

**Kwong Lung Enterprise Co., Ltd. and  
Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2021 and 2020 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
Kwong Lung Enterprise Co., Ltd.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Kwong Lung Enterprise Co., Ltd. and its subsidiaries (collectively, the "Group") as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

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

### **Basis for Qualified Conclusion**

As disclosed in Note 13 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2021 and 2020, the combined total assets of these non-significant subsidiaries were NT\$3,054,434 thousand and NT\$2,244,383 thousand, respectively, representing 38% and 26%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$801,598 thousand and NT\$510,056 thousand, respectively, representing 29% and 15%, respectively, of the consolidated total liabilities; for the three months ended March 31, 2021 and 2020, the amounts of combined comprehensive income of these subsidiaries were NT\$(20,155) thousand and NT\$1,090 thousand, respectively, representing (9%) and (2%), respectively, of the consolidated total comprehensive income. In addition, as disclosed in Note 14, the investments accounted for using the equity method, as of March 31, 2021 and 2020, were NT\$100,649 thousand and NT\$185,647 thousand, respectively, and the consolidated equity in these investees' net loss and gain for the three months ended March 31, 2021 and 2020 amounted to NT\$(77) thousand and NT\$41 thousand, respectively, and the related

investment amounts as well as additional disclosures are based on these investees' unreviewed financial statements for the same reporting periods as those of the Group.

### **Qualified Conclusion**

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and other investees accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021 and 2020 and its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Ching-fu Chang and Meng-chieh Chiu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 7, 2021

### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 review such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.*

**KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)		March 31, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 785,488	10	\$ 1,070,124	14	\$ 1,184,294	14
Financial assets at fair value through profit or loss - current (Note 7)	13,773	-	22,807	-	804	-
Financial assets at amortized cost - current (Notes 9 and 30)	187,822	2	151,552	2	163,217	2
Notes receivable (Note 10)	63,122	1	189,725	3	58,669	1
Trade receivables (Notes 10 and 29)	688,556	9	734,586	10	915,053	11
Other receivables (Note 10)	301,795	4	329,129	4	481,805	6
Other receivables from related parties (Note 29)	120,000	1	120,000	2	120,000	1
Inventories (Note 12)	2,144,310	27	1,724,805	23	2,777,712	32
Prepayments	153,371	2	22,901	-	86,470	1
Other current assets (Note 11)	116,570	1	97,124	1	98,625	1
Total current assets	4,574,807	57	4,462,753	59	5,886,649	69
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	379,000	5	266,500	3	292,649	3
Financial assets at amortized cost - non-current (Note 9)	60,000	1	60,000	1	60,000	1
Investments accounted for using the equity method (Note 14)	349,656	4	207,479	3	185,647	2
Property, plant and equipment (Notes 15, 29 and 30)	1,844,765	23	1,877,009	25	1,530,792	18
Right-of-use assets (Notes 16 and 29)	145,656	2	147,941	2	158,288	2
Investment properties, net (Note 17)	400,002	5	324,474	4	199,465	2
Intangible assets (Note 18)	53,270	1	56,289	1	64,992	1
Deferred tax assets	49,414	1	48,013	1	45,891	1
Other non-current assets (Note 11)	126,666	1	62,023	1	93,751	1
Total non-current assets	3,408,429	43	3,049,728	41	2,631,475	31
<b>TOTAL</b>	<b>\$ 7,983,236</b>	<b>100</b>	<b>\$ 7,512,481</b>	<b>100</b>	<b>\$ 8,518,124</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 19 and 30)	\$ 653,913	8	\$ 770,591	10	\$ 823,061	10
Short-term bills payable (Note 19)	30,000	-	80,000	1	79,977	1
Financial liabilities at fair value through profit or loss - current (Note 7)	19	-	692	-	5,006	-
Notes payable	17,238	-	3,463	-	7,960	-
Trade payables	1,067,680	13	689,856	9	984,619	12
Other payables (Note 20)	273,650	4	327,149	4	293,040	3
Current tax liabilities (Note 4)	120,658	2	97,477	1	57,123	1
Lease liabilities - current (Notes 16 and 29)	31,734	-	30,880	1	31,410	-
Current portion of long-term liabilities (Notes 19 and 30)	300,885	4	300,883	4	864	-
Other current liabilities	48,612	1	38,273	1	21,732	-
Total current liabilities	2,544,389	32	2,339,264	31	2,304,792	27
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Notes 19 and 30)	41,491	-	13,043	-	963,713	11
Deferred tax liabilities	142,785	2	143,752	2	134,810	2
Lease liabilities - non-current (Notes 16 and 29)	43,658	1	46,055	1	50,094	1
Net defined benefit liabilities - non-current (Notes 4 and 21)	26,643	-	28,166	-	28,733	-
Other non-current liabilities	5,528	-	4,405	-	4,049	-
Total non-current liabilities	260,105	3	235,421	3	1,181,399	14
Total liabilities	2,804,494	35	2,574,685	34	3,486,191	41
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 22 and 26)</b>						
Share capital						
Ordinary shares	1,312,308	17	1,310,623	18	1,308,071	15
Preference shares	182,000	2	182,000	2	182,000	2
Total share capital	1,494,308	19	1,492,623	20	1,490,071	17
Capital surplus	2,340,087	29	2,336,506	31	2,324,223	27
Retained earnings						
Legal reserve	484,890	6	484,890	7	435,765	5
Special reserve	30,367	-	30,367	1	88,634	1
Unappropriated earnings	761,970	10	630,945	8	763,692	9
Total retained earnings	1,277,227	16	1,146,202	16	1,288,091	15
Other equity interests						
Exchange differences on translation of the financial statements of foreign operations	(218,919)	(2)	(202,458)	(3)	(123,330)	(1)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	255,081	3	142,651	2	(1,766)	-
Total other equity interests	36,162	1	(59,807)	(1)	(125,096)	(1)
Total equity attributable to owners of the Company	5,147,784	65	4,915,524	66	4,977,289	58
<b>NON-CONTROLLING INTERESTS</b>	<b>30,958</b>	<b>-</b>	<b>22,272</b>	<b>-</b>	<b>54,644</b>	<b>1</b>
Total equity	5,178,742	65	4,937,796	66	5,031,933	59
<b>TOTAL</b>	<b>\$ 7,983,236</b>	<b>100</b>	<b>\$ 7,512,481</b>	<b>100</b>	<b>\$ 8,518,124</b>	<b>100</b>

