	\$502,164 (RMB 116,000,000)	\$502,164 (RMB 116,000,000)	\$350,649 (RMB 81,000,000)	3.00%	2	\$-	For operating	\$-	-	\$-	\$909,751 (Note5)	\$909,751 (Note 2)	

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

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

Note 2: Total financing was limited to 40% of net equity of the lender as at 31 December 2023, and was limited to the financing amount for individual counter-party.

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 31 December 2023.

Note 5: Financing to individual counterparty was limited to 40% of the net equity of the lender as at 31 December 2023.

Note 6: Total financing was limited to 100% of net equity of the lender as at 31 December 2023.

Note 7: Financing to individual counterparty was limited to 100% of the net equity of the lender as at 31 December 2023.

Note 8: Code 1 represents an intercompany transaction call for a business contact; code 2 represents short-term financing.

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

(b) Endorsement/Guarantee provided to others for the year ended 31 December 2023:

No. (Note1)	Endorser/ Guarantor	Counterparty		Guarantee Limited Amount for each Counterparty	Maximum balance for the period	Guarantee Amount For the year ended 31 Dec. 2023	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	\$1,769,919 (Note 2)	\$799,240	\$706,330	\$607,757	\$-	11.97%	\$2,949,866 (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 31 December 2023.

Note 3: The amount of guarantees/endorsements shall not exceed 50% of net equity of the guarantor as at 31 December 2023.

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.

(c) Securities held as at 31 December 2023 (excluding subsidiaries, associates and joint venture):

Company Name	Securities Held	Relationship between Issuer and the Company (Note 1)	Account Stated	As at 31 December 2023			
				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	\$32,760	1.68%	\$32,760

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2023: 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 year ended 31 December 2023: None.

(f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2023: None.

(g) Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended 31 December 2023:

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 Receivable (payable)	
Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd.	Sub-subsidiary	Purchase	\$1,249,736	9.85%	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	\$(197,635)	(12.19%)	-
Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	Sub-subsidiary	Purchase	1,876,649	14.78%	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	(119,128)	(7.35%)	-
Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	Subsidiary	Purchase	1,465,054	11.54%	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	(14,530)	(0.90%)	-

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 Receivable (payable)	
Globe Union Industrial Corp.	Globe Union Ann Bo Manufacturing Co. Ltd.	Subsidiary	Purchase	\$1,168,561	9.21%	120 days after EOAP and 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	\$(277,235)	(17.10%)	-
Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	Sub-subsidiary	Sales	(5,343,732)	(29.18%)	7 days after invoice date and 45 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	367,802	17.26%	-
Globe Union Industrial Corp.	Globe Union (Canada) Inc.	Sub-subsidiary	Sales	(293,975)	(1.61%)	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	15,979	0.75%	-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	(1,249,736)	(6.82%)	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	197,635	9.27%	-
Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	(1,876,649)	(10.25%)	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	119,128	5.59%	-
GU PLUMBING de MEXICO S.A. de C.V.	Globe Union Industrial Corp.	Group direct parent company	Sales	(1,465,054)	(8.00%)	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	14,530	0.68%	-
Globe Union Ann Bo Manufacturing Co. Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	(1,168,561)	(6.38%)	120 days after EOAP and 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	277,235	13.01%	-

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 Receivable (payable)	
Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	Group direct parent company	Purchase	\$5,343,732	42.10%	7 days after invoice date and 45 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	\$(367,802)	(22.68%)	-
Globe Union (Canada) Inc.	Globe Union Industrial Corp.	Group direct parent company	Purchase	293,975	2.32%	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	(15,979)	(0.99%)	-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co. KG	Associate	Sales	(159,709)	(0.87%)	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	-	-%	-
Globe Union Germany GmbH & Co. KG	Shenzhen Globe Union Enterprise Co., Ltd.	Associate	Purchase	159,709	1.26%	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	-	-%	-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Ann Bo Manufacturing Co. Ltd.	Associate	Sales	(129,257)	(0.71%)	120 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	251	0.01%	-
Globe Union Ann Bo Manufacturing Co. Ltd.	Shenzhen Globe Union Enterprise Co., Ltd.	Associate	Purchase	129,257	1.02%	120 days after EOAP	A small portion of the purchase prices between related parties were slightly higher than the general purchase price due to technical and quality differences. For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	(251)	(0.02%)	-
Globe Union Ann Bo Manufacturing Co. Ltd.	Globe Union Germany GmbH & Co. KG	Associate	Sales	(101,771)	(0.56%)	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	35,672	1.67%	-

