

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED  
DECEMBER 31, 2015 AND 2014

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

The Board of Directors and Stockholders of  
GLOBE UNION INDUSTRIAL CORP.

We have audited the accompanying consolidated balance sheets of Globe Union Industrial Corp. and subsidiaries (the "Group") as of December 31, 2015 and 2014, the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China (R.O.C.). Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence that supports the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Globe Union Industrial Corp. and the subsidiaries as of December 31, 2015 and 2014, and the results of its operation and its cash flows for the years then ended December 31, 2015 and 2014 in conformity with requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, IFRSs, IASs, IFRIC and SIC, which are endorsed by the FSC.

We have audited and expressed an unqualified opinion on the stand-alone financial statements of Globe Union Industrial Corp. for the years ended December 31, 2015 and 2014.



Ernst & Young  
CERTIFIED PUBLIC ACCOUNTANTS  
March 25, 2016  
Taichung, Taiwan  
Republic of China

#### 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  
December 31, 2015 and December 31, 2014  
(Expressed in Thousand New Taiwan Dollars)

Assets	Notes	As of	
		December 31, 2015	December 31, 2014
<b>Current Assets</b>			
Cash and cash equivalents	4, 6(1)	\$2,963,051	\$2,570,387
Financial assets at fair value through profit or loss, current	4, 6(2)	4,989	1,844
Available-for-sale financial assets, current	4, 6(3)	-	594,899
Notes receivable, net	4, 6(4)	42,022	36,029
Accounts receivable, net	4, 6(5), 8	3,651,279	3,566,156
Inventories, net	4, 6(6)	4,080,174	4,360,998
Prepayment	6(7)	105,630	144,018
Other current assets	7, 8	378,896	498,639
Total Current Assets		11,226,041	11,772,970
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss, noncurrent	4, 6(2)	61	81
Financial assets measured at cost, noncurrent	4, 6(8)	-	49,780
Investments accounted for under the equity method	4, 6(9)	28,681	30,572
Property, plant and equipment	4, 6(10), 8	2,043,136	1,968,198
Investment Property, net	4, 6(11)	14,801	16,098
Intangible assets	4, 6(12)	177,428	248,750
Goodwill	4, 6(12)(13)	1,771,791	1,792,420
Deferred tax assets	4, 6(28)	310,553	320,569
Deposits-out		38,040	55,829
Other non-current assets	6(14)	181,555	222,736
Long-term prepaid rent expenses	6(14)	203,799	213,417
Total non-current assets		4,769,845	4,918,450
Total assets		\$15,995,886	\$16,691,420

(The accompanying notes are an integral part of the parent company only financial statements)  
(continued)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
December 31, 2015 and December 31, 2014  
(Expressed in Thousand New Taiwan Dollars)

Liabilities and Equity	Notes	As of	
		December 31, 2015	December 31, 2014
Current liabilities			
Short-term loans	4, 6(15)	\$1,535,029	\$1,810,877
Financial liabilities at fair value through profit or loss, current	4, 6(16)	26,298	11,166
Notes payable		48,918	26,032
Accounts payable	7	2,615,928	2,684,681
Other payables	6(17)	231,238	208,829
Accrued expenses	6(18)	1,060,856	1,224,075
Current tax liabilities	4, 6(27)	95,611	530,734
Current portion of long-term loans	4, 6(20)	118,351	92,579
Other current liabilities		416,997	387,715
Total current liabilities		<u>6,149,226</u>	<u>6,976,688</u>
Non-current liabilities			
Bonds payable	4, 6(19)	197,044	193,871
Long-term loans	4, 6(20)	2,022,308	2,182,531
Deferred tax liabilities	4, 6(28)	84,698	184,361
Other non-current liabilities		34,144	62,529
Net defined benefit obligation, noncurrent	4, 6(21)	196,799	188,411
Total non-current liabilities		<u>2,534,993</u>	<u>2,811,703</u>
Total liabilities		<u>8,684,219</u>	<u>9,788,391</u>
Equity attributable to the parent company	4, 6(22)		
Capital			
Common stock		3,543,042	3,543,042
Additional paid-in capital		920,265	916,938
Retained earnings			
Legal reserve		648,394	632,947
Retained earnings		1,759,264	1,478,191
Total retained earnings		<u>2,407,658</u>	<u>2,111,138</u>
Other components of equity			
Exchange differences on translation of foreign operations		338,120	397,074
Unrealized gains or losses on available-for-sale financial assets		-	(165,337)
Total other components of equity		<u>338,120</u>	<u>231,737</u>
Non-controlling interests	6(22)	102,582	100,174
Total equity		<u>7,311,667</u>	<u>6,903,029</u>
Total liabilities and equity		<u>\$15,995,886</u>	<u>\$16,691,420</u>

(The accompanying notes are an integral part of the parent company only financial statements)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the Years Ended December 31, 2015 and 2014  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the Years Ended December 31,	
		2015	2014
Net Sales	6(24)	\$19,949,545	\$19,987,526
Cost of Sales	6(25)	(14,435,844)	(14,691,041)
Gross Profit		5,513,701	5,296,485
Operating Expenses	6(25)		
Selling and marketing		(1,807,417)	(1,706,113)
General and administrative		(2,917,256)	(2,929,447)
Research and development		(246,769)	(265,025)
Total operating expenses		(4,971,442)	(4,900,585)
Operating Income		542,259	395,900
Non-operating income and expenses	6(26)		
Other revenue		134,080	112,214
Other gain and loss		188,786	(89,210)
Financial costs		(116,599)	(94,518)
Share of profit or loss of associates and joint ventures	4, 6(9)	(1,271)	(21,786)
Subtotal		204,996	(93,300)
Income from continuing operations before income tax		747,255	302,600
Income tax expense	6(28)	(240,467)	(145,463)
Income from Continuing Operations, net of Tax		506,788	157,137
Other comprehensive income	6(27)		
Items that may not to be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		(30,914)	7,495
Income tax related to items that may not to be reclassified subsequently to profit or loss		1,673	78
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(59,801)	229,536
Unrealized gains (losses) on available-for-sale financial assets		176,388	(61,283)
Share of other comprehensive of associates and joint ventures		(620)	910
Income tax related to items that may be reclassified subsequently to profit or loss		(11,051)	(459)
Total other comprehensive income, net of tax		75,675	176,277
Total comprehensive income		\$582,463	\$333,414
Net income attributable to:			
Stockholders of the parent		\$502,913	\$154,471
Non-controlling interests		3,875	2,666
		\$506,788	\$157,137
Comprehensive income attributable to:			
Stockholder of the parent		\$580,055	\$330,490
Non-controlling interests		2,408	2,924
		\$582,463	\$333,414
Earnings per share (NTD)	6(29)		
Earnings per share-basic		\$1.42	\$0.44
Earnings per share-diluted		\$1.38	\$0.44

(The accompanying notes are an integral part of the parent company only financial statements)

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

For the Years Ended December 31, 2015 and 2014

(Expressed in Thousands of New Taiwan Dollars)

	Notes	Capital		Additional Paid-in Capital	Retained Earnings			Other components of equity		Total	Non-controlling interests	Total equity
		Common Stock	Advance Receipts for Common Stock		Legal Reserve	Special reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gains or Losses on Available-For-Sale Financial Assets			
Balance as of January 1, 2014	6(21)	\$3,238,416	\$1,368	\$932,717	\$527,149	\$693,553	\$1,057,977	\$166,886	\$(103,595)	\$6,514,471	\$102,021	\$6,616,492
Appropriations of earnings, 2013:												
Legal reserve					105,798		(105,798)			-		-
Cash dividends							(82,396)			(82,396)		(82,396)
Stock dividends		247,189					(247,189)			-		-
Reversal of special reserve						(693,553)	693,553			-		-
Other changes in additional paid-in capital:												
Share of changes in net assets of associates and joint ventures accounted for using the equity method				2,629						2,629		2,629
Net income in 2014							154,471			154,471	2,666	157,137
Other comprehensive income, net of tax in 2014							7,573	230,188	(61,742)	176,019	258	176,277
Total comprehensive income		-	-	-	-	-	162,044	230,188	(61,742)	330,490	2,924	333,414
Conversion of convertible bonds		53,917		44,320						98,237		98,237
Repurchase of convertible bonds				(65,227)						(65,227)		(65,227)
Share-based payment transactions		3,520	(1,368)	2,499						4,651		4,651
Non-controlling interests										-	(4,771)	(4,771)
Balance as of December 31, 2014	6(21)	\$3,543,042	\$-	\$916,938	\$632,947	\$-	\$1,478,191	\$397,074	\$(165,337)	\$6,802,855	\$100,174	\$6,903,029
Balance as of January 1, 2015	6(21)	\$3,543,042	\$-	\$916,938	\$632,947	\$-	\$1,478,191	\$397,074	\$(165,337)	\$6,802,855	\$100,174	\$6,903,029
Appropriations of earnings, 2014:												
Legal reserve					15,447		(15,447)			-		-
Cash Dividends							(177,152)			(177,152)		(177,152)
Net income in 2015							502,913			502,913	3,875	506,788
Other comprehensive income, net of tax in 2015							(29,241)	(58,954)	165,337	77,142	(1,467)	75,675
Total comprehensive income		-	-	-	-	-	473,672	(58,954)	165,337	580,055	2,408	582,463
Share-based payment transactions				3,327						3,327		3,327
Balance as of December 31, 2015	6(21)	\$3,543,042	\$-	\$920,265	\$648,394	\$-	\$1,759,264	\$338,120	\$-	\$7,209,085	\$102,582	\$7,311,667

(The accompanying notes are an integral part of the parent company only financial statements)

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2015 and 2014  
(Expressed in Thousand New Taiwan Dollars)

	Notes	For the Years Ended December 31,	
		2015	2014
Cash flows from operating activities:			
Net income before tax		\$747,255	\$302,600
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		306,369	304,882
Amortization		96,223	101,416
Allowance (reversal) for doubtful accounts		7,840	(20,840)
Net loss of financial assets/liabilities at fair value through profit or loss		6,789	18,997
Interest expense		116,599	94,518
Interest revenue		(41,894)	(34,470)
Share-based payment expense		3,327	-
Share of loss of subsidiaries, associates and joint ventures		1,271	21,786
Loss on disposal of property, plant and equipment		9,683	14,741
(Gain) loss on disposal of investment		(281,198)	75,777
Impairment loss of non financial assets		-	321
Loss on repurchase of bonds payable		-	1,720
Changes in operating assets and liabilities:			
Increase in financial assets held for trading		(9,093)	(9,457)
(Increase) decrease in notes receivable		(5,993)	28,821
Increase in accounts receivable		(92,963)	(67,843)
Decrease (increase) in inventories, net		280,824	(483,499)
Decrease in prepayments		38,388	50,973
Decrease (increase) in other current assets		119,743	(86,331)
Decrease (increase) in other assets-others		50,799	(81,142)
Increase in financial liabilities-held for trading		14,311	10,938
Increase (decrease) in notes payable		22,886	(11,444)
Decrease in accounts payable		(68,753)	(539)
Decrease in other payables		(157,779)	(385,405)
Increase (decrease) in other current liabilities		13,104	(64,314)
Decrease increase in defined benefit obligation		(6,348)	(9,035)
Decrease in other liabilities-others		(28,385)	(2,391)
Cash generated from (used in) operations		<u>1,143,005</u>	<u>(229,220)</u>
Interest received		41,894	34,470
Interest paid		(96,457)	(82,019)
Income tax paid		(774,615)	(91,718)
Net cash generated from (used in) operating activities		<u>313,827</u>	<u>(368,487)</u>

(The accompanying notes are an integral part of the parent company only financial statements)

(Continued)

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

For the Years Ended December 31, 2015 and 2014

(Expressed in Thousand New Taiwan Dollars)

	Notes	For the Years Ended December 31,	
		2015	2014
(Continued)			
Cash flows from investing activities:			
Proceeds from disposal of available-for-sale financial assets		\$1,034,012	\$446,096
Acquisition of financial assets measured at cost		-	(49,780)
Disposal of financial assets measured at cost		17,637	-
Acquisition of property, plant and equipment		(452,601)	(310,990)
Disposal of property, plant and equipment		17,064	21,378
Increase in deposits-out		-	(16,860)
Decrease in deposits-out		17,789	-
Acquisition of intangible assets		(28,389)	(7,172)
Net cash generated from investing activities		<u>605,512</u>	<u>82,672</u>
Cash flows from financing activities:			
Increase in short-term loans		-	863,959
Decrease in short-term loans		(275,848)	-
Redemption of bonds payable		-	(750,310)
Increase in long-term loans		-	197,485
Decrease in long-term loans		(134,451)	-
Cash dividends		(177,152)	(82,396)
Exercise of employee stock option		-	4,651
Changes in non-controlling interests		-	(2,142)
Net cash (used in) generated from financing activities		<u>(587,451)</u>	<u>231,247</u>
Effect of changes in exchange rate on cash and cash equivalents		<u>60,776</u>	<u>186,759</u>
Net increase in cash and cash equivalents		392,664	132,191
Cash and cash equivalents at beginning of period	6(1)	<u>2,570,387</u>	<u>2,438,196</u>
Cash and cash equivalents at end of period		<u><u>\$2,963,051</u></u>	<u><u>\$2,570,387</u></u>

(The accompanying notes are an integral part of the parent company only financial statements)



## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

For the Years Ended December 31, 2015 and 2014

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

#### 1. HISTORY AND ORGANIZATION

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

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

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the years ended December 31,, 2015 and 2014 were authorized for issue by the Company’s board of directors (the Board) on March 25, 2016.

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

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2015. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### IAS 19 Employee Benefits

The revised IAS 19 brought about the following changes to defined benefit plans which are summarized below:

- (a) The interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a net-interest amount under the revised IAS 19, which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period.
- (b) In the previous version of IAS 19, past service cost is recognized as an expense immediately to the extent that the benefits are already vested, or on a straight-line basis over the average period until the benefits become vested. Under the revised IAS 19, all past service costs are recognized at the earlier of when the amendment/curtailment occurs or when the related restructuring or termination costs are recognized. Therefore unvested past service cost is no longer deferred over future vesting periods.
- (c) The revised IAS 19 required more disclosure; please refer to Note 6 for more details.

#### IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 *Disclosure of Interests in Other Entities* sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements, for example, summarized financial information about the associate or disclosure on subsidiaries with material non-controlling interests. Please refer to Note 6 for more details.

#### IFRS 13 Fair Value Measurements

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. The Group re-assessed its policies for measuring fair values. Application of IFRS 13 has not materially impacted the fair value measurements of the Group.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

Additional disclosures where required under IFRS 13, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 12. According to the transitional provisions of IFRS 13, IFRS 13 is applied prospectively as of 1 January 2015; the disclosure requirements of IFRS 13 need not be applied in comparative information before 1 January 2015.

#### IAS 1 Presentation of Financial Statements – Presentation of items of other comprehensive income

Beginning 1 January 2014, the Group presented its items of other comprehensive income that will be reclassified to profit or loss separately from items that will not be reclassified in accordance with the amendments to IAS 1. The amendments affect presentation of statement of comprehensive income only and have no impact on the Group's financial position or performance.

#### IAS 1 Presentation of Financial Statements – Clarification of the requirement for comparative information

Beginning 1 January 2014, according to the amendments to IAS 1, when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements, the opening statement of financial position does not have to be accompanied by comparative information in the related notes. The amendments affect notes accompanying the financial statements only and have no impact on the Group's financial position or performance.

- (2) Standards or interpretations issued by IASB but not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue are listed below.

(a) *IAS 36 "Impairment of Assets" (Amendment)*

This amendment relates to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement. The amendment is effective for annual periods beginning on or after 1 January 2014.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(b) *IFRIC 21 “Levies”*

This interpretation provides guidance on when to recognize a liability for a levy imposed by a government (both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain). The interpretation is effective for annual periods beginning on or after 1 January 2014.

(c) *IAS 39 “Financial Instruments: Recognition and Measurement” (Amendment)*

Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The interpretation is effective for annual periods beginning on or after 1 January 2014.

(d) *IAS 19 “Employee Benefits” (Defined benefit plans: employee contributions)*

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to provide a policy choice for a simplified accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendment is effective for annual periods beginning on or after 1 July 2014.

(e) *Improvements to International Financial Reporting Standards (2010-2012 cycle):*

*IFRS 2 “Share-based Payment”*

The annual improvements amend the definitions of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition'). The amendment prospectively applies to share-based payment transactions for which the grant date is on or after 1 July 2014.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### *IFRS 3 “Business Combinations”*

The amendments include: (1) deleting the reference to "other applicable IFRSs" in the classification requirements; (2) deleting the reference to "IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or other IFRSs as appropriate", other contingent consideration that is not within the scope of IFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss; (3) amending the classification requirements of IFRS 9 *Financial Instruments* to clarify that contingent consideration that is a financial asset or financial liability can only be measured at fair value, with changes in fair value being presented in profit or loss depending on the requirements of IFRS 9. The amendments apply prospectively to business combinations for which the acquisition date is on or after 1 July 2014.

#### *IFRS 8 “Operating Segments”*

The amendments require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. The amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The amendment is effective for annual periods beginning on or after 1 July 2014.

#### *IFRS 13 “Fair Value Measurement”*

The amendment to the Basis for Conclusions of IFRS 13 clarifies that when deleting paragraph B5.4.12 of IFRS 9 *Financial Instruments* and paragraph AG79 of IAS 39 *Financial Instruments: Recognition and Measurement* as consequential amendments from IFRS 13 *Fair Value Measurement*, the IASB did not intend to change the measurement requirements for short-term receivables and payables.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

*IAS 16 “Property, Plant and Equipment”*

The amendment clarifies that when an item of property, plant and equipment is revalued, the accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendment is effective for annual periods beginning on or after 1 July 2014.

*IAS 24 “Related Party Disclosures”*

The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendment is effective for annual periods beginning on or after 1 July 2014.

*IAS 38 “Intangible Assets”*

The amendment clarifies that when an intangible asset is revalued, the accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendment is effective for annual periods beginning on or after 1 July 2014.

- (f) *Improvements to International Financial Reporting Standards (2011-2013 cycle):*

*IFRS 1 “First-time Adoption of International Financial Reporting Standards”*

The amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### *IFRS 3 “Business Combinations”*

This amendment clarifies that paragraph 2(a) of IFRS 3 *Business Combinations* excludes the formation of all types of joint arrangements as defined in IFRS 11 *Joint Arrangements* from the scope of IFRS 3; and the scope exception only applies to the financial statements of the joint venture or the joint operation itself. The amendment is effective for annual periods beginning on or after 1 July 2014.

#### *IFRS 13 “Fair Value Measurement”*

The amendment clarifies that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment is to clarify that this portfolio exception applies to all contracts within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 *Financial Instruments: Presentation*. The amendment is effective for annual periods beginning on or after 1 July 2014.

#### *IAS 40 “Investment Property”*

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property; in determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 *Business Combinations* and investment property as defined in IAS 40 *Investment Property*, separate application of both standards independently of each other is required. The amendment is effective for annual periods beginning on or after 1 July 2014.

#### (g) *IFRS 14 “Regulatory Deferral Accounts”*

IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. IFRS 14 is effective for annual periods beginning on or after 1 January 2016.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(h) *IFRS 11 “Joint Arrangements” (Accounting for Acquisitions of Interests in Joint Operations)*

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments require the entity to apply all of the principles on business combinations accounting in IFRS 3 “Business Combinations”, and other IFRS (that do not conflict with the guidance in IFRS 11), to the extent of its share in a joint operation acquired. The amendment also requires certain disclosure. The amendment is effective for annual periods beginning on or after 1 January 2016.

(i) *IAS 16 “Property, Plant and Equipment and IAS 38 “Intangible Assets” — Clarification of Acceptable Methods of Depreciation and Amortization*

The amendment clarified that the use of revenue-based methods to calculate depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, such as selling activities and change in sales volumes or prices. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendment is effective for annual periods beginning on or after 1 January 2016.

(j) *IFRS 15 “Revenue from Contracts with Customers”*

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after 1 January 2018.

(k) *IAS 16 "Property, Plant and Equipment and IAS 41 "Agriculture" — Agriculture: Bearer Plants*

The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in *IAS 16 Property, Plant and Equipment*, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of *IAS 16*, and the produce growing on bearer plants will remain within the scope of *IAS 41*. The amendment is effective for annual periods beginning on or after 1 January 2016.

(l) *IFRS 9 "Financial Instruments"*

The IASB has issued the final version of *IFRS 9*, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace *IAS 39 Financial Instruments: Recognition and Measurement* and all previous versions of *IFRS 9 Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

**Classification and measurement:** Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

**Impairment:** Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

**Hedge accounting:** Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after 1 January 2018.

(m) *IAS 27 "Separate Financial Statements" — Equity Method in Separate Financial Statements*

The IASB restored the option to use the equity method under IAS 28 for an entity to account for investments in subsidiaries and associates in the entity's separate financial statements. In 2003, the equity method was removed from the options. This amendment removes the only difference between the separate financial statements prepared in accordance with IFRS and those prepared in accordance with the local regulations in certain jurisdictions.

The amendment is effective for annual periods beginning on or after 1 January 2016.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

The effective date of this amendment has been postponed indefinitely, but early adoption is allowed.

- (o) *Improvements to International Financial Reporting Standards (2012-2014 cycle):*

#### *IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”*

The amendment clarifies that a change of disposal method of assets (or disposal groups) from disposal through sale or through distribution to owners (or vice versa) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. The amendment also requires identical accounting treatment for an asset (or disposal group) that ceases to be classified as held for sale or as held for distribution to owners. The amendment is effective for annual periods beginning on or after 1 January 2016.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### *IFRS 7 “Financial Instruments: Disclosures”*

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset and therefore the disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety under IFRS 7 *Financial Instruments: Disclosures* is required. The amendment also clarifies that whether the IFRS 7 disclosure related to the offsetting of financial assets and financial liabilities are required to be included in the condensed interim financial report would depend on the requirements under IAS 34 *Interim Financial Reporting*. The amendment is effective for annual periods beginning on or after 1 January 2016.

#### *IAS 19 “Employee Benefits”*

The amendment clarifies the requirement under IAS 19.83, that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. The amendment is effective for annual periods beginning on or after 1 January 2016.

#### *IAS 34 “Interim Financial Reporting”*

The amendment clarifies what is meant by “elsewhere in the interim financial report” under IAS 34; the amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment is effective for annual periods beginning on or after 1 January 2016.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

(p) *Disclosure Initiative — Amendment to IAS 1 “Presentation of Financial Statements”:*

The amendments contain (1) clarifying that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments reemphasize that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material and, consequently, whether presentation or disclosure of that information is warranted, (2) clarifying that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated, and how an entity shall present additional subtotals, (3) clarifying that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasize that understandability and comparability should be considered by an entity when deciding on that order, (4) removing the examples of the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be, and (5) clarifying that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The amendment is effective for annual periods beginning on or after 1 January 2016.

(q) *IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities”, and IAS 28 “Investments in Associates and Joint Ventures” — Investment Entities: Applying the Consolidation Exception*

The amendments contain (1) clarifying that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity when the investment entity measures all of its subsidiary at fair value, (2) clarifying that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated when all other subsidiaries of an investment entity are measured at fair value, and (3) allowing the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendment is effective for annual periods beginning on or after 1 January 2016.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

(r) *IFRS 16 “Leases”*

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after 1 January 2019.

(s) *IAS 12 “Income Taxes” — Recognition of Deferred Tax Assets for Unrealized Losses*

The amendment clarifies how to account for deferred tax assets for unrealized losses. The amendment is effective for annual periods beginning on or after 1 January 2017.

(t) *Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”:*

The amendment relates to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period. The amendment is effective for annual periods beginning on or after 1 January 2017.

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 standards and interpretations have no material impact on the Group.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended December 31, 2015 and 2014 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”), IFRSs, IASs, IFRIC and SIC, which are endorsed by the FSC (collectively referred to as “TIFRSs”).

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (2) Basis of Preparation

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

#### (3) Basis of consolidation

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

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

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

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

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

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

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.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

If the Company loses control of a subsidiary, it:

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

(b) The consolidated entities are as follows:

Investor	Subsidiary	Main Business	Percentage of ownership (%)		Note
			December 31, 2015	December 31, 2014	
Globe Union Industrial Corp.	Anderson R.O. Technology Co., Ltd.	Manufacturing and selling water dispensers	-	-	Note 1
Globe Union Industrial Corp.	Home Boutique International Co., Ltd.	Selling sanitary ceramic wares	86.319%	86.319%	
Home Boutique International Co., Ltd.	YI SHEH CO., LTD.	Selling and distributing kitchen and bathroom products	100.00%	100.00%	
Home Boutique International Co., Ltd.	Great Hope Management Consulting Inc.	Holding company	100.00%	100.00%	
Great Hope Management Consulting Inc.	HBS CO., LTD	Selling and distributing kitchen and bathroom products	62.39%	62.39%	
Home Boutique International Co., Ltd.	Home Boutique Co., Ltd.	Selling and distributing kitchen and bathroom products	100.00%	100.00%	
Globe Union Industrial Corp.	Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Holding company	100.00%	100.00%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Shenzhen Globe Union Enterprise Co., Ltd.	Manufacturing and selling bathroom products	100.00%	100.00%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Qingdao Globe Union Technology Industrial Corp.	Manufacturing faucets, kitchen products and related parts	100.00%	100.00%	



**GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES**

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

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

Investor	Subsidiary	Main Business	Percentage of ownership (%)		Note
			December 31, 2015	December 31, 2014	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Qingdao Lin Hon Precision Industrial Corp.	Manufacturing faucets, kitchen products and related parts	100.00%	100.00%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	13.99%	13.99%	
Globe Union Industrial (B.V.I.) Corp. (G.U.I.(B.V.I.))	HBS CO., LTD	Selling and distributing kitchen and bathroom products	37.61%	37.61%	
Qingdao Globe Union Technology Industrial Corp.	Qingdao Chenglin Imp.&Exp.Trding Co.,Ltd	Import and export trading	100.00%	100.00%	
Globe Union Industrial Corp.	Globe Union Cayman Corp.	Holding company	100.00%	100.00%	
Globe Union Cayman Corp.	Globe Union Verwaltungs GmbH	Selling faucets and parts	100.00%	100.00%	
Globe Union Cayman Corp.	Globe Union Germany GmbH & Co.KG	Manufacturing and selling faucets and parts	100.00%	100.00%	
Globe Union (Canada) Inc.	Aquanar Inc.	Product design and development	60.00%	60.00%	
Globe Union Industrial Corp.	Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Holding company	100.00%	100.00%	
Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Globe Union Group, Inc.	Holding company	100.00%	100.00%	
Globe Union Group, Inc.	Danze Inc.	Sales and maintenance center	100.00%	100.00%	
Globe Union Group, Inc.	Globe Union (Canada) Inc.	Sales and maintenance center	100.00%	100.00%	
Globe Union Group, Inc.	Gerber Plumbing Fixtures, LLC	Manufacturing and selling faucets and sanitary ceramic wares	100.00%	100.00%	
Globe Union Group, Inc.	Globe Union Services Inc.	Customer service center	100.00%	100.00%	
Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Globe Union (Bermuda) Trading Ltd.	Product sales center	-	100.00%	Note 2
Globe Union (Bermuda) Ltd. (G.U.L.(Bermuda))	Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	86.01%	86.01%	
Globe Union Cayman Corp.	Globe Union UK Ltd.	Holding company	100.00%	100.00%	
Globe Union UK Ltd	PJH Trustees Limited	Trust industry	100.00%	100.00%	
Globe Union UK Ltd	PJH Group Limited	Selling kitchen and bathroom products	100.00%	100.00%	
Globe Union UK Ltd	PJH (HK) Limited	Holding company	100.00%	100.00%	
PJH (HK) Limited	PJH Procurement Consultancy Shanghai Company Limited	Consulting industry	100.00%	100.00%	

Note 1: Anderson R.O. Technology Co., Ltd. was closed down in December 2014.