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

(With Deloitte &amp; Touche auditors' review report dated May 7, 2021)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	<b>Three Months Ended March 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
OPERATING REVENUE (Note 29)				
Sales revenue	\$ 1,690,320	100	\$ 1,828,176	100
OPERATING COSTS (Notes 12, 23 and 29)				
Cost of goods sold	_(1,482,568)	_(88)	_(1,626,097)	_(89)
GROSS PROFIT	<u>207,752</u>	<u>12</u>	<u>202,079</u>	<u>11</u>
OPERATING EXPENSES (Notes 23 and 29)				
Selling and marketing expenses	(88,929)	(5)	(96,089)	(5)
General and administrative expenses	(70,410)	(4)	(70,313)	(4)
Research and development expenses	_(11,922)	_(1)	_(12,768)	_(1)
Total operating expenses	<u>(171,261)</u>	<u>(10)</u>	<u>(179,170)</u>	<u>(10)</u>
PROFIT FROM OPERATIONS	<u>36,491</u>	<u>2</u>	<u>22,909</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES (Notes 23 and 29)				
Interest income	5,548	1	3,420	-
Other gains and losses	(12,050)	(1)	11,148	1
Finance costs	(2,317)	-	(4,010)	-
Share of profit of associates accounted for using the equity method	<u>134,476</u>	<u>8</u>	<u>41</u>	<u>-</u>
Total non-operating income and expenses	<u>125,657</u>	<u>8</u>	<u>10,599</u>	<u>1</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	162,148	10	33,508	2
INCOME TAX EXPENSE (Notes 4 and 24)	_(28,620)	_(2)	_(7,691)	_(1)
NET PROFIT FOR THE PERIOD	<u>133,528</u>	<u>8</u>	<u>25,817</u>	<u>1</u>