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 Receivable (payable)	
Globe Union Germany GmbH & Co. KG	Shenzhen Globe Union Enterprise Co., Ltd.	Associate	Purchase	\$101,771	0.80%	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	\$(35,672)	(2.20%)	-

(h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as at 31 December 2023:

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for bad debts
					Amount	collection status		
Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	Sub-subsiary	\$367,802	6.30 times	\$-	-	\$367,802	\$-
Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	Subsidiary	\$231,407	-	\$-	-	\$-	\$-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	\$197,635 RMB 46,088,163	1.64 times	\$-	-	\$138,482 RMB 31,989,456	\$-
Globe Union Ann Bo Manufacturing Co. Ltd.	Globe Union Industrial Corp.	Group direct parent company	\$277,235 RMB 64,065,263	8.29 times	\$-	-	\$130,824 RMB 30,220,287	\$-
Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	\$119,128 RMB 27,518,549	13.37 times	\$-	-	\$119,128 RMB 27,518,549	\$-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Ann Bo Manufacturing Co. Ltd.	Associate	\$350,649 RMB 81,000,000	-	\$-	-	\$-	\$-
Gerber Plumbing Fixtures, LLC	GU PLUMBING de MEXICO S.A. de C.V.	Associate	\$612,267 USD 19,937,070	-	\$-	-	\$-	\$-

(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 5,000 thousand	2024/01	\$971
PJH Group LTD	Forward currency contract	Sell	GBP 1,496 thousand	2024/01-2024/03	(844)
				Total	\$127

(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	\$1,249,736	Note 4 (1)	6.82%
0	Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd	1	Accounts payable	(197,635)	Note 4 (3)	(1.28%)
0	Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	1	Purchases	1,876,649	Note 4 (1)	10.25%
0	Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	1	Accounts payable	(119,128)	Note 4 (3)	(0.77%)
0	Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	1	Purchases	1,465,054	Note 4 (1)	8.00%
0	Globe Union Industrial Corp.	Globe Union Ann Bo Manufacturing Co. Ltd.	1	Purchases	1,168,561	Note 4 (1)	6.38%
0	Globe Union Industrial Corp.	Globe Union Ann Bo Manufacturing Co. Ltd.	1	Accounts payable	(277,235)	Note 4 (3)	(1.79%)
0	Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	1	Other receivables	231,407	Note 4 (4)	1.49%
0	Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	1	Sales	(5,343,732)	Note 4 (2)	(29.18%)
0	Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	1	Accounts receivable	367,802	Note 4 (3)	2.38%
0	Globe Union Industrial Corp.	Globe Union (Canada) Inc.	1	Sales	(293,975)	Note 4 (2)	(1.61%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Sales	(1,249,736) RMB (282,715,037)	Note 4 (2)	(6.82%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Accounts receivable	197,635 RMB 46,088,163	Note 4 (3)	1.28%
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co. KG	3	Sales	(159,709) RMB (36,111,120)	Note 4 (2)	(0.87%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Ann Bo Manufacturing Co. Ltd.	3	Sales	(129,257) RMB (29,225,865)	Note 4 (2)	(0.71%)