Note 2: Globe Union (Bermuda) Trading Ltd. was closed down in April 2015.

## 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 IAS 39 *Financial Instruments: Recognition and Measurement* 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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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.

#### (5) Translation of financial statements in foreign currency

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

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

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (6) Current and Non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

#### (7) Cash and cash equivalents

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (8) Financial Instruments

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

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

##### (a) Financial Assets

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

Financial assets of the Group are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

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

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

#### Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative 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)

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

#### Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

Other loss events include:

- i. significant financial difficulty of the issuer or obligor
- ii. a breach of contract, such as a default or delinquency in interest or principal payments
- iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- iv. the disappearance of an active market for that financial asset because of financial difficulties

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.



## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

#### Derecognition of financial assets

A financial asset is derecognized when:

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (b) Financial liabilities and equity

##### Classification between liabilities or equity

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

##### Equity instruments

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

##### Compound instruments

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IAS 39 *Financial Instruments: Recognition and Measurement*.

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

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

#### Financial liabilities

Financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

If the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

#### Financial liabilities at amortized cost

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### Derecognition of financial liabilities

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

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

#### (c) Offsetting of financial instruments

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

#### (9) Derivative financial instrument

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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 held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

#### (10) Fair value measurement

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

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

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

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

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (11) Inventories

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

Cost is presented by all the essential expenditures incurred to the ready status as being sold or finished products. Materials, work in process and finished goods are calculated on the following bases:

Materials	— Weighted average of actual procurements
Work in process and finished goods	— Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Finished goods and work in process are accounted under the 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.

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

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence.

Under the equity method, the investment in the associate 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. After the interest in the associate 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. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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 issues new stock, and the Group's interest in an associate is reduced or increased as the Group fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment in associate. When the interest in the associate 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.

The financial statements of the associate 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 is impaired in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

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



## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

The Group recognizes its interest in the jointly controlled entities using the equity method other than those that meet the criteria to be classified as held for sale. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity.

#### (13) Property, plant and equipment

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

Items	Useful Lives
Buildings	5~54 years
Machinery and equipment	4~10 years
Transportation equipment	5 years
Furniture, fixtures and equipment	2~7 years
Leasehold improvements	The shorter of lease terms or economic useful lives

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

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

#### (14) Leases

##### Group as a lessee

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

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### Group as a lessor

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

#### (15) Investment property

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

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

Buildings - 5~54 years

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

Assets are transferred to or from investment properties when there is a change in use.

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

(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 measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

	<u>Customer relationships</u>	<u>Trademarks</u>	<u>Computer software</u>
Useful lives	Finite	Finite	Finite
Amortization method used	Amortized on a straight-line basis	Amortized on a straight-line basis	Amortized on a straight- line basis
Internally generated or acquired	Acquired	Acquired	Acquired

(17) Impairment of non-financial assets

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

#### (18) Post-employment benefits

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

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

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:

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

#### (19) Provisions

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

#### (20) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

##### Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

- (a) the significant risks and rewards of ownership of the goods have transferred to the buyer;
- (b) neither continuing managerial involvement nor effective control over the goods sold have been retained;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

#### Dividends

Revenue is recognized when the Group's right to receive the payment is established.

#### (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.



## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (22) Government grants

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

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

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

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

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

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

(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 10% surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

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

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

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

Deferred tax assets and 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.

#### (25) Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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

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

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

#### 5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

##### (1) Judgement

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (a) Investment Property

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

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

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

#### (2) Estimates and assumptions

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

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

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (b) Impairment of non-financial assets

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

#### (c) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and future salary increases. Please refer to Note 6 for more details.

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

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



## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

(e) Revenue recognition – sales returns and allowance

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue.

(f) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties 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 disclosure on unrecognized deferred tax asset of the Group as at 31 December 2015.

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of December 31,	
	2015	2014
Cash on hand	\$7,503	\$7,153
Demand deposits	1,690,279	2,181,109
Time deposits	1,265,269	382,125
Total	<u>\$2,963,051</u>	<u>\$2,570,387</u>

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

	As of December 31,	
	2015	2014
Held for trading:		
Derivatives not designated as hedging instruments		
Forward foreign exchange contracts	\$4,989	\$1,844
Embedded derivatives-bonds payable	61	81
Total	<u>\$5,050</u>	<u>\$1,925</u>

	As of December 31,	
	2015	2014
Current	\$4,989	\$1,844
Non-current	61	81
Total	<u>\$5,050</u>	<u>\$1,925</u>

Financial assets held for trading were not pledged.

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(3) Available-for-sale financial assets - current

	As of December 31,	
	2015	2014
Available-for-sale financial assets-stocks	\$-	\$760,236
Less: Adjustments for change in value of investment	-	(165,337)
Total	\$-	\$594,899

On October 31, 2013 (equity trading base date), the Company sold 20.84% of the voting shares of Shenzhen Globe Union Industrial Corp. (renamed as Shenzhen Bauing Construction Holding Group Co., Ltd.) to Gu Shao-Ming due to the Group's significant asset reorganization and issuance of new stocks to purchase assets. The percentage of voting shares that the Company owned decreased to 3.48% as of December 31, 2013 and the Company lost control of the subsidiary. Upon losing significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value in accordance with IAS 27. Therefore, on October 31, 2013, the Company reclassified its investment to available-for-sale financial assets-current. The available-for-sale financial assets have been measured at fair value as of December 31, 2015 and 2014.

The Company completed sales of its shares of Shenzhen Bauing Construction Holding Group Co., Ltd. in the fourth quarter of 2015.

The Company's shares of Shenzhen Bauing Construction Holding Group Co., Ltd. as of December 31, 2015 and 2014 are listed as follows:

	As of December 31,	
	2015	2014
Number of shares held	-	21,477,719
Percentage of ownership	-	1.70%

Available-for-sale financial assets were not pledged.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(4) Notes receivable, net

	As of December 31,	
	2015	2014
Notes receivable	\$42,022	\$36,029

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

(5) Trade receivables, net

	As of December 31,	
	2015	2014
Trade receivables - non related parties	\$3,811,805	\$3,711,769
Less: allowance for sales returns and discounts	(105,840)	(93,672)
Less: allowance for doubtful accounts	(54,686)	(51,941)
Total	\$3,651,279	\$3,566,156

Trade receivables are generally on 60-70 day terms. The movements in the provision for impairment of trade receivables are as follows (please refer to Note 12 for credit risk disclosure):

	Individually impaired	Collectively impaired	Total
As of January 1, 2015	\$ -	\$51,941	\$51,941
Charge for the current period	-	7,840	7,840
Unrecoverable write-offs	-	(4,066)	(4,066)
Foreign exchange effects	-	(1,029)	(1,029)
As of December 31, 2015	\$ -	\$54,686	\$ 54,686
As of January 1, 2014	\$ -	\$91,674	\$91,674
Reversal for the current period	-	(20,840)	(20,840)
Unrecoverable write-offs	-	(18,902)	(18,902)
Foreign exchange effects	-	9	9
As of December 31, 2014	\$ -	\$51,941	\$51,941

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Ageing analysis of trade receivables and trade receivables-related parties that are past due as of the end of the reporting period but not impaired is as follows:

	Neither past due nor impaired	Past due but not impaired				Total
		1-90 days	91-180 days	181-365 days	Upon 366 days	
December 31, 2015	\$3,356,762	\$294,517	\$-	\$-	\$-	\$3,561,279
December 31, 2014	\$3,338,391	\$219,677	\$8,088	\$-	\$-	\$3,566,156

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

(6) Inventories

(a) Details as follows

	As of December 31,	
	2015	2014
Raw materials	\$293,885	\$378,373
Supplies & parts	11,255	13,669
Work in progress	298,807	346,044
Finished goods	362,568	334,017
Merchandise	3,113,659	3,288,895
Total	<u>\$4,080,174</u>	<u>\$4,360,998</u>

(b) For the years ended December 31, 2015 and 2014, the Group recognized \$14,435,844 and \$14,691,041 for costs of inventories in expenses. The profit and loss that related to cost of goods sold are as follows:

	For the years ended December 31,	
	2015	2014
(Write-down) reversal of excess and obsolete inventory	\$(29,723)	\$132,035
Scraps	<u>(13,611)</u>	<u>(21,531)</u>
Net	<u>\$(43,334)</u>	<u>\$110,504</u>

No inventories were pledged.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(c) The reversal in 2014 was due to the disposal of obsolete inventory and the recovery of net realizable value. The previous write-down of inventories was reversed and recognized as gain on reversal of write-down of inventories.

(7) Prepayments

	<u>As of December 31,</u>	
	<u>2015</u>	<u>2014</u>
VAT paid	\$50,259	\$87,409
Prepayment for purchases	30,588	42,774
Other prepayments	<u>24,783</u>	<u>13,835</u>
Total	<u>\$105,630</u>	<u>\$144,018</u>

Prepayments were not pledged.

(8) Financial assets measured at cost – non current

	<u>As of December 31,</u>	
	<u>2015</u>	<u>2014</u>
Available-for-sale financial assets		
Foreign unlisted stocks		
IJM Enterprises Ltd.	<u>\$-</u>	<u>\$49,780</u>

The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

In August, 2014, the subsidiary – Globe Union Cayman Corp. invested GBP 1 million in IJM Enterprises Ltd. and acquired 16% of its voting shares. The Group disposed of the investment in July 2015 due to the investee's weak performance, and recognized disposal loss in the amount of \$30,173.

Financial assets measured at cost were not pledged.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(9) Investments accounted for using the equity method

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

Investees	As of December 31,			
	2015		2014	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in associates:				
Chengxinzhao (Zhangzhou) Hardware Co., Ltd.	\$28,681	49.00%	\$30,572	49.00%
Arte En Bronce, S.A. DE C.V.	-	48.89%	-	48.89%
Total	<u>\$28,681</u>		<u>\$30,572</u>	

After the interest in the associate - Arte En Bronce, S.A. DE C.V. was 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. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

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

	For the years ended	
	December 31,	
	2015	2014
Total comprehensive income	<u>\$(1,271)</u>	<u>\$(21,786)</u>

The associates had no contingent liabilities or capital commitments as of December 31, 2015 and 2014, and did not provide any guarantee.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(10) Property, plant and equipment

	Land and land		Machinery	Transportation	Office	Other	Construction in	
	Improvements	Buildings	and equipment	equipment	equipment	equipment	progress and equipment awaiting examination	Total
Cost:								
As of January 1, 2015	\$142,818	\$1,489,179	\$1,758,265	\$60,102	\$589,878	\$714,596	\$26,280	\$4,781,118
Additions	-	56,131	82,906	8,588	35,339	55,350	214,287	452,601
Disposals	(3,609)	(1,980)	(60,391)	(1,321)	(12,758)	(20,646)	(4,961)	(105,666)
Transfers	-	9,218	186,901	-	-	11,362	(221,028)	(13,547)
Exchange differences	131	(22,380)	(33,674)	(955)	(2,180)	(9,521)	421	(69,000)
As of December 31, 2015	<u>\$139,340</u>	<u>\$1,530,168</u>	<u>\$1,934,007</u>	<u>\$66,414</u>	<u>\$610,279</u>	<u>\$751,141</u>	<u>\$14,157</u>	<u>\$5,045,506</u>
As of January 1, 2014	\$45,323	\$1,532,702	\$1,738,588	\$52,102	\$559,143	\$546,233	\$24,557	\$4,498,648
Additions	97,300	44,831	26,055	8,680	28,219	37,776	68,129	310,990
Disposals	-	(48,522)	(62,525)	(4,595)	(14,956)	(11,005)	(50)	(141,653)
Transfers	-	(82,668)	138	2,753	2,077	124,757	(67,167)	(20,110)
Exchange differences	195	42,836	56,009	1,162	15,395	16,835	811	133,243
As of December 31, 2014	<u>\$142,818</u>	<u>\$1,489,179</u>	<u>\$1,758,265</u>	<u>\$60,102</u>	<u>\$589,878</u>	<u>\$714,596</u>	<u>\$26,280</u>	<u>\$4,781,118</u>
Depreciation and impairment:								
As of January 1, 2015	\$-	703,016	\$1,177,428	\$44,638	\$452,010	\$435,828	\$-	\$2,812,920
Depreciation	-	75,240	96,107	6,714	50,119	77,214	-	305,394
Disposals	-	(1,918)	(46,807)	(973)	(10,897)	(18,324)	-	(78,919)
Transfers	-	(2,676)	(3,635)	(504)	(413)	3,823	-	(3,405)
Exchange differences	-	(9,809)	(16,937)	(649)	(2,063)	(4,162)	-	(33,620)
As of December 31, 2015	<u>\$-</u>	<u>\$763,853</u>	<u>\$1,206,156</u>	<u>\$49,226</u>	<u>\$488,756</u>	<u>\$494,379</u>	<u>\$-</u>	<u>\$3,002,370</u>
As of January 1, 2014	\$-	\$676,537	\$1,068,054	\$35,519	\$403,126	\$355,786	\$-	\$2,539,022
Depreciation	-	73,971	94,943	12,001	50,816	72,198	-	303,929
Disposals	-	(48,517)	(33,640)	(4,067)	(13,481)	(5,829)	-	(105,534)
Transfers	-	(20,110)	-	-	22	(22)	-	(20,110)
Exchange differences	-	21,135	48,071	1,128	11,333	13,625	-	95,292
Gain on reversal of impairment	-	-	-	57	194	70	-	321
As of December 31, 2014	<u>\$-</u>	<u>\$703,016</u>	<u>\$1,177,428</u>	<u>\$44,638</u>	<u>\$452,010</u>	<u>\$435,828</u>	<u>\$-</u>	<u>\$2,812,920</u>
Net carrying amount:								
As of December 31, 2015	<u>\$139,340</u>	<u>\$766,315</u>	<u>\$727,851</u>	<u>\$17,188</u>	<u>\$121,523</u>	<u>\$256,762</u>	<u>\$14,157</u>	<u>\$2,043,136</u>
As of December 31, 2014	<u>\$142,818</u>	<u>\$786,163</u>	<u>\$580,837</u>	<u>\$15,464</u>	<u>\$137,868</u>	<u>\$278,768</u>	<u>\$26,280</u>	<u>\$1,968,198</u>



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(a) Property, plant and equipment were not pledged. Please refer to Note 8.