(Continued)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	\$ 112,500	7	\$ (82,284)	(5)
Share of the other comprehensive income (loss) of associates accounted for using the equity method	<u>2,515</u>	<u>-</u>	<u>(8,316)</u>	<u>-</u>
	<u>115,015</u>	<u>7</u>	<u>(90,600)</u>	<u>(5)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(16,691)</u>	<u>(1)</u>	<u>(4,676)</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>98,324</u>	<u>6</u>	<u>(95,276)</u>	<u>(5)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 231,852</u>	<u>14</u>	<u>\$ (69,459)</u>	<u>(4)</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 128,440	8	\$ 22,799	1
Non-controlling interests	<u>5,088</u>	<u>-</u>	<u>3,018</u>	<u>-</u>
	<u>\$ 133,528</u>	<u>8</u>	<u>\$ 25,817</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 226,994	14	\$ (72,165)	(4)
Non-controlling interests	<u>4,858</u>	<u>-</u>	<u>2,706</u>	<u>-</u>
	<u>\$ 231,852</u>	<u>14</u>	<u>\$ (69,459)</u>	<u>(4)</u>
EARNINGS PER SHARE (Note 25)				
From continuing operations				
Basic	<u>\$ 0.98</u>		<u>\$ 0.17</u>	
Diluted	<u>\$ 0.86</u>		<u>\$ 0.15</u>	

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

(With Deloitte & Touche auditors' review report dated May 7, 2021)

(Concluded)

**KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
THREE MONTHS ENDED MARCH 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent Company															Non-controlling Interests	Total Equity	
	Capital Surplus									Retained Earnings			Other Equity Interests		Total			
	Ordinary Shares	Share Capital Preference Shares	Subtotal	Additional Paid-in Capital	Additional Paid-in Capital - Bond Conversion	Treasury Share Transaction	Employee Share Options	Changes in Equity of Investments in Associates Accounted for Using the Equity Method	Expired Share Options	Subtotal	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations				Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income
BALANCE AT JANUARY 1, 2020	\$ 1,303,075	\$ 182,000	\$ 1,485,075	\$ 1,599,445	\$ 640,431	\$ 29,284	\$ 32,277	\$ -	\$ 10,337	\$ 2,311,774	\$ 435,765	\$ 88,634	\$ 741,128	\$ (118,966)	\$ 88,599	\$ 5,032,009	\$ 60,359	\$ 5,092,368
Net profit for the three months ended March 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-	22,799	-	-	22,799	3,018	25,817
Other comprehensive loss for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,364)	(90,600)	(94,964)	(312)	(95,276)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-	22,799	(4,364)	(90,600)	(72,165)	2,706	(69,459)
Issuance of ordinary shares under employee share options	4,996	-	4,996	18,461	-	-	(6,012)	-	-	12,449	-	-	-	-	-	17,445	107	17,552
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,528)	(8,528)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	(235)	-	235	-	-	-
BALANCE AT MARCH 31, 2020	<u>\$ 1,308,071</u>	<u>\$ 182,000</u>	<u>\$ 1,490,071</u>	<u>\$ 1,617,906</u>	<u>\$ 640,431</u>	<u>\$ 29,284</u>	<u>\$ 26,265</u>	<u>\$ -</u>	<u>\$ 10,337</u>	<u>\$ 2,324,223</u>	<u>\$ 435,765</u>	<u>\$ 88,634</u>	<u>\$ 763,692</u>	<u>\$ (123,330)</u>	<u>\$ (1,766)</u>	<u>\$ 4,977,289</u>	<u>\$ 54,644</u>	<u>\$ 5,031,933</u>
BALANCE AT JANUARY 1, 2021	\$ 1,310,623	\$ 182,000	\$ 1,492,623	\$ 1,628,303	\$ 640,431	\$ 29,284	\$ 17,631	\$ 2,460	\$ 18,397	\$ 2,336,506	\$ 484,890	\$ 30,367	\$ 630,945	\$ (202,458)	\$ 142,651	\$ 4,915,524	\$ 22,272	\$ 4,937,796
Net profit for the three months ended March 31, 2021	-	-	-	-	-	-	-	-	-	-	-	-	128,440	-	-	128,440	5,088	133,528
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	(16,461)	115,015	98,554	(230)	98,324
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	-	-	-	-	-	-	-	-	128,440	(16,461)	115,015	226,994	4,858	231,852
Issuance of ordinary shares under employee share options	1,685	-	1,685	5,666	-	-	(2,085)	-	-	3,581	-	-	-	-	-	5,266	39	5,305
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,789	3,789
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	2,585	-	(2,585)	-	-	-
BALANCE AT MARCH 31, 2021	<u>\$ 1,312,308</u>	<u>\$ 182,000</u>	<u>\$ 1,494,308</u>	<u>\$ 1,633,969</u>	<u>\$ 640,431</u>	<u>\$ 29,284</u>	<u>\$ 15,546</u>	<u>\$ 2,460</u>	<u>\$ 18,397</u>	<u>\$ 2,340,087</u>	<u>\$ 484,890</u>	<u>\$ 30,367</u>	<u>\$ 761,970</u>	<u>\$ (218,919)</u>	<u>\$ 255,081</u>	<u>\$ 5,147,784</u>	<u>\$ 30,958</u>	<u>\$ 5,178,742</u>