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)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Ann Bo Manufacturing Co. Ltd.	3	Other receivables	\$350,649 RMB 81,000,000	Note 4 (5)	2.26%
2	Globe Union Ann Bo Manufacturing Co. Ltd.	Globe Union Industrial Corp.	2	Sales	(1,168,561) RMB (265,402,306)	Note 4 (2)	(6.38%)
2	Globe Union Ann Bo Manufacturing Co. Ltd.	Globe Union Industrial Corp.	2	Accounts receivable	277,235 RMB 64,065,263	Note 4 (3)	1.79%
2	Globe Union Ann Bo Manufacturing Co. Ltd.	Globe Union Germany GmbH & Co. KG	3	Sales	(101,771) RMB (23,011,036)	Note 4 (2)	(0.56%)
2	Globe Union Ann Bo Manufacturing Co. Ltd.	Shenzhen Globe Union Enterprise Co., Ltd.	3	Purchases	129,257 RMB 29,225,865	Note 4 (1)	0.71%
2	Globe Union Ann Bo Manufacturing Co. Ltd.	Shenzhen Globe Union Enterprise Co., Ltd.	3	Other payables	(350,649) RMB (81,000,000)	Note 4 (5)	(2.26%)
3	Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	2	Purchases	5,343,732 USD 171,883,321	Note 4 (1)	29.18%
3	Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	2	Accounts payable	(367,802) USD (11,976,636)	Note 4 (3)	(2.38%)
3	Gerber Plumbing Fixtures, LLC	GU PLUMBING de MEXICO S.A. de C.V.	3	Other receivables	612,267 USD 19,937,070	Note 4 (6)	3.95%
4	Milim G&G Ceramics Co., Ltd	Globe Union Industrial Corp.	2	Sales	(1,876,649) RMB (424,608,181)	Note 4 (2)	(10.25%)

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

No (Note1)	Company Name	Counter Party	Nature of Relationship (Note2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note3)
4	Milim G&G Ceramics Co., Ltd	Globe Union Industrial Corp.	2	Accounts receivable	\$119,128 RMB 27,518,549	Note 4 (3)	0.77%
5	GU PLUMBING de MEXICO S.A. de C.V.	Globe Union Industrial Corp.	2	Sales	(1,465,054) USD (47,344,359)	Note 4 (2)	(8.00%)
5	GU PLUMBING de MEXICO S.A. de C.V.	Globe Union Industrial Corp.	2	Other payables	(231,407) USD (7,535,222)	Note4 (4)	(1.49%)
5	GU PLUMBING de MEXICO S.A. de C.V.	Gerber Plumbing Fixtures, LLC	3	Other payables	(612,267) USD (19,937,070)	Note4 (6)	(3.95%)
6	Globe Union (Canada) Inc.	Globe Union Industrial Corp.	2	Purchases	293,975 CAD 12,825,002	Note 4 (1)	1.61%
7	Globe Union Germany GmbH & Co. KG	Shenzhen Globe Union Enterprise Co., Ltd	3	Purchases	159,709 EUR 4,859,927	Note 4 (1)	0.87%
7	Globe Union Germany GmbH & Co. KG	Globe Union Ann Bo Manufacturing Co. Ltd.	3	Purchases	101,771 EUR 2,965,309	Note 4 (1)	0.56%

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.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
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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 6.17%~6.69%.

(5) Financing, ratio 3%.

(6) Financing, ratio 10.75%.

(2) Information on investees:

(a) Names, locations, main businesses and products, original investment amount, investment as at 31 December 2023, net income (loss) of investee company and investment income (loss) recognized as at 31 December 2023 (excluding investees in Mainland China):

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment Amount		Investment as at 31 December 2023			Net income (loss) of investee company	Investment income (loss) recognized	Note
				31 December 2023	31 December 2022	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%	\$2,448,484	\$53,699	\$52,580	Note

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

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment Amount		Investment as at 31 December 2023			Net income (loss) of investee company	Investment income (loss) recognized	Note
				31 December 2023	31 December 2022	Number of shares	Percentage of ownership (%)	Book value			
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%	\$3,995,216	\$415,588	\$343,106	Note
Globe Union Industrial Corp.	Globe Union Cayman Corp.	Scotia Center, 4 th Floor ,P.O. Box 2804, GeorgeTown, Grand Cayman, Cayman Islands	Holding company	\$2,590,324	\$2,590,324	81,555,901	100%	\$1,834,564	\$212,330	\$212,330	
Globe Union Industrial Corp.	GU PLUMBING de MEXICO S.A. de C.V.	Bldv. Isidro López Zertuche No. 3745 La Salle, Saltillo, Coahuila, 25240 Mexico	Manufacturing and selling procelain bathroom fittings	\$683,055	\$1,097,365	424,269,526	100%	\$568,910	\$(117,525)	\$(117,525)	