(b) There is no occurrence of capitalization of interest due to purchasing property, plant and equipment for the years ended December 31, 2015 and 2014.

(11) Investment property

	<u>Buildings</u>
Cost:	
As of January 1, 2015	\$22,052
Additions from subsequent expenditure	-
Exchange differences	<u>(445)</u>
As of December 31, 2015	<u>\$21,607</u>
As of January 1, 2014	\$21,347
Additions from subsequent expenditure	-
Exchange differences	<u>705</u>
As of December 31, 2014	<u>\$22,052</u>
	<u>Buildings</u>
Depreciation and impairment:	
As of January 1, 2015	\$5,954
Depreciation	975
Exchange differences	<u>(123)</u>
As of December 31, 2015	<u>\$6,806</u>
As of January 1, 2014	\$4,803
Depreciation	953
Exchange differences	<u>198</u>
As of December 31, 2014	<u>\$5,954</u>
Net carrying amount:	
As of December 31, 2015	<u>\$14,801</u>
As of December 31, 2014	<u>\$16,098</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	For the years ended	
	December 31,	
	2015	2014
Rental income from investment property	\$4,497	\$4,396
Less:		
Direct operating expenses from investment property generating rental income	(975)	(953)
Total	<u>\$3,522</u>	<u>\$3,443</u>

No investment property was pledged.

Investment properties held by the Group are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties is \$30,862 as of 31 December 2015. The Group contacted a real estate agency to investigate the final prices of the same types of buildings sold to determine the current fair value.

(12) Intangible assets

	Computer software	Trademarks	Other intangibles	Customer relationships	Goodwill	Total
Cost:						
As of January 1, 2015	\$120,477	\$138,432	\$-	\$624,898	\$1,792,420	\$2,676,227
Addition-acquired separately	28,389	-	-	-	-	28,389
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Exchange differences	(383)	(1,077)	-	(7,976)	(20,629)	(30,065)
As of December 31, 2015	<u>\$148,483</u>	<u>\$137,355</u>	<u>\$-</u>	<u>\$616,922</u>	<u>\$1,771,791</u>	<u>\$2,674,551</u>
As of January 1, 2014	\$112,683	\$139,051	\$261	\$626,037	\$1,795,029	\$2,673,061
Addition-acquired separately	7,172	-	-	-	-	7,172
Transfers	304	(465)	(261)	-	-	(422)
Disposals	(721)	-	-	-	-	(721)
Exchange differences	1,039	(154)	-	(1,139)	(2,609)	(2,863)
As of December 31, 2014	<u>\$120,477</u>	<u>\$138,432</u>	<u>\$-</u>	<u>\$624,898</u>	<u>\$1,792,420</u>	<u>\$2,676,227</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Amortization and impairment:

As of January 1, 2015	\$88,953	\$79,652	\$-	\$466,452	\$-	\$635,057
Amortization	20,442	10,496	-	65,285	-	96,223
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Exchange differences	(10)	(485)	-	(5,453)	-	(5,948)
As of December 31, 2015	<u>\$109,385</u>	<u>\$89,663</u>	<u>\$-</u>	<u>\$526,284</u>	<u>\$-</u>	<u>\$725,332</u>
As of January 1, 2014	\$65,380	\$69,172	\$261	\$400,545	\$-	\$535,358
Amortization	23,318	11,047	-	67,051	-	101,416
Transfers	-	(465)	(261)	-	-	(726)
Disposals	(721)	-	-	-	-	(721)
Exchange differences	976	(102)	-	(1,144)	-	(270)
As of December 31, 2014	<u>\$88,953</u>	<u>\$79,652</u>	<u>\$-</u>	<u>\$466,452</u>	<u>\$-</u>	<u>\$635,057</u>
Net carrying amount:						
As of December 31, 2015	<u>\$39,098</u>	<u>\$47,692</u>	<u>\$-</u>	<u>\$90,638</u>	<u>\$1,771,791</u>	<u>\$1,949,219</u>
As of December 31, 2014	<u>\$31,524</u>	<u>\$58,780</u>	<u>\$-</u>	<u>\$158,446</u>	<u>\$1,792,420</u>	<u>\$2,041,170</u>

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

	<u>2015</u>	<u>2014</u>
Operating costs	<u>\$1,269</u>	<u>\$1,275</u>
Operating expenses	<u>\$94,954</u>	<u>\$100,141</u>

(13) Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to two cash-generating units, which are also reportable operating segments, for impairment testing as follows:

- (a) Channel cash-generating unit
- (b) Manufacturing cash-generating unit

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Carrying amount of goodwill allocated to each of the cash-generating units:

	As of December 31,	
	2015	2014
Goodwill		
- Channel unit	\$1,580,460	\$1,600,893
- Manufacturing unit	191,331	191,527
Total	<u>\$1,771,791</u>	<u>\$1,792,420</u>

Channel cash-generating unit

The recoverable amount of the channel unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The projected cash flows have been updated to reflect the change in demand for products and services. The pre-tax discount rate applied to cash flow projections is 10.1% (2014: 9.51%) and cash flows beyond the five-year period are extrapolated using a 2.0% growth rate (2014: 3.0%) that is the same as the long-term average growth rate for the electronics industry. As a result of this analysis, management did not identify any impairment for goodwill of \$1,580,460 which is allocated to this cash-generating unit

Manufacturing cash-generating unit

Manufacturing cash-generating unit A

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 pre-tax discount rate applied to cash flow projections is 12.25% (2014: 14.63%) and cash flows beyond the five-year period are extrapolated using a 3.0% growth rate (2014: 0%) that is the same as the long-term average growth rate for the electronics industry. As a result of this analysis, management did not identify any impairment for goodwill of \$83,052 which is allocated to this cash-generating unit.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### Manufacturing cash-generating unit B

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 pre-tax discount rate applied to cash flow projections is 9.8% (2014: 12.04%) and cash flows beyond the five-year period are extrapolated using a 0% growth rate (2014: 6%) that is the same as the long-term average growth rate for the electronics industry. As a result of this analysis, management did not identify any impairment for goodwill of \$108,279 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.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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 rate used to extrapolate the budget for the fire prevention equipment unit has been adjusted because of the acquisition of a significant industry patent.

#### Sensitivity to changes in assumptions

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

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

Raw materials price inflation – Management didn't consider the possibility of greater than budgeted increases in raw material price inflation. Budgeted price inflation remains the same because currently the international raw materials price movements are small. Management believes there is no raw materials price deviating from the budget for the years ended December 31, 2015 and 2014, and therefore no further impairment may result.

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, manufacturing unit A, and manufacturing unit B were 2%, 3%, 0%, and 3%, 0%, 6% as of December 31, 2015 and 2014, respectively. Management deemed these growth rates reasonable after considering the long-term growth rate and the economic environment for the years ended December 31, 2015 and 2014. Therefore, no further impairment may result.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

	As of December 31,	
	2015	2014
Long-term prepaid rent	\$203,799	\$213,417
Other assets	177,463	217,399
Others	4,092	5,337
Total	<u>\$385,354</u>	<u>\$436,153</u>

Long-term prepaid rent included land use rights in the amount of \$203,799 and \$213,417, as of December 31, 2015 and 2014, respectively.

(15) Short-term loans

	As of December 31,	
	2015	2014
Unsecured bank loans	<u>\$1,535,029</u>	<u>\$1,810,877</u>
Interest Rates (%)	1.17%-3.50%	1.12%-3.50%

The Group's unused short-term lines of credits amounted to \$3,172,706 and \$3,107,843 as of December 31, 2015 and 2014, respectively.

(16) Financial liabilities at fair value through profit or loss - current

	As of December 31,	
	2015	2014
Held for trading:		
Derivatives not designated as hedging Instruments		
Forward foreign exchange contracts	<u>\$26,298</u>	<u>\$11,166</u>

(17) Other payables

	As of December 31,	
	2015	2014
Accrued VAT payables	\$44,995	\$40,544
Others	186,243	168,285
Total	<u>\$231,238</u>	<u>\$208,829</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(18) Accrued expenses

	As of December 31,	
	2015	2014
Accrued payroll and bonus	\$412,847	\$483,031
Accrued sales discounts	212,662	272,957
Accrued freight	126,015	146,706
Others	309,332	321,381
Total	<u>\$1,060,856</u>	<u>\$1,224,075</u>

(19) Bonds payable

(a) Details of long-term loans are as follows:

	As of December 31,	
	2015	2014
Liability component:		
Principal amount of second convertible bonds payable	\$202,800	\$202,800
Less: discounts on bonds payable	(5,756)	(8,929)
Net	<u>\$197,044</u>	<u>\$193,871</u>
Financial assets at fair value through profit or loss		
Second convertible bonds payable	<u>\$61</u>	<u>\$81</u>
Equity component:		
Second convertible bonds payable	<u>\$18,423</u>	<u>\$18,423</u>

(b) The Company issued six-year, zero coupon convertible bonds with a face value of \$100 for the second time on October 20, 2011. The total amount of the bonds payable issued was \$1,650,000, with a volume of 16,500. The conversion price was originally set at NT\$20.6 per share. Bonds may be redeemed in cash at the option of bondholders after 3 years and 6 years of the issuance at the principal amount with an interest calculated (after 3 years of the issuance: 104.5% of principal amount of bonds, rate of return 1.478%; after 6 years of the issuance: 110% of principal amount of bonds, rate of return 1.724%). Except for the book closure period, the bonds are exchangeable at any time after 1 month of issuance and prior to ten days before the maturity date into common shares of the Company. The conversion price was adjusted from NT\$20.6 per share to NT\$19.4 per share on August 8, 2012.



## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

The conversion price was adjusted from NT\$19.4 per share to NT\$17.8 per share on September 10, 2014. The total volume of bonds already exchanged was 7,292 as of December 31, 2015 and the bonds were converted into 37,527,259 shares of common stock.

#### (c) Redemption clauses:

- a. The Company may redeem the bonds in cash after one month of the issuance and 40 days prior to the maturity date, at the principal amount if the closing price of the Company's ordinary shares on the Taiwan Stock Exchange (TWSE) for a period of 30 consecutive trading days, is at least 130% of the conversion price.
- b. The Company may redeem the bonds in cash after one month of the issuance and 40 days prior to the maturity date, at the principal amount if at least 90% in principal amount of the bonds has already been exchanged, redeemed, purchased or cancelled.
- c. Bondholders have the right to require the Company to redeem all or any portion of the bonds in cash after 3 years of the issuance at the principal amount. The Company should pay the bondholders by wire transfer or check within 5 days after the put date. The total volume of bonds redeemed by the Company upon request of the bondholders was 7,180 on October 20, 2014. The redemption of the bonds led to decrease in capital surplus amounting to \$65,227. The total volume of bonds already redeemed was 7,180 as of December 31, 2015.

#### (20) Long-term loans

Details of long-term loans as of December 31, 2015 and 2014 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)

Lenders	Type	As of December 31, 2015	Maturity date and terms of repayment	Guarantee
TC Bank	Syndicated bank loans	\$1,100,000	2014/06-2019/06 interest is paid monthly; repayable annually starting from 2 years after the drawdown of the loan. The annual payment of each year is 110 million, 220 million, 330 million, and 440 million.	None
TC Bank	Syndicated bank loans	450,000	2014/06-2019/06 Interest is paid monthly.	None
Shin Kong Bank	Credit	150,000	2015/03-2017/02 Interest is paid monthly.	None
KGI Bank	Credit	140,000	2015/06-2017/06 Interest is paid monthly.	None
Chinatrust Commercial Bank	Credit	100,000	2015/12-2017/12 Interest is paid monthly.	None
Industrial Bank of Taiwan	Credit	100,000	2014/11-2019/10 Interest is paid monthly. With a grace period of 2 year. Payable quarterly after the grace period.	None
Chang Hwa Commercial Bank	Secured loan	100,000	2014/03-2034/03 Interest is paid monthly, with a grace period of 36 months. Payable monthly after the grace period. Due within 204 payments.	Land and buildings
CITROEN Bank	Secured loan	659	2014/06-2016/07 Interest is paid monthly. 1. 24 payments. First payment EUR401.33, 2~23 payments EUR382.33, and 24th payment EUR7,309.17 2. 24 payments. First payment EUR419.27, 2~23 payments EUR400.24, and 24th payment EUR6,737.16	Transportation equipment
Subtotal		2,140,659		
Less: current portion		(118,351)		
Total		\$2,002,308		
Interest rate		1.363%-1.970%		

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Lenders	Type	As of December 31, 2014	Maturity date and terms of repayment	Guarantee
TC Bank	Syndicated bank loans	\$1,100,000	2014/06-2019/06 Interest is paid monthly. Repayable annually starting from 2 years after the drawdown of the loan. The annual payment of each year is 110 million, 220 million, 330 million, and 440 million.	None
TC Bank	Syndicated bank loans	660,000	2014/06-2019/06 Interest is paid monthly.	None
China Development Industrial Bank	Credit	140,000	2013/02-2016/06 Interest is paid monthly.	None
Chinatrust Commercial Bank	Credit	100,000	2011/07-2016/03 Interest is paid monthly.	None
Industrial Bank of Taiwan	Credit	100,000	2014/11-2016/10 Interest is paid monthly. Payable quarterly after the grace period.	None
Chang Hwa Commercial Bank	Secured loan	100,000	2014/03-2034/03 Interest is paid monthly. With a grace period of 36 months. Payable monthly after the grace period. Due within 204 payments.	Land and buildings
HSBC	Credit	74,040	2013/09-2016/06 Interest is paid monthly. GBP 250 thousands payable quarterly.	None
CITROEN Bank	Secured loan	1,070	2014/06-2016/07 Interest is paid monthly. 1. 24 payments. First payment EUR401.33, 2~23 payments EUR382.33, and 24th payment EUR7,309.17 2. 24 payments. First payment EUR419.27, 2~23 payments EUR400.24, and 24th payment EUR6,737.16	Transportation equipment
Subtotal		2,275,110		
Less: current portion		(92,579)		
Total		\$2,182,531		
Interest rate		1.557%-2.814%		

Please refer to Note 8 for further details on secured loans. Please refer to Note 9(4) for further details on syndicated bank loans.