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

(With Deloitte & Touche auditors' review report dated May 7, 2021)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 162,148	\$ 33,508
Adjustments for:		
Depreciation expense	41,852	47,117
Amortization expense	3,269	3,542
Net (gain) loss on fair value changes of financial assets and liabilities at fair value through profit or loss	(13,754)	4,202
Finance costs	2,317	4,010
Interest income	(5,548)	(3,420)
Compensation costs of employee share options	572	1,417
Write-downs of inventories	7,023	3,762
Share of profit of associates accounted for using the equity method	(134,476)	(41)
Loss on disposal of property, plant and equipment	1	-
Net gain on foreign currency exchange	(13,016)	(7,729)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	22,807	1,772
Notes receivable	126,603	14,239
Trade receivables	56,530	(157,776)
Other receivables	31,372	(225,690)
Inventories	(426,496)	(407,842)
Prepayments	(130,470)	29,810
Other current assets	(6,172)	526
Financial liabilities held for trading	(692)	(2,980)
Notes payable	13,775	427
Trade payables	372,531	448,699
Other payables	(45,618)	(52,412)
Other current liabilities	10,339	(12,048)
Net defined benefit liabilities	(1,523)	(2,721)
Cash generated from (used in) operations	73,374	(279,628)
Interest received	5,045	3,420
Interest paid	(2,343)	(3,983)
Income tax paid	(7,807)	(9,549)
Net cash generated from (used in) operating activities	<u>68,269</u>	<u>(289,740)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	-	(52,742)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	45,649
Acquisition of financial assets at amortized cost	(36,000)	(11,420)

(Continued)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
Net cash inflow on disposal of subsidiaries (Note 27)	\$ -	\$ 8,565
Acquisition of property, plant and equipment	(93,215)	(64,935)
Acquisition of intangible assets	-	(3,768)
Acquisition of investment properties	(90,456)	-
Decrease in other non-current assets	<u>2,095</u>	<u>5,401</u>
Net cash used in investing activities	<u>(217,576)</u>	<u>(73,250)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of proceeds from short-term borrowings	(114,139)	523,336
Repayments of proceeds from short-term bills payable	(50,000)	49,977
Proceeds from long-term borrowings	28,670	100,000
Repayments of long-term borrowings	(220)	(214)
Repayments of the principal portion of lease liabilities	(7,893)	(9,672)
Increase in other non-current liabilities	1,123	61
Proceeds from share options exercised	4,694	16,028
Cash dividends paid by subsidiaries	-	(8,528)
Changes in non-controlling interests	<u>3,828</u>	<u>107</u>
Net cash (used in) generated from financing activities	<u>(133,937)</u>	<u>671,095</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>(1,392)</u>	<u>(5,067)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(284,636)	303,038
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>1,070,124</u>	<u>881,256</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 785,488</u>	<u>\$ 1,184,294</u>

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

(With Deloitte & Touche auditors' review report dated May 7, 2021)

(Concluded)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

Kwong Lung Enterprise Co., Ltd. (the “Company”) was incorporated in February 1966 under the Company Law and related regulations of the Republic of China (ROC). The Company mainly manufactures and sells various feather products including apparel, down and bedding.