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., Globe Union (Bermuda) Ltd. and Shenzhen Globe Union Enterprise Co., Ltd. as at 31 December 2023:

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 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as at 31 December 2023	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as at 31 December 2023	Accumulated Inward Remittance of Earnings as at 31 December 2023
					Outflow	Inflow						
Shenzhen Globe Union Enterprise Co., Ltd.	Manufacturing and selling faucets and related parts	\$1,647,011 (RMB 380,459,896)	Investment in Mainland China companies through a company invested and established in a third region	\$-	\$-	\$-	\$-	\$34,470	100%	\$34,470 (Note 1)	\$2,274,379	\$188,508
Milim G&G Ceramics Co., Ltd.	Manufacturing and selling procelain bathroom fittings	\$1,142,025 (RMB 263,808,100)	Investment in Mainland China companies through a company invested and established in a third region	\$515,444 (USD 16,784,252)	\$-	\$-	\$515,444 (USD 16,784,252)	\$33,924	100%	\$33,924 (Note 1)	\$1,438,047	\$-
Globe Union Business Consultancy Shanghai Company Limited	Consulting industry	\$2,249 (RMB 519,514)	Directly invested Mainland China company	\$3,245 (RMB 749,658)	\$-	\$-	\$3,245 (RMB 749,658)	\$323	100%	\$323 (Note 1)	\$4,257	\$-
Globe Union Ann Bo Manufacturing Co. Ltd.	Manufacturing and selling bathroom products	\$259,740 (RMB 60,000,000)	Directly invested Mainland China company	\$225,108 (RMB 52,000,000)	\$34,632 (RMB 8,000,000)	\$-	\$259,740 (RMB 60,000,000)	\$(57,887)	100%	\$(57,887) (Note 1)	\$171,405	\$-
He Shun Investment Co., Ltd.	Investment, developing and manufacturing hardware products	\$2,597 (RMB 600,000)	Invested by Shenzhen Globe Union Enterprise Co., Ltd.	\$-	\$-	\$-	\$-	\$(340)	100% (Note 5)	\$(340) (Note 1)	\$2,265	\$-

Accumulated Investment in Mainland China as at 31 December 2023 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$778,429 (USD 16,784,252 and RMB 60,749,658)	\$639,569 (USD 12,305,503, GBP 49,191 and RMB 60,000,000)	Not applicable (Note 2)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

Note 3: The accumulated investment amount in Mainland China as at 31 December 2023 was USD 16,784,252 and RMB 60,749,658. 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 distributed by mainland subsidiaries that were not included in the above amount is as the following: Shenzhen Globe Union Industrial Corp.: USD 45,845,636; 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.

Note 5: The Company established a sub-subsidiary, He Shun Investment Co., Ltd., in September 2022, and Shenzhen Globe Union Enterprise Co., Ltd. invested in He Shun Investment Co., Ltd. in the amount of RMB 100,000 on 9 January 2023 and RMB 500,000 in August 2023.

(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:

31 December 2023

Name \ Shares	Shareholding	Shareholding ratio
Ming-Ling Co., Ltd.	37,974,032	9.28%
Hsien Ouyang	30,393,496	7.43%
Su-Hsiang Ouyang Chang	28,516,175	6.97%
Lei Ouyang	26,858,132	6.56%
Yue Feng International Co., Ltd. Investment account under the custody of Taishin Bank	26,159,515	6.39%
Trust property account of Scott Ouyang at the Taipei Branch of the United Bank of Switzerland	20,558,787	5.02%

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 year ended 31 December 2023