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (21) Post-employment benefits

##### Defined contribution plan

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

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

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

Expenses under the defined contribution plan for the years ended December 31, 2015 and 2014 were \$172,871 and \$143,850 respectively.

##### Defined benefits plan

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

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 \$25,240 to its defined benefit plan in the next year starting from December 31, 2015.

The average duration of the defined benefits plan obligation as of December 31, 2015 and 2014, are 16.59 years and 17 years.

Pension costs recognized in profit or loss for the years ended December 31, 2015 and 2014:

	For the years ended December 31,	
	2015	2014
Current period service costs	\$1,078	\$7,132
Interest income or expense	16,554	10,364
Total	<u>\$17,632</u>	<u>\$17,496</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

	As of		
	December 31, 2015	December 31, 2014	January 1, 2014
Defined benefit obligation	\$1,375,707	\$1,395,026	\$1,264,338
Plan assets at fair value	(1,133,054)	(1,176,939)	(1,029,721)
Defined benefit obligation	\$242,653	\$218,087	\$324,617
Other non-current liabilities	(20,614)	-	-
Other non-current liabilities - the Group expects to contribute in the coming year	(25,240)	(29,676)	(30,620)
Other non-current liabilities - defined benefit obligation	<u>\$196,799</u>	<u>\$188,411</u>	<u>\$203,997</u>

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

	As of		
	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2014	\$1,264,338	\$(1,029,721)	\$234,617
Current period service costs	7,132	-	7,132
Net interest expense (income)	52,245	(41,881)	10,364
Subtotal	\$1,323,715	\$(1,071,602)	\$252,113
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(15,672)	-	(15,672)
Actuarial gains and losses arising from changes in financial assumptions	131,361	-	131,361
Experience adjustments	(399)	(122,785)	(123,184)
Subtotal	<u>\$115,290</u>	<u>\$(122,785)</u>	<u>\$(7,495)</u>
Payments from the plan	(50,052)	50,052	-
Contributions by employer	-	(29,676)	(29,676)
Effect of changes in foreign exchange rates	<u>6,073</u>	<u>(2,928)</u>	<u>3,145</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	As of		
	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of December 31, 2014	\$1,395,026	\$(1,176,939)	\$218,087
Current period service costs	1,078	-	1,078
Net interest expense (income)	48,137	(31,583)	16,554
Subtotal	\$1,444,241	\$(1,208,522)	\$235,719
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(9,679)	-	(9,679)
Actuarial gains and losses arising from changes in financial assumptions	(18,110)	-	(18,110)
Experience adjustments	5,427	53,276	58,703
Subtotal	\$(22,362)	\$53,276	\$30,914
Payments from the plan	(35,188)	35,188	-
Contributions by employer	-	(25,240)	(25,240)
Effect of changes in foreign exchange rates	(10,984)	12,244	1,260
As of December 31, 2015	<u>\$1,375,707</u>	<u>\$(1,133,054)</u>	<u>\$242,653</u>

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

	As of December 31,	
	2015	2014
Discount rate	1.50%-4.50%	2.25%-5.00%
Expected rate of salary increases	0.00%-3.00%	2.38%-3.00%

A sensitivity analysis for significant assumption as of December 31, 2015 and 2014 is, as shown below:

	Effect on the defined benefit obligation			
	2015		2014	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	-	8,801	-	7,881
Discount rate decrease by 0.5%	9,802	-	8,796	-
Future salary increase by 0.5%	9,603	-	8,684	-
Future salary decrease by 0.5%	-	8,720	-	7,862

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

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.

#### (22) Equities

##### (a) Common stock

As of January 1, 2014, the Company's authorized capital was \$6,000,000, divided into 600,000,000 shares with par value of \$10 (in dollar) each. The issued and outstanding capital stocks were \$3,238,416. The relevant details of the exercise of employee share options and exchange of convertible bonds are as follows:

	<u>Employee share options</u>	<u>Conversion rights of the convertible bonds</u>
Number of shares exchanged:		
First quarter	199,000 shares	1,886,588 shares
Second quarter	73,000 shares	3,505,134 shares
Total	<u>272,000 shares</u>	<u>5,391,722 shares</u>

The procedures for 2013 capital alteration registration (80,000 shares) were completed in April 2014. 272,000 share options were exercised in 2014, and the procedures for capital alteration registration were completed in 2014 for a total of 352,000 shares.

A resolution was passed in the shareholders' meeting held on June 27, 2014 to capitalize retained earnings of \$247,189. The capitalization of retained earnings involved issuance of 24,718,900 shares, each at a par value of NT\$10. The board of directors set September 10, 2014 as the record date of capital increase with the approval of the competent authority on September 25, 2014.



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

In 2014, the bonds were exchanged into 5,391,722 common shares. As of December 31, 2014, the Company's authorized capital was \$6,000,000 with par value of NT\$10. As of December 31, 2014, the Company's capital stock outstanding was \$3,543,042, divided into 354,304,224 shares.

There were no employee stock options nor bonds payable being converted during the year ended December 31, 2015.

As of December 31, 2015, the Company's authorized capital was \$6,000,000, divided into 600,000,000 shares with par value of NT\$10 each. The issued and outstanding capital stocks were \$3,543,042, divided into 354,304,224 shares.

(b) Capital surplus

	As of December 31,	
	2015	2014
Additional paid-in capital	\$893,991	\$893,991
Share of changes in net assets of associates and joint ventures accounted for using the equity method	2,629	2,629
Premium from merger	1,895	1,895
Share-based payment transactions	3,327	-
Share options	18,423	18,423
Total	<u>\$920,265</u>	<u>\$916,938</u>

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (c) Legal reserve

The Company Act provides that companies must retain at least 10% of their annual earnings, as defined in the Act, until such retention equals the amount of paid-in capital. This retention is accounted for as a legal reserve account. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

#### (d) Special reserve

When the Company distributed the earnings, 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. In 2014, the Company reversed special reserve \$693,553 and distributed some retained earnings.

Following the adoption of IFRS, the FSC on April 6, 2012 issued Order No Jin-Guan-Cheng-Fa-Zi. 1010012865, on a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a Company's adoption of the IFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, the special reserve equivalent to the net debit balance of the other components of shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed. The Company's special reserve resulted from first-time adoption of IFRS on January 1, 2012 (adoption date) was \$0.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(e) Retained earnings and dividend policies

a. According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order: payment of all taxes and dues; offset prior years' operation losses; set aside 10% of the remaining amount; set aside or reverse special reserve in accordance with law and regulations. After deducting the items above from the current year's earnings, the remaining amount together with the prior years' unappropriated earnings is to be allocated as follows:

- (i) Appropriation as employee' bonuses not less than 2% of the earnings
- (ii) Appropriation as directors' and supervisors' bonuses not higher than 2% of the earnings
- (ii) Other appropriation to shareholders
- (iii) Cash dividend would be no less than 5% of the total dividend to be distributed to shareholders.

However, according to the addition of Article 235-1 of the Company Act announced on 20 May, 2015, the Company shall provide a fixed amount or percentage of the actual profit for a year to be distributed as "employees' compensation", after deducting and setting aside an amount equal to the cumulative losses (if any). The aforementioned employees' compensation may be made in the form of stocks or cash, which shall be determined by a resolution adopted by a majority vote at a board of directors meeting attended by two-thirds or more of the directors and be reported at a shareholders' meeting. Furthermore the Articles of Incorporation may stipulate that the employees' compensation could be distributed to employees of affiliated enterprises meeting certain criteria. The Articles of Incorporation are to be amended in accordance with the aforementioned recent amendment to the Company Act in the shareholders' meeting in 2016.

b. Details of the 2015 and 2014 earnings distribution and dividends per share as approved and resolved by the Board of Directors' meeting and shareholders' meeting on March 25, 2016 and June 27, 2015 respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2015	2014	2015	2014
Legal reserve	\$50,291	\$15,447		
Common stock -cash dividend	425,165	177,152	\$1.20	\$0.50

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(f) Non-controlling interests

	For the years ended	
	December 31,	
	2015	2014
Beginning balance	\$100,174	\$102,021
Profit attributable to non-controlling interests	3,875	2,666
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	(1,467)	258
Acquisition of additional interest in a subsidiary	-	(500)
Difference between consideration given and carrying amount of interests in subsidiaries acquired	-	(2,629)
Others	-	(1,642)
Ending balance	<u>\$102,582</u>	<u>\$100,174</u>

(23) Share-based payment plans

(a) On September 7, 2004, and October 12, 2007, the Company was authorized by the Securities and Futures Bureau of the FSC, Executive Yuan, to issue non-compensatory employee share options with a total number of 12,000 and 26,000 units, respectively. Each unit entitles an optionee to subscribe for 1,000 shares of the Company's common shares. Settlement upon the exercise of the options will be made through the issuance of new shares. The exercise price of the option was set at the closing price of the Company's common share on the grant date. The optionee may exercise the options in accordance with certain schedules as prescribed by the plan. The contractual term of each option granted is seven years. If there are changes in the common shares of the Company, the exercise price of share options will be recalculated and adjusted in proportion to the number of shares being held by each of the optionee. As of December 31, 2015, the Company has not cancelled or modified the share-based payment plan proposed for employees.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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)	Exercise price of share options (NT\$)
Oct 26, 2007	26,000	-	33.2
Sep 30, 2008		-	15.9

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

	For the years ended December 31,			
	2015		2014	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT\$)	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT\$)
Outstanding at beginning of period	3,305	15.90	12,157	29.76
Granted	-		-	-
Exercised	-		272 <sup>1</sup>	17.10
Forfeited	-	15.90	-	-
Expired	3,305		8,580	32.59
Outstanding at end of period	<u>-</u>		<u>3,305</u>	15.90

<sup>1</sup> The weighted average share price at the date of exercise of these options was \$17.10.

b. The information on the outstanding share options as of 31 December 2015 and 2014 is as follows:

	Range of exercise price (NT\$)	Weighted average remaining contractual life (Years)
As of December 31, 2015 share options outstanding at the end of the period	\$33.2; \$15.9	0; 0.0
As of December 31, 2014 share options outstanding at the end of the period	\$33.2; \$15.9	0; 0.75

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

a. For the 1,800 units firstly issued, the optionee may exercise 50% of the options starting 2 years and 3 years from the grant date. The contractual term of each option granted is five years. If there are changes in the common shares of the Company, the exercise price of share options will be recalculated and adjusted in proportion to the number of shares being held by each of the optionee.

b. For the 8,700 units secondly issued, the optionee may exercise 100% of the options starting 2 years from the grant date. The contractual term of each option granted is five years. If there are changes in the common shares of the Company, the exercise price of share options will be recalculated and adjusted in proportion to the number of shares being held by each of the optionee.

As of December 31, 2015, the Company has not cancelled or modified the share-based payment plan proposed for employees

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\$)
Oct 29, 2015	10,500	10,500	10,500	15.75

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

	<u>For the years ended December 31,</u>	
	<u>2015</u>	
	Number of share options outstanding (unit)	Weighted average exercise price of share options (NT\$)
Outstanding at beginning of period	10,500	\$15.75
Expired	-	-
Outstanding at end of period	<u>10,500</u>	\$15.75
Weighted average fair value of share options (NT\$)		<u>\$3.9; 4.3</u>

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

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\$)
2015/10/29 Share options plan- 1,800 units firstly issued	\$15.75	1,800	2020/10/28	4.83	\$15.75	-	\$-
2015/10/29 Share options plan -8,700 units secondly issued	\$15.75	8,700	2020/10/28	4.83	\$15.75	-	\$-

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

The compensation cost is accounted for under the fair value method. The fair value of the share options is estimated at the grant date using a Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. The Company recognized compensation expense of \$1,859 in 2015. The following table lists the inputs to the model used for the plan:

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

For the 1,800 units first issued:

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

For the 8,700 units secondly issued:

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

(24) Operating revenue

	For the years ended December 31,	
	2015	2014
Sale revenue	\$21,424,334	\$21,492,057
Less: Sales returns, discounts and allowances	(1,474,789)	(1,504,531)
Total	<u>\$19,949,545</u>	<u>\$19,987,526</u>

(25) Summary statement of employee benefits, depreciation and amortization expenses by function for the year ended December 31, 2015 and 2014:

Function Nature	2015			2014		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$1,046,561	\$1,719,255	\$2,765,816	\$1,010,135	\$1,676,905	\$2,687,040
Labor and health insurance	21,289	134,968	156,257	20,220	134,873	155,093
Pension	114,869	75,634	190,503	96,066	65,280	161,346
Other employee benefits expense	5,327	29,890	35,217	5,797	19,440	25,237
Depreciation	130,912	175,457	306,369	121,959	182,923	304,882
Amortization	1,269	94,954	96,223	1,275	100,141	101,416



## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

A resolution was passed at a Board of Directors meeting of the Company held on Aug 7, 2015 to amend the Articles of Incorporation of the Company. According to the resolution, no less than 2% of profit of the current year is distributable as employees' compensation and no higher than 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. 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 in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. The Articles of Incorporation are to be amended in the shareholders' meeting in 2016. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of current year, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2015 to be 3.11% and 0.78% of profit of current year, respectively. The employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2015 amounted to \$20,236 and \$5,059, respectively, recognized as salary expense. A resolution was passed at a Board of Directors meeting held on March 25, 2016 to distribute \$17,902 and \$4,475 in cash as employees' compensation and remuneration to directors and supervisors, respectively. The difference of \$2,918 between the actual distribution resolved by the Board of Directors and the estimated amounts \$25,295, will be recognized as an adjustment to current income in 2016.