The Company’s shares have been traded on the Taipei Exchange (formerly known as Taiwan GreTai Securities Market) since April 1999.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) are presented in the Company’s functional currency, New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 7, 2021.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

- b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

- Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.
- Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022.
- Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.
- Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.
- Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of financial assets of the cost of an investment in an associate or a joint venture.

See Note 13 and Table 7 for detailed information on the subsidiaries (including the percentages of ownership and main businesses).

d. Other significant accounting policies

For summary of other significant accounting policies, except for lease and the following accounting policies, refer to the consolidated financial statements for the year ended December 31, 2020.

1) Retirement benefits

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

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income in full in the period in which the change in tax rate occurs.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Refer to the consolidated financial statements for the year ended December 31, 2020 for the critical accounting judgments and key sources of estimation uncertainty.

## 6. CASH AND CASH EQUIVALENTS

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	\$ 2,605	\$ 2,318	\$ 2,045
Checking accounts and demand deposits	591,242	677,179	785,874
Cash equivalents (investments with original maturities of 3 months or less)			
Time deposits	<u>191,641</u>	<u>390,627</u>	<u>396,375</u>
	<u>\$ 785,488</u>	<u>\$ 1,070,124</u>	<u>\$ 1,184,294</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Financial assets at FVTPL - current</u>			
Mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 13,773</u>	<u>\$ 22,807</u>	<u>\$ 804</u>
<u>Financial liabilities at FVTPL - current</u>			
Held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 19</u>	<u>\$ 692</u>	<u>\$ 5,006</u>

- a. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>March 31, 2021</u>			
Buy	EUR/NTD	2021.5.5	EUR500/NTD16,713
Sell	USD/RMB	2021.4.26-2021.11.9	USD8,000/RMB56,168
Sell	JPY/NTD	2021.4.8-2021.5.10	JPY200,000/NTD51,837
Sell	RMB/NTD	2021.4.8	RMB763/NTD3,321
Sell	USD/NTD	2021.4.30	USD119/NTD3,378

(Continued)

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2020</u>			
Buy	EUR/NTD	2021.3.12	EUR500/NTD16,925
Sell	USD/RMB	2021.1.29-2021.11.9	USD11,000/RMB77,465
Sell	JPY/NTD	2021.1.12-2021.1.29	JPY300,000/NTD82,279
Sell	RMB/NTD	2021.1.7-2021.2.19	RMB959/NTD4,085
Sell	USD/NTD	2021.1.8-2021.2.10	USD114/NTD3,260
<u>March 31, 2020</u>			
Buy	EUR/NTD	2020.6.22	EUR500/NTD16,311
Sell	USD/RMB	2020.4.24-2021.3.22	USD12,000/RMB84,448
Sell	USD/NTD	2020.4.6-2020.6.10	USD705/NTD21,229

(Concluded)

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

#### 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Non-current</u>			
Domestic investments			
Listed shares	<u>\$ 379,000</u>	<u>\$ 266,500</u>	<u>\$ 292,649</u>

#### 9. FINANCIAL ASSETS AT AMORTIZED COST

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Current</u>			
Domestic investments			
Restricted assets - bank balance	\$ 10,000	\$ -	\$ 2
Time deposits with original maturity of more than 3 months	<u>177,822</u>	<u>151,552</u>	<u>163,215</u>
	<u>\$ 187,822</u>	<u>\$ 151,552</u>	<u>\$ 163,217</u>
<u>Non-current</u>			
Domestic investments			
Private corporate bond with no active market (a)	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>

- a. The Group possessed six units of five-year corporate bonds without security issued by Snowdown Merchandise Corporation with a coupon rate of 2.75% as of March 31, 2021, December 31, 2020 and March 31, 2020.
- b. Refer to Note 30 for information related to investments in financial assets at amortized cost pledged as security.

#### 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ 63,122	\$ 189,725	\$ 58,669
Less: Allowance for impairment loss	_____ -	_____ -	_____ -
	<u>\$ 63,122</u>	<u>\$ 189,725</u>	<u>\$ 58,669</u>
<u>Trade receivables (including related parties)</u>			
At amortized cost			
Gross carrying amount	\$ 688,637	\$ 734,667	\$ 915,134
Less: Allowance for impairment loss	_____ (81)	_____ (81)	_____ (81)
	<u>\$ 688,556</u>	<u>\$ 734,586</u>	<u>\$ 915,053</u>
<u>Other receivables</u>			
Sale of raw materials	\$ 344,334	\$ 368,573	\$ 438,148
Tax refund receivable	27,675	26,027	28,938
Others	5,354	8,102	14,719
Less: Allowance for impairment loss	_____ (75,568)	_____ (73,573)	_____ -
	<u>\$ 301,795</u>	<u>\$ 329,129</u>	<u>\$ 481,805</u>

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

Except losses recognized as actual credit loss of individual customer, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. Since there are different loss patterns for customer segments of various business units of the Group, the Group uses different provision matrixes based on operating segments and recognizes the allowance for impairment loss in accordance with the expected credit loss based on operating segments. For trade receivables that are over 150 days past due, the Group recognizes loss allowance at full amount.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss.

The aging of receivables was as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Less than 30 days	\$ 542,575	\$ 449,210	\$ 742,518
31-60 days	87,407	202,563	156,171
61-120 days	57,035	10,401	16,445
More than 121 days	<u>1,620</u>	<u>72,493</u>	<u>-</u>
	<u>\$ 688,637</u>	<u>\$ 734,667</u>	<u>\$ 915,134</u>

The above aging schedule was based on the number of overdue days from the posting date.

The movements of the loss allowance of trade receivables were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 81	\$ 81
Less: Net remeasurement of loss allowance	-	-
Foreign exchange gains and losses	<u>-</u>	<u>-</u>
Balance at March 31	<u>\$ 81</u>	<u>\$ 81</u>

## 11. FINANCE LEASE RECEIVABLES

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Undiscounted lease payments</u>			
Year 1	\$ 25,342	\$ -	\$ -
Year 2	20,273	-	-
Year 3	20,273	-	-
Year 4	20,273	-	-
Year 5	15,235	-	-
Year 6 onwards	<u>-</u>	<u>-</u>	<u>-</u>
Less: Unearned finance income	<u>(19,758)</u>	<u>-</u>	<u>-</u>
Net investment in leases presented as finance lease receivables	<u>\$ 81,638</u>	<u>\$ -</u>	<u>\$ -</u>

The Group signed a finance lease arrangement for some machinery equipment with a monthly fixed lease payment of \$1,689 thousand. All leases are denominated in New Taiwan dollars. The average term of the finance lease is 5 years.

The implied interest rates inherent in the leases are fixed for the entire term of the lease after the contract date is determined. The ranges of implied interest rates inherent in the finance leases were 9.44%-10.44% per annum as of March 31, 2021.

## 12. INVENTORIES

	March 31, 2021	December 31, 2020	March 31, 2020
Merchandise	\$ 170,756	\$ 196,281	\$ 241,251
Finished goods	185,884	208,013	263,192
Work in progress	1,116,546	841,664	1,666,414
Raw materials and supplies	553,731	306,721	489,990
Goods to subcontractor	5,824	4,506	1,649
Inventory in transit	<u>111,569</u>	<u>167,620</u>	<u>115,216</u>
	<u>\$ 2,144,310</u>	<u>\$ 1,724,805</u>	<u>\$ 2,777,712</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2021 and 2020 included inventory write-downs of \$7,023 thousand and \$3,762 thousand, respectively.