	Segment A	Segment B	Adjustment and elimination	Total
Revenue				
External customer	\$18,121,956	\$191,973	\$-	\$18,313,929
Inter-segment	5,642,767	6,169,546	(11,812,313)	-
Total revenue	<u>\$23,764,723</u>	<u>\$6,361,519</u>	<u>\$(11,812,313)</u>	<u>\$18,313,929</u>
Interest expenses	<u>\$152,700</u>	<u>\$136,883</u>	<u>\$(63,046)</u>	<u>\$226,537</u>
Depreciation and amortization	<u>\$392,733</u>	<u>\$427,441</u>	<u>\$-</u>	<u>\$820,174</u>
Investment profits (loss)	<u>\$628,115</u>	<u>\$(109,768)</u>	<u>\$(521,420)</u>	<u>\$(3,073)</u>
Segment profits (loss)	<u>\$1,377,954</u>	<u>\$(37,489)</u>	<u>\$(528,515)</u>	<u>\$811,950</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(b) For the year ended 31 December 2022

	Segment A	Segment B	Adjustment and elimination	Total
Revenue				
External customer	\$19,888,218	\$322,793	\$-	\$20,211,011
Inter-segment	8,103,871	7,389,166	(15,493,037)	-
Total revenue	<u>\$27,992,089</u>	<u>\$7,711,959</u>	<u>\$(15,493,037)</u>	<u>\$20,211,011</u>
Interest expenses	<u>\$149,651</u>	<u>\$98,956</u>	<u>\$(35,891)</u>	<u>\$212,716</u>
Depreciation and amortization	<u>\$353,839</u>	<u>\$400,410</u>	<u>\$-</u>	<u>\$754,249</u>
Investment profits (loss)	<u>\$(457,649)</u>	<u>\$(386,470)</u>	<u>\$842,766</u>	<u>\$(1,353)</u>
Segment profits (loss)	<u>\$(637,993)</u>	<u>\$(434,607)</u>	<u>\$175,757</u>	<u>\$(896,843)</u>

(1) Information on assets and liabilities of the reportable segment:

(a) Segment assets

	Segment A	Segment B	Adjustment and elimination	Total
31 Dec. 2023	<u>\$19,155,462</u>	<u>\$8,174,436</u>	<u>\$(11,844,705)</u>	<u>\$15,485,193</u>
31 Dec. 2022	<u>\$21,006,041</u>	<u>\$8,837,579</u>	<u>\$(13,241,795)</u>	<u>\$16,601,825</u>

(b) Segment liabilities

	Segment A	Segment B	Adjustment and elimination	Total
31 Dec. 2023	<u>\$8,267,940</u>	<u>\$3,614,412</u>	<u>\$(2,296,890)</u>	<u>\$9,585,462</u>
31 Dec. 2022	<u>\$11,905,667</u>	<u>\$3,470,080</u>	<u>\$(3,447,726)</u>	<u>\$11,928,021</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(a) Revenue from external customers

	For the years ended 31 December	
	2023	2022
United States	\$9,287,511	\$10,366,524
Britain	6,776,541	6,888,185
Canada	1,008,963	1,229,889
Mainland China	60,517	71,702
Other countries	1,180,397	1,654,711
Total	<u>\$18,313,929</u>	<u>\$20,211,011</u>

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

(b) Non-current assets

	As at 31 December	
	2023	2022
Mexico	\$1,758,563	\$1,892,045
Mainland China	1,356,844	1,328,419
Britain	1,232,439	1,338,791
United States	856,023	978,854
Taiwan	91,063	19,559
Germany	22,982	33,169
Canada	<u>23,525</u>	<u>32,415</u>
Total	<u>\$5,341,439</u>	<u>\$5,623,252</u>

Non-current assets do not include financial assets at fair value through other comprehensive income, investments accounted for under the equity method and deferred tax assets.

(2) Information about major customers

The customer to that the Company's sales exceeded 10% of its net consolidated sales in 2023 and 2022 is as follows:

Client name	2023		2022	
	Sales amount	%	Sales amount	%
Customer A	<u>\$2,989,369</u>	<u>16.32</u>	<u>\$3,108,822</u>	<u>15.38</u>