The estimated employee bonuses and remuneration to directors and supervisors for the year ended 31 December 2014 were based on post-tax net income of the period and the Company's Articles of Incorporation, and considered factors such as appropriation to legal reserve etc. The estimated employee bonuses and remuneration to directors and supervisors for the year ended 31 December 2014 are recognized as employee benefits expense for the period. If the Board modified the estimates significantly in the subsequent periods, the Company will recognize the change as an adjustment to current income. The difference between the estimation and the resolution of shareholders' meeting will be recognized in profit or loss of the subsequent year. The number of stocks distributed as employee bonuses was calculated based on the closing price one day earlier than the date of shareholders' meeting and considered the impacts of ex-right/ex-dividend.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

The Company distributed \$9,324 as employee bonuses and remuneration to directors and supervisors for the year ended 31 December 2014. The difference of \$24,779 between the actual employee bonuses and the estimated amount \$34,103 was recognized as an adjustment to current income in 2015.

(26) Non-operating income and expenses

a. Other income

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Interest income	\$41,894	\$34,470
Others	92,186	77,744
Total	<u>\$134,080</u>	<u>\$112,214</u>

b. Other gains and losses

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Losses on disposal of property, plant and equipment	\$(9,683)	\$(14,741)
Gains (losses) on disposal of investments	281,198	(75,777)
Foreign exchange gains, net	36,458	51,054
Impairment losses	-	(321)
Losses on financial assets at fair value through profit or loss	(5,968)	(20,449)
(Losses) gains on financial liabilities at fair value through profit or loss	(821)	1,452
Others	<u>(112,398)</u>	<u>(30,428)</u>
Total	<u>\$188,786</u>	<u>\$(89,210)</u>

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

c. Finance costs

	For the years ended December 31,	
	2015	2014
Interest on borrowings from bank	\$97,356	\$82,558
Interest on bonds payable	3,173	11,960
Others	16,070	-
Total	\$116,599	\$94,518

(27) Components of other comprehensive income

For the year ended December 31, 2015:

	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	\$(30,914)	\$ -	\$(30,914)	\$1,673	\$(29,241)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(59,801)	-	(59,801)	-	(59,801)
Unrealized gains (losses) from available-for-sale financial assets	-	176,388	176,388	(11,051)	165,337
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(620)	-	(620)	-	(620)
Total of other comprehensive income	\$(91,335)	\$176,388	\$85,053	\$(9,378)	\$75,675

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 December 31, 2014:

	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	\$7,495	\$-	\$7,495	\$78	\$7,573
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	229,536	-	229,536	-	229,536
Unrealized gains (losses) from available-for-sale financial assets	(161,522)	100,239	(61,283)	(459)	(61,742)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	910	-	910	-	910
Total of other comprehensive income	<u>\$76,419</u>	<u>\$100,239</u>	<u>\$176,658</u>	<u>\$(381)</u>	<u>\$176,277</u>

(28) Income tax

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

(a) Income tax expense recognized in profit or loss

	For the years ended December 31,	
	2015	2014
Current income tax expense:		
Current income tax charge	\$329,944	\$284,080
Adjustments in respect of current income tax of prior periods	-	(78,260)
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(89,477)	(65,632)
Deferred tax expense relating to origination and reversal of tax loss and tax credit	-	5,275
Total income tax expense	<u>\$240,467</u>	<u>\$145,463</u>

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

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

	For the years ended	
	December 31,	
	2015	2014
Deferred tax expense (income):		
Unrealized gains (losses) from available-for-sale financial assets	\$11,051	\$459
Remeasurements of defined benefit plans	(1,673)	(78)
Income tax relating to components of other comprehensive income	\$9,378	\$381

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

	For the years ended December 31,	
	2015	2014
	Accounting profit before tax from continuing operations	\$747,255
Tax at the domestic rates applicable to profits in the country concerned	\$338,348	\$145,231
Tax effect of revenues exempt from taxation	(40,451)	12,105
Tax effect of expenses not deductible for tax purposes	(89,477)	(65,632)
Tax effect of deferred tax assets/liabilities	-	132,019
10% surtax on unappropriated earnings	-	(78,260)
Adjustments in respect of current income tax of prior periods	32,047	-
Total income tax expenses recorded in profit or loss	\$240,467	\$145,463

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

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

a. For the year ended December 31, 2015:

Items	Beginning balance as of January 1	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance as of December 31
Temporary difference					
Allowance to reduce inventories to market value	\$66,723	\$(10,022)	\$-	\$(1,393)	\$78,138
Non-current liability – Defined benefit Liability	44,832	29,454	(1,673)	(30,305)	47,356
Unused tax losses	1,235	-	-	-	1,235
Unrealized intragroup profits and losses	157,289	21,147	-	-	136,142
Accrued expense	31,572	-	-	17,110	14,462
Allowance for sales discounts	4,446	(14,029)	-	2,383	16,092
Bad debt loss	14,400	(1,233)	-	(472)	16,105
Unrealized impairment loss	48	36	-	1,284	(1,272)
Unrealized exchange gain or loss	(89)	(1,213)	-	122	1,002
Revaluations of financial liabilities at fair value through profit or loss	24	3	-	-	21
Gains on disposal of investment	(95,676)	(106,727)	11,051	-	-
Revaluations of financial assets at fair value through profit or loss	(29)	360	-	-	(389)
Exchange differences resulting from translating the financial statements of a foreign operation	(35,744)	-	-	-	(35,744)
Depreciation	(52,823)	(7,253)	-	1,723	(47,293)
Deferred tax expense/ (income)		<u>\$(89,477)</u>	<u>\$9,378</u>	<u>\$(9,548)</u>	
Net deferred tax assets/ (liabilities)	<u>\$136,208</u>				<u>\$225,855</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$320,569</u>				<u>\$310,553</u>
Deferred tax liabilities	<u>\$(184,361)</u>				<u>\$(84,698)</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 December 31, 2014:

Items	Beginning balance as of January 1	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Ending balance as of December 31
Temporary difference					
Allowance to reduce inventories to market value	\$67,038	\$2,407	\$-	\$(2,092)	\$66,723
Non-current liability – Defined benefit Liability	38,250	(5,072)	(78)	(1,432)	44,832
Unused tax losses	5,772	5,275	-	(738)	1,235
Unrealized intragroup profits and losses	105,425	(51,864)	-	-	157,289
Accrued expense	24,665	(7,396)	-	489	31,572
Allowance for sales discounts	2,649	(2,199)	-	402	4,446
Bad debt loss	11,719	(2,132)	-	(549)	14,400
Unrealized impairment loss	-	(47)	-	(1)	48
Unrealized exchange gain or loss	(126)	29	-	(66)	(89)
Revaluations of financial liabilities	-	(24)	-	-	24
Gains on disposal of investment	(95,217)	-	459	-	(95,676)
Revaluations of financial assets at fair value through profit or loss	(988)	(965)	-	6	(29)
Exchange differences resulting from translating the financial statements of a foreign operation	(35,744)	-	-	-	(35,744)
Depreciation	(53,467)	(3,644)	-	3,000	(52,823)
Deferred tax expense/ (income)		<u>\$(65,632)</u>	<u>\$381</u>	<u>\$(981)</u>	
Net deferred tax assets/ (liabilities)	<u>\$69,976</u>				<u>\$136,208</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$255,518</u>				<u>\$320,569</u>
Deferred tax liabilities	<u>\$(185,542)</u>				<u>\$(184,361)</u>

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

c. Unrecognized deferred tax assets

As of 31 December 2015 and 2014, deferred tax assets that have not been recognized amount to \$183,427 and \$157,237 respectively

d. 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 2015 and 2014, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregate to \$519,129 and \$456,823, respectively.

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

Occurrence Year	Accumulated losses	Balance of unused investment tax credits as of		Expiration Year
		31 December 2015	31 December 2014	
2010	15,708	14,785	14,785	2020
2011	30,089	29,227	29,227	2021
2012	46,048	46,048	46,048	2022
2013	76,582	76,582	76,582	2023
2014	23,516	25,299	25,299	2024
2015	19,312	19,312	-	2025

(f) Imputation credit information

	As of December 31,	
	2015	2014
Balance of the imputation credit account	\$268,902	\$108,989



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	For the years ended December 31,	
	2015	2014
Expected (actual) creditable ratio	15.04%	18.33%

The income tax payable of 2015 was included in the calculation of the expected creditable ratio for 2015.

The Company's earnings generated in the year ended 31 December 1997 and prior years have been fully distributed.

(g) The assessment of income tax returns

As of December 31, 2015, the assessment of the income tax returns of the Company is as follows:

	The assessment of income tax returns
Globe Union Industrial Corp.	Assessed and approved up to 2012
Subsidiary - Home Boutique International Co., Ltd.	Assessed and approved up to 2013
Subsidiary - YI SHEH CO., LTD.	Assessed and approved up to 2013
Subsidiary - Home Boutique Co., Ltd.	Assessed and approved up to 2013

As of December 31, 2015, all foreign subsidiaries governed by foreign tax authorities have filed income tax returns up to 2014.

(29) Earnings per share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity 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.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	For the years ended	
	December 31,	
	2015	2014
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$502,913	\$154,471
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	354,304	352,173
Basic earnings per share (NT\$)	\$1.42	\$0.44
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$502,913	\$154,471
Interest expense from convertible bonds (in thousand NT\$)	2,634	- <sup>1</sup>
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	\$505,547	\$154,471
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	354,304	352,173
Effect of dilution:		
Employee bonus – stock (in thousands)	1,314	1,705
Employee stock options (in thousands)	- <sup>2</sup>	625
Convertible bonds (in thousands)	11,393	- <sup>1</sup>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	367,011	354,503
Diluted earnings per share (NT\$)	\$1.38	\$0.44

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.

<sup>1</sup> In 2014, the convertible bonds were anti-dilutive, and were excluded from the computation of diluted earnings per share.

<sup>2</sup> In 2015, the employee stock options were anti-dilutive, and were excluded from the computation of diluted earnings per share

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

**7. RELATED PARTY TRANSACTIONS**

(1) Significant transactions with related parties

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

	As of December 31,	
	2015	2014
Associates	\$1,692	\$1,958
Less: allowance for doubtful accounts	-	-
Net	\$1,692	\$1,958

(b) Key management personnel compensation

	For the years ended December 31,	
	2015	2014
Short-term employee benefits	\$177,148	\$199,524
Post-Employment Benefits	8,771	27,450
Total	\$185,919	\$226,974

**8. ASSETS PLEDGED AS SECURITY**

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

Item	Carrying amount as of December 31,		Secured liabilities
	2015	2014	
Accounts receivable	\$213,424	\$173,937	Short-term borrowings
Other receivable - time deposit (recorded under other current assets)	117,348	90,895	Short-term borrowings
Land and buildings	187,273	187,273	Short-term borrowings
Transportation equipment	659	1,070	Short-term borrowings
Total	\$518,704	\$453,175	

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- (1) On October 1, 2013, the Company has entered into a land lease agreement with Taichung Branch, Export Processing Zone Administration. The lease term is ten years, starting from October 1, 2013 to September 30, 2023. The rent is adjusted based on the land price, and current monthly rent is \$59.
- (2) The Company and its subsidiaries provided endorsement/guarantee to related parties. Please refer to Note 13(1)(b) for more details.
- (3) Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain offices and warehouses. Future minimum rentals payable as of December 31, 2015 and 2014, are as follows:

	As of December 31,	
	2015	2014
Not later than one year	\$122,937	\$117,975
Later than one year and not later than five years	464,039	230,311
Later than five years	20,369	20,632
Total	<u>\$607,345</u>	<u>\$368,918</u>

- (4) In February 2014, the Company has entered into a syndicated loan agreement with TC Bank and eleven lending institutions of syndicated credits such as Chinatrust Commercial Bank, Chang Hwa Bank, Industrial Bank of Taiwan, Bank of Taiwan, E.SUN Commercial Bank, and Taipei Fubon Commercial Bank. The agreement contains the following restrictive covenants:
  - (a) The current ratio shall not be lower than 100%.
  - (b) The liability ratio shall not be higher than 180%.
  - (c) The interest coverage ratio shall not be lower than 2.

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

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

In January 2016, the North America and brand general manager, Michael Eric Werner, resigned from the post as general manager of the holding company in North America and the brand general manager due to personal career plan. He also resigned from his position as the director of the parent company and affiliates at the same time. The Company agreed to pay compensations and severance pay, and has enter into a resignation agreement with Michael Eric Werner based on his tenure and in accordance with relevant employment rules in the US. In 2016, the aforementioned subsequent event has been accounted for in accordance with the agreement and related accounting principles.

Keith Edward Yurko, who is experienced in brand business and original equipment manufacturer market, took over the position as general manager of the holding company in North America and the brand general manager.