## 13. SUBSIDIARIES

### a. Subsidiaries included in consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			March 31, 2021	December 31 2020	March 31, 2020	
The Company	Kwong Lung (B.V.I.) Ltd.	Overseas reinvested holding company.	100	-	-	1), 3)
	Kwong Lung Feather (B.V.I.) Limited	Overseas reinvested holding company.	-	100	100	Major subsidiary, 3), 4)
	Kwong Lung Meko Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	100	Major subsidiary, 1)
	Kwong Lung Japan Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	100	1)
	Bo Hsing Enterprise Co., Ltd.	Manufacturing and selling of apparel.	100	100	100	1)
	Toptex Garment Co., Ltd.	Manufacturing and selling of apparel.	100	100	100	1)
	P&B Collection Co., Ltd.	Outerwear knitting mills; apparel, clothing accessories and other textile product manufacturing; other textile products manufacturing; cleaning products manufacturing; wholesale and retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, articles for daily use, cleaning preparations and other textile products; wholesale of pottery, porcelain and glassware; international trade.	100	100	100	1)
	Kwong Lung Europe SP. Z O.O.	Various selling of down and bedding	100	100	100	1)
	Kwong Lung-O Mon Company Limited	Manufacturing and selling of apparel.	100	100	100	1)
	Kwong Lung (B.V.I.) Ltd.	Kwong Lung Feather (B.V.I.) Limited	Overseas reinvested holding company.	100	-	-
	Kwong Lung (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding.	100	-	-	1), 4)
Kwong Lung Japan Co., Ltd.	Rising Living Co., Ltd.	Manufacturing and selling of down and bedding.	51	-	-	1), 5)
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	Overseas reinvested holding company.	40	40	40	1)

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			March 31, 2021	December 31 2020	March 31, 2020	
Kwong Lung Meko Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	Overseas reinvested holding company	60	60	60	1)
Kwong Lung Feather (B.V.I.) Limited	Snowdown Merchandise (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	100	1)
Kwong Lung Feather (B.V.I.) Limited	Kwong Lung (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding.	-	100	100	1), 2), 4)
Snowdown Merchandise (Suzhou) Co., Ltd.	Kunshan Fulong Trade Co., Ltd.	Wholesale of outdoor supplies, household wares, clothing, and related packaging materials; food; Import and export of goods and technology	-	-	100	1), 2)
	Huai An Guang Long He Yu Home Textile Co., Ltd	Home textile products; textile and apparel production and sales; feather acquisition; down processing, down products production and sales; self-support and agents of various types of goods and technology import and export business.	-	-	51	1), 2)
Kwong Lung (Suzhou) Co., Ltd.	Kunshan Fulong Trade Co., Ltd.	Wholesale of outdoor supplies, household wares, clothing, and related packaging materials; food; Import and export of goods and technology	100	100	-	1), 2)
	Huai An Guang Long He Yu Home Textile Co., Ltd	Home textile products; textile and apparel production and sales; feather acquisition; down processing, down products production and sales; self-support and agents of various types of goods and technology import and export business.	51	51	-	1), 2)
P&B Collection Co., Ltd.	Manumech Corporation	Wholesale	51	51	51	1)
Manumech Corporation	Intime Tech Co., Ltd.	Wholesale	100	100	100	1)

(Concluded)

- 1) It is an immaterial subsidiary; its financial statements have not reviewed as of March 31, 2021 and March 31, 2020.
  - 2) In 2020, the Company divided Snowdown Merchandise (Suzhou) Co., Ltd. into Snowdown Merchandise (Suzhou) Co., Ltd. and Kwong Lung (Suzhou) Co., Ltd. and both entities are held by Kwong Lung Feather (B.V.I.) after the spin-off. The base date of the spin-off was on October 1, 2020. In addition, Snowdown Merchandise (Suzhou) Co., Ltd. also transferred the shares of Kunshan Fulong Trade Co., Ltd., and Huai An Guang Long He Yu Home Textile Co., Ltd., to Kwong Lung (Suzhou) Co., Ltd. in the spin-off.
  - 3) In 2021, the Group acquired Kwong Lung (B.V.I.) Ltd. through the transfer of shares. After the transfer, Kwong Lung (B.V.I.) Ltd