12. OTHERS

(1) Financial instruments

(a) Categories of financial instruments

<u>Financial assets</u>	<u>As of December 31,</u>	
	<u>2015</u>	<u>2014</u>
Financial assets at fair value through profit or loss:		
Forward currency contracts	\$4,989	\$1,844
Embedded derivative- bonds payable	61	81
Available-for-sale financial assets:		
Available-for-sale financial assets- current	-	594,899
Financial assets measured at cost- non current	-	49,780
Loans and receivables:		
Cash and cash equivalents (exclude cash on hand)	2,955,548	2,563,234
Notes and accounts receivable	3,693,301	3,602,185
Other receivable- time deposit	117,348	90,895

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Financial liabilities

Financial liabilities at amortized cost:

Short-term borrowings	\$1,535,029	\$1,810,877
Notes and accounts payable	2,664,846	2,710,713
Bonds payable(including current portion with maturity less than 1 year)	197,044	193,871
Long-term borrowings(including current portion with maturity less than 1 year)	2,140,659	2,275,110

Financial liabilities at fair value through profit or loss:

Forward currency contracts	26,298	11,166
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(b) Financial risk management objectives and policies

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

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

(c) Market risk

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

a. Foreign currency risk

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

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

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 of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD and CNY. The information of the sensitivity analyses as follows:

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

	Increase (decrease) in equity	Decrease (increase) in profit or loss
For the year ended December 31, 2015	\$-	\$5,114
For the year ended December 31, 2014	\$-	\$5,536

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

	Increase (decrease) in equity	Decrease (increase) in profit or loss
For the year ended December 31, 2015	\$-	\$(2,977)
For the year ended December 31, 2014	\$-	\$1,136

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### b. Equity price risk

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

Please refer to Note 12 (1) (g) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

#### c. Interest rate risk

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

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

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2015 and 2014 to increase/decrease by \$3,676 and \$4,086, respectively



## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

#### (d) Credit risk management

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

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

As of December 31, 2015 and December 31, 2014, amounts receivables from top ten customers represented 50.23% and 49.67% of the total trade receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

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

#### (e) Liquidity risk management

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

	Less than 1				Total
	year	2 to 3 years	4 to 5 years	> 5 years	
As of December 31, 2015					
Short-term borrowings	\$1,538,697	\$-	\$-	\$-	\$1,538,697
Notes and accounts payable	2,664,846	-	-	-	2,664,846
Convertible bonds	-	223,080	-	-	223,080
Long-term borrowings(including current portion with maturity less than 1 year)	153,724	1,061,526	942,298	87,075	2,244,623
Other payables	231,238	-	-	-	231,238
As of December 31, 2014					
Short-term borrowings	\$1,814,968	\$-	\$-	\$-	\$1,814,968
Notes and accounts payable	2,710,713	-	-	-	2,710,713
Convertible bonds	-	223,080	-	-	223,080
Long-term borrowings(including current portion with maturity less than 1 year)	135,189	722,840	1,476,833	85,411	2,420,273
Other payables	208,829	-	-	-	208,829

**Derivative financial instruments**

	Less than 1				Total
	year	2 to 3 years	4 to 5 years	> 5 years	
As of December 31, 2015					
Inflows	\$1,941,821	\$-	\$ -	\$ -	\$1,941,821
Outflows	(1,968,119)	-	-	-	(1,968,119)
Net	\$(26,298)	\$-	\$ -	\$ -	\$(26,298)
As of December 31, 2014					
Inflows	\$1,161,271	\$-	\$-	\$-	\$1,161,271
Outflows	(1,172,437)	-	-	-	(1,172,437)
Net	\$(11,166)	\$ -	\$ -	\$ -	\$(11,166)

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

## GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

(f) Fair value of financial instruments

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

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

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

Other than the items listed in the table below, the carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value

	Carrying amount as of December 31,	
	2015	2014
Financial liabilities:		
Bonds payable	\$197,044	\$193,871
	Fair value as of December 31,	
	2015	2014
Financial liabilities:		
Bonds payable	\$217,929	\$212,757

- c. Fair value measurement hierarchy for financial instruments

Please refer to Note 12 (7) for fair value measurement hierarchy for financial instruments of the Group.

(g) Fair value measurement hierarchy

- a. Fair value measurement hierarchy

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

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

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

As of December 31, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$-	\$4,989	\$-	\$4,989
Embedded derivatives- bonds payable	-	61	-	61
Available-for-sale financial assets-current				
Stock	-	-	-	-
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	26,298	-	26,298

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

As of December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$-	\$1,844	\$-	\$1,844
Embedded derivatives- bonds payable	-	81	\$-	81
Available-for-sale financial assets-current				
Stock	594,899	-	-	594,899
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	-	11,166	-	11,166

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

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

Not applicable.

(2) 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 of December 31, 2015 and 2014 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)

Forward currency contracts

The Group entered into forward currency contracts to manage its exposure to financial risk. The table below lists the information related to forward currency contracts:

Items (by contract)	Notional Amount (in thousands)	Contract Period
As of December 31, 2015		
Forward currency contract	Sell USD 58,000	From Jan, 2016 to Aug, 2016
Forward currency contract	Sell EUR 3,100	From Jan, 2016 to Aug, 2016
Forward currency contract	Sell GBP 1,702	From Oct, 2015 to Mar, 2016
Forward currency contract	Sell CAD 3,100	From Jan, 2016 to Mar, 2016
Forward currency contract	Buy GBP 23	From Dec, 2015 to Feb, 2016
As of December 31, 2014		
Forward currency contract	Sell USD 49,000	From Jan, 2015 to Jun, 2015
Forward currency contract	Sell EUR 500	From Jan, 2015
Forward currency contract	Sell GBP 1,300	From Oct, 2014 to Feb, 2015
Forward currency contract	Sell CAD 1,600	From Jan, 2015 to Feb, 2015

Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6 (19) for further information on this transaction.

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.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(3) Significant assets and liabilities denominated in foreign currencies

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

	Unit: Thousands					
	As of December 31, 2015			As of December 31, 2014		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items:</u>						
USD	\$31,740	32.810	\$1,041,389	\$27,496	31.620	\$869,424
CNY	292,740	4.998	1,463,115	443,264	5.101	2,261,090
EUR	4,892	35.890	175,574	5,504	38.550	212,179
CAD	6,540	23.690	154,933	5,903	27.330	161,329
GBP	16,163	48.730	787,623	22,588	49.360	1,114,944
<u>Financial liabilities</u>						
<u>Monetary item:</u>						
USD	\$16,152	32.810	\$529,947	\$9,987	31.620	\$315,789
CNY	352,307	4.998	1,760,830	420,985	5.101	2,147,444
EUR	1,038	35.890	37,254	1,094	38.550	42,174
CAD	1,016	23.690	24,069	1,318	27.330	36,021
GBP	24,282	48.730	1,183,262	27,323	49.360	1,348,663

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 December 31, 2015 and 2014 were \$36,458 and \$51,054, respectively.



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(4) 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.

13. OTHER DISCLOSURE

(1) Information at significant transactions

(a) Financing provided to others for the year ended December 31, 2015: All transactions below were between consolidated entities and have been eliminated in consolidation.

No	Lender	Counter-party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Amount drawn	Interest rate	Nature of financing (Note6)	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
1	Globe Union UK Ltd.	PJH Group Limited	Other receivable	Yes	\$404,640 GBP8,000,000	\$389,840 GBP8,000,000	\$337,943 GBP6,934,554	-	2	\$-	For operating	\$-	-	\$-	\$707,764 GBP14,524,187 (Note4)	\$707,764 GBP14,524,187 (Note1)
2	Great Hope Management Consulting Inc.	HBS CO., LTD	Other receivable	Yes	\$67,140 USD2,039,488	\$66,916 USD2,039,488	\$66,916 USD2,039,488	-	2	\$-	For operating	\$-	-	\$-	\$62,857 (Note4)	\$62,857 (Note1)
3	Qingdao Lin Hon Precision Industrial Corp.	Qingdao Globe Union Technology Industrial Corp.	Other receivable	Yes	\$70,504 RMB14,000,000	\$48,081 RMB9,620,000	\$48,081 RMB9,620,000	-	2	\$-	For operating	\$-	-	\$-	\$111,119 RMB22,232,725 (Note4)	\$111,119 RMB22,232,725 (Note1)
4	Globe Union Industrial (BVI) Corp.	Globe Union (UK) Ltd.	Other receivable	Yes	\$101,160 GBP2,000,000	\$97,460 GBP2,000,000	\$97,460 GBP2,000,000	-	2	\$-	For operating	\$-	-	\$-	\$603,683 (Note2)	\$1,609,820 (Note1)

**GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES**

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

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

No	Lender	Counter-party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Amount drawn	Interest rate	Nature of financing (Note6)	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		
4	Globe Union Industrial (BVI) Corp	Shenzhen Globe Union Enterprise Co., Ltd.	Other receivable	Yes	\$24,835 RMB4,917,802	\$- RMB-	\$- RMB-	-	2	\$-	For operating	\$-	-	\$-	\$603,683 (Note2)	\$1,609,820 (Note1)
4	Globe Union Industrial (BVI) Corp	Globe Union Cayman Corp.	Other receivable	Yes	\$50,580 GBP1,000,000	\$48,730 GBP1,000,000	\$48,730 GBP1,000,000	-	2	\$-	For operating	\$-	-	\$-	\$603,683 (Note2)	\$1,609,820 (Note1)
5	Gerber Plumbing Fixture LLC	Globe Union (Canada) Inc.	Other receivable	Yes	\$65,840 USD2,000,000	\$65,620 USD2,000,000	\$36,029 USD1,098,106	-	2	\$-	For operating	\$-	-	\$-	\$427,121 USD13,018,011 (Note3)	\$569,495 USD17,357,348 (Note1)
6	Globe Union (Bermuda) Ltd.	Globe Union Industrial (BVI) Corp.	Other receivable	Yes	\$195,362 USD6,200,000	\$- USD-	\$- USD-	-	2	\$-	For operating	\$-	-	\$-	\$555,409 (Note2)	\$1,481,090 (Note1)
7	Danze Inc.	Gerber Plumbing Fixture LLC	Other receivable	Yes	\$164,600 USD5,000,000	\$164,050 USD5,000,000	\$109,903 USD3,350,000	-	2	\$-	For operating	\$-	-	\$-	\$231,720 USD7,062,477 (Note3)	\$308,960 USD9,416,636 (Note1)
8	Home Boutique International Co., Ltd.	Home Boutique Co., Ltd	Other receivable	Yes	\$3,000	\$3,000	\$3,000	-	2	\$-	For operating	\$-	-	\$-	\$140,993 (Note5)	\$281,986 (Note1)

Note 1: Total financing was limited to 40% of net equity of the lender as of December 31, 2015.

Note 2: Financing to individual counterparty was limited to 15% of the net equity of the lender as of December 31, 2015.

Note 3: Financing to individual counterparty was limited to 30% of the net equity of the lender as of December 31, 2015.

Note 4: Financing to individual counterparty was limited to 40% of the net equity of the lender as of December 31, 2015.

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

Note 6: Code 1 represents an intercompany transaction calls for a loan arrangement; code 2 represents short-term financing.

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(b) Endorsement/Guarantee provided to others for the year ended December 31, 2015:

No	Endorser/ Guarantor	Counterparty		Guarantee Limited Amount for each Counterparty	Maximum balance for the period	Guarantee Amount in the end of 2015	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 (Note5)										
0	Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	3	\$2,162,726 (Note 1)	\$164,600 USD5,000,000	\$164,050 USD5,000,000	\$164,050 USD5,000,000	\$-	2.28%	\$3,604,543 (Note 2)	Y	-	Y
0	Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd.	3	\$2,162,726 (Note 1)	\$220,570 USD7,000,000	\$-	\$-	\$-	-	\$3,604,543 (Note 2)	Y	-	Y
1	YI SHEH CO., LTD.	Home Boutique Internationa l Co., Ltd.	4	\$40,256 (Note3)	\$9,450	\$9,450	\$9,450	\$-	23.47%	\$40,256 (Note 3)	-	-	-
2	Home Boutique Internatio nal Co., Ltd.	Great Hope Manageme nt Consulting INC.	2	\$422,979 (Note 4)	\$265,840	\$265,620	\$-	\$-	37.68%	\$422,979 (Note 4)	-	-	-
2	Home Boutique Internatio nal Co., Ltd.	YI SHEH CO., LTD.	2	\$422,979 (Note 4)	\$33,000	\$33,000	\$3,031	\$-	4.68%	\$422,979 (Note 4)	-	-	-
2	Home Boutique Internatio nal Co., Ltd.	HBS CO., LTD	3	\$422,979 (Note 4)	\$92,176	\$91,868	\$4,792	\$-	13.03%	\$422,979 (Note 4)	-	-	Y

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Note 1: The total amount may not exceed 30% of net equity of the guarantor as of December 31, 2015.

Note 2: The total amount may not exceed 50% of net equity of the guarantor as of December 31, 2015.

Note 3: The amount of guarantees/endorsements shall not exceed 100% of net equity of the guarantor as of December 31, 2015.

Note 4: The amount of guarantees/endorsements shall not exceed 60% of net equity of the guarantor as of December 31, 2015.

Note 5: 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 50% 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.

(c) Securities held as of December 31, 2015 (excluding subsidiaries, associates and joint venture): None.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the paid-in capital for the year ended December 31, 2015:

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship with the Company	January 1, 2015		Sale				December 31, 2015	
					Units	Amount	Units	Amount	Carrying cost	Gain (loss) From disposal	Units	Amount
Globe Union Industrial (BVI) Corp	Shenzhen Bauing Construction Holding Group	available-for-sale financial assets-current	-	None	21,477,719	\$594,899	21,477,719	\$1,034,012	\$722,101	\$311,911	-	\$-

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the paid-in capital for the year ended December 31, 2015: None.
- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock for the year ended December 31, 2015: None.
- (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2015:

Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd.	Investee company	Purchase	\$2,957,660	20.49%	150 days after EOAP	A small portion of the purchase prices between related parties were not significantly different from that with the third parties. For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	\$(1,430,453)	(53.68%)	-
Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	Investee company	Purchase	\$1,857,590	12.87%	30 days after EOAP	A small portion of the purchase prices between related parties were not significantly different from that with the third parties. For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	\$(196,278)	(7.37%)	-
Globe Union Industrial Corp.	Danze Inc.	Investee company	Sales	\$(436,767)	(2.19%)	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	\$39,828	1.08%	-

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Globe Union Industrial Corp.	Gerber Plumbing Fixture LLC	Investee company	Sales	\$(2,293,211)	(11.50%)	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	\$170,730	4.62%	-
Globe Union Industrial Corp.	Globe Union (Canada) Inc.	Investee company	Sales	\$(277,444)	(1.39%)	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	\$77,255	2.09%	-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	\$(2,957,660)	(14.83%)	150 days after EOAP	A small portion of the selling prices between related parties were not significantly different from that with the third parties. For the other selling prices, there were no comparable goods sold to the third parties.	Regular	\$1,430,453	38.73%	-
Danze Inc.	Globe Union Industrial Corp.	Group direct parent company	Purchase	\$436,767	3.03%	30 days after EOAP	A small portion of the purchase prices between related parties were not significantly different from that with the third parties. For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	\$(39,828)	(1.49%)	-
Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	Group direct parent company	Purchase	\$2,293,211	15.89%	30 days after EOAP	A small portion of the purchase prices between related parties were not significantly different from that with the third parties. For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	\$(170,730)	(6.41%)	-

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Globe Union (Canada) Inc.	Globe Union Industrial Corp.	Group direct parent company	Purchase	\$277,444	1.92%	120 days after EOAP	A small portion of the purchase prices between related parties were not significantly different from that with the third parties. For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	\$(77,255)	(2.90%)	-
Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	Sales	\$(1,857,590)	(9.31%)	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	\$196,278	5.31%	-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co.KG	Associate	Sales	\$(388,402)	(1.95%)	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	\$105,393	2.85%	-
Globe Union Germany GmbH & Co.KG	Shenzhen Globe Union Enterprise Co., Ltd.	Associate	Purchase	\$388,402	2.69%	120 days after EOAP	A small portion of the purchase prices between related parties were not significantly different from that with the third parties. For the other purchase prices, there were no comparable goods bought from third party suppliers.	Regular	\$(105,393)	(3.95%)	-

**GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES**

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

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

- (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock as of year ended December 31, 2015:

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	Investee company	\$170,730	6.33 times	\$-	-	\$170,730	\$-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	\$1,430,453 RMB 286,569,946	2.45 times	\$-	-	\$514,277 RMB 102,896,564	\$-
Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co.KG	Associate	\$105,393 RMB 21,087,108	3.75 times	\$-	-	\$25,838 RMB 5,169,676	\$-
Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	Group direct parent company	\$196,278 RMB 41,206,888	7.75 times	\$-	-	\$196,278 RMB 41,206,888	\$-

- (i) Financial instruments and derivative transactions:

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

B. Please refer to Note 6(19) for more details on call (put) options of bonds payable.

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

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



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

No (Note1)	Company Name	Counter Party	Nature of Relationship (Note2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note3)
0	Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd.	1	Purchases	\$2,957,660	Note4(1)	14.83%
0	Globe Union Industrial Corp.	Shenzhen Globe Union Enterprise Co., Ltd.	1	Accounts payable	(1,430,453)	Note4(3)	(8.94%)
0	Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	1	Purchases	1,857,590	Note4(1)	9.31%
0	Globe Union Industrial Corp.	Milim G&G Ceramics Co., Ltd.	1	Accounts payable	(196,278)	Note4(3)	(1.23%)
0	Globe Union Industrial Corp.	Danze Inc.	1	Sales	(436,767)	Note4(2)	(2.19%)
0	Globe Union Industrial Corp.	Danze Inc.	1	Accounts receivable	39,828	Note4(3)	0.25%
0	Globe Union Industrial Corp.	Globe Union (Canada) Inc.	1	Sales	(277,444)	Note4(2)	(1.39%)
0	Globe Union Industrial Corp.	Globe Union (Canada) Inc.	1	Accounts receivable	77,255	Note4(3)	0.48%
0	Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	1	Sales	(2,293,211)	Note4(2)	(11.50%)
0	Globe Union Industrial Corp.	Gerber Plumbing Fixtures, LLC	1	Accounts receivable	170,730	Note4(3)	1.07%
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Sales	(2,957,660) RMB(584,519,452)	Note4(2)	(14.83%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Industrial Corp.	2	Accounts receivable	1,430,453 RMB 286,569,946	Note4(3)	8.94%
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co.KG	3	Sales	(388,402) RMB(77,511,434)	Note4(2)	(1.95%)
1	Shenzhen Globe Union Enterprise Co., Ltd.	Globe Union Germany GmbH & Co.KG	3	Accounts receivable	105,393 RMB 21,087,108	Note4(3)	0.66%

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

No (Note1)	Company Name	Counter Party	Nature of Relationship (Note2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note3)
2	Globe Union (Canada) Inc.	Globe Union Industrial Corp.	2	Purchases	277,444 USD 11,757 CAD 11,162,011	Note4(1)	1.39%
2	Globe Union (Canada) Inc.	Globe Union Industrial Corp.	2	Accounts payable	(77,255) CAD (3,162,607)	Note4(3)	(0.48%)
3	Danze Inc.	Globe Union Industrial Corp.	2	Purchases	436,767 USD 13,840,029	Note4(1)	2.19%
3	Danze Inc.	Globe Union Industrial Corp.	2	Accounts payable	(39,828) USD (1,222,977)	Note4(3)	(0.25%)
4	Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	2	Purchases	2,293,211 USD 72,511,904	Note4(1)	11.50%
4	Gerber Plumbing Fixtures, LLC	Globe Union Industrial Corp.	2	Accounts payable	(170,730) USD (5,160,299)	Note4(3)	(1.07%)
5	Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	2	Sales	(1,857,590) RMB (367,563,987)	Note4(2)	(9.31%)
5	Milim G&G Ceramics Co., Ltd.	Globe Union Industrial Corp.	2	Accounts receivable	196,278 RMB 41,206,888	Note4(3)	1.23%

**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)
6	Globe Union Germany GmbH & Co.KG	Shenzhen Globe Union Enterprise Co., Ltd.	3	Purchases	388,402 EUR 11,210,172	Note4(1)	1.95%
6	Globe Union Germany GmbH & Co.KG	Shenzhen Globe Union Enterprise Co., Ltd.	3	Accounts payable	(105,393) EUR (2,982,576)	Note4(3)	(0.66%)

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

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

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

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

Note 3: The total transaction amount is calculated revenues or total assets ratio, the case of those balance sheet items to the way the ending balance of total assets; If the profit and loss items are those to the cumulative amount of total revenue for the period is calculated.

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

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

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

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

**(2) Information on investees**

**(a) Names, locations, main businesses and products, original investment amount, investment as of December 31, 2015, net income (loss) of investee company and investment income (loss) recognized as of December 31, 2015 (excluding investees in Mainland China):**

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment Amount		Investment as of December 31, 2015			Net income (loss) of investee company	Investment income (loss) recognized	Note
				December 31, 2015	December 31, 2014	Number of shares (thousands)	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%	\$4,006,392	\$463,996	\$467,552	Note
Globe Union Industrial Corp.	Globe Union (Bermuda) Ltd.	21 Laffan Street, Hamilton HM09, Bermuda	Holding company	\$3,098,447	\$3,098,447	93,449,027	100%	\$3,495,080	\$120,153	\$156,597	Note
Globe Union Industrial Corp.	Globe Union Cayman Corp.	Scotia Center, 4th Floor ,P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	Holding company	\$3,066,924	\$3,066,924	97,113,389	100%	\$1,936,158	\$(185,527)	\$(185,527)	
Globe Union Industrial Corp.	Home Boutique International Co., Ltd.	1F., No. 260, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	Selling and distributing kitchen and bathroom products	\$705,269	\$705,269	62,150,000	86.319%	\$669,801	\$28,048	\$24,204	Note

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 through Globe Union Industrial (B.V.I) Corp. and Globe Union (Bermuda) Ltd. as of December 31, 2015:

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized (Note 1)	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015
					Outflow	Inflow						
Shenzhen Bauing Construction Holding Group Co.,Ltd.(Note4)	Providing construction and architectural decoration services	\$6,312,981 (RMB 1,263,101,435)	Investment in Mainland China companies through a company invested and established in a third region	\$83,040 (USD 2,626,184)	\$-	\$-	\$86,165 (USD 2,626,184) (Note 5)	\$1,390,525 (Note 2)	-%	\$-	\$-	\$68,570
Shenzhen Globe Union Enterprise Co., Ltd.	Manufacturing and selling plumbing products	\$1,901,539 (RMB 380,459,896)	Investment in Mainland China companies through a company invested and established in a third region	\$-	\$-	\$-	\$-	\$308,727	100%	\$308,727	\$2,267,679	\$188,508
Milim G&G Ceramics Co., Ltd.	Manufacturing and selling sanitary ceramic wares	\$893,683 (RMB 178,808,100)	Investment in Mainland China companies through a company invested and established in a third region	\$550,691 (USD 16,784,252)	\$-	\$-	\$550,691 (USD 16,784,252)	\$(13,800)	100%	\$(13,800)	\$1,050,015	\$-
Qingdao Globe Union Technology Industrial Corp.	Manufacturing and selling plumbing products	\$1,901,090 (RMB 380,370,175)	Investment in Mainland China companies through a company invested and established in a third region	\$395,295 (USD 12,048,000)	\$-	\$-	\$395,295 (USD 12,048,000)	\$(19,113)	100%	\$(19,113)	\$273,174	\$-
Qingdao Lin Hon Precision Industrial Corp.	Manufacturing and selling plumbing products	\$539,544 (RMB 107,952,004)	Investment in Mainland China companies through a company invested and established in a third region	\$167,331 (USD 5,100,000)	\$-	\$-	\$167,331 (USD 5,100,000)	\$(34,169)	100%	\$(34,169)	\$277,798	\$-
HBS CO., LTD	Selling and distributing kitchen and bathroom products	\$528,591 (RMB 105,760,598.3)	Investment in Mainland China companies through a company invested and established in a third region	\$-	\$-	\$-	\$-	\$(14,055)	91.46%	\$(12,855)	\$123,998	\$-

**GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES**

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

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

Accumulated Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$1,023,161 (USD 31,184,435)	\$1,339,665(USD 40,830,991)	Not applicable (Note 3)

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

Note 2: The information was based on the investment statements announced by the company.

Note 3: 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 4: On February 20, 2014, Shenzhen Globe Union Industrial Corp. changed its name to Shenzhen Bauing Construction Holding Group Co., Ltd.

Note 5: On October 31, 2013, the Company sold 20.84% of the voting shares of Shenzhen Globe Union Industrial Corp. (renamed as Shenzhen Bauing Construction Holding Group Co., Ltd.) to Gu Shao-Ming due to the Group's significant asset reorganization and issuance of new stocks to purchase assets. The percentage of voting shares decreased to 3.48% as of December 31, 2013. On April 8, 2014, Shenzhen Bauing Construction Holding Group Co., Ltd. issued new shares but the Company didn't acquire new shares in proportion to ownership interest. In the fourth quarter of 2014, the Company started to sell some of its shares of Shenzhen Bauing Construction Holding Group Co., Ltd., and its ownership interest decreased from 3.48% to 0% in the fourth quarter of 2015. The investment hasn't been remitted to the Company as of December 31, 2015.

**b. Information on investments in mainland China from the subsidiaries through Great Hope Management Consulting Inc. as of December 31, 2015:**

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015
					Outflow	Inflow						
HBS CO., LTD	Selling of furniture and kitchen products	\$528,591 (RMB 105,760,598.3)	Investment in Mainland China companies through a company invested and established in a third region	\$304,313 (USD 9,275,000)	\$-	\$ -	\$304,313 (USD 9,275,000)	\$(14,055)	91.46%	\$(12,855) (Note1)	\$123,998	\$ -

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Accumulated investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
		The lender's net accounts value×60%
\$304,313 (USD 9,275,000)	\$423,085 (USD 12,895,000)	\$422,979

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

- c. Please refer to Note 13(1) and (2) for more details on the significant transactions between the Company and investees in Mainland China in 2015.

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.

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

GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

(a) For the periods ended December 31, 2015

	Segment A	Segment B	Adjustment and elimination	Consolidated
Revenue				
External customer	\$16,102,979	\$3,846,566	□\$-	\$19,949,545
Inter-segment	3,105,240	5,210,685	(8,315,925)	-
Total revenue	<u>\$19,208,219</u>	<u>\$9,057,251</u>	<u>\$(8,315,925)</u>	<u>\$19,949,545</u>
Interest expenses	\$95,230	\$21,369	\$-	\$116,599
Depreciation and amortization	189,921	221,386	(8,715)	402,592
Investment incomes (losses)	184,957	227,519	(413,747)	(1,271)
Segment profit	<u>\$567,560</u>	<u>\$574,163</u>	<u>\$(394,468)</u>	<u>\$747,255</u>
Assets				
Investments accounted for using the equity method	\$6,086,087	\$4,021,345	\$(10,078,751)	\$28,681
Capital expenditure of non-current assets	125,788	355,202	-	480,990
Segment assets	<u>\$21,595,219</u>	<u>\$7,567,098</u>	<u>\$(13,166,431)</u>	<u>\$15,995,886</u>
Segment liabilities	<u>\$8,945,703</u>	<u>\$2,367,453</u>	<u>\$(2,628,937)</u>	<u>\$8,684,219</u>

(b) For the periods ended December 31, 2014

	Segment A	Segment B	Adjustment and elimination	Consolidated
Revenue				
External customer	\$15,567,633	\$4,419,893	\$-	\$19,987,526
Inter-segment	3,880,744	4,550,394	(8,431,138)	-
Total revenue	<u>\$19,448,377</u>	<u>\$8,970,287</u>	<u>\$(8,431,138)</u>	<u>\$19,987,526</u>
Interest expenses	\$85,978	\$8,540	\$-	\$94,518
Depreciation and amortization	196,750	\$217,869	(8,321)	406,298
Investment incomes (losses)	184,195	84,829	(290,810)	(21,786)
Segment profit	<u>\$393,299</u>	<u>\$177,368</u>	<u>(268,067)</u>	<u>\$302,600</u>
Assets				
Investments accounted for using the equity method	\$5,686,614	\$4,059,721	\$(9,715,763)	\$30,572
Capital expenditure of non-current assets	165,804	152,358	-	318,162
Segment assets	<u>\$21,270,472</u>	<u>\$8,570,021</u>	<u>\$(12,972,846)</u>	<u>\$16,867,647</u>
Segment liabilities	<u>\$9,149,360</u>	<u>\$3,700,064</u>	<u>\$(2,884,806)</u>	<u>\$9,964,618</u>



GLOBE UNION INDUSTRIAL CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(2) Geographic information

(a) Revenue from external customers

	For the years ended December 31,	
	2015	2014
United States	\$10,148,801	\$9,515,582
Britain	5,324,523	5,684,097
Canada	1,113,456	1,199,561
China	959,356	1,106,472
Other countries	2,403,409	2,481,814
Total	<u>\$19,949,545</u>	<u>\$19,987,526</u>

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

(b) Non-current assets

	As of December 31,	
	2015	2014
Mainland China	\$1,954,994	\$1,982,395
Britain	1,761,566	1,856,505
Taiwan	541,258	509,557
United States	149,285	163,541
Germany	19,626	15,536
Canada	3,821	2,707
Total	<u>\$4,430,550</u>	<u>\$4,530,241</u>

(3) Information about major customers

The customer to that the Company's sales exceeded 10% of its net consolidated sales in 2015 and 2014 is as follows:

Client name	2015		2014	
	Sales amount	%	Sales amount	%
Customer A	<u>\$2,342,288</u>	<u>11.75</u>	<u>\$2,837,487</u>	<u>14.20</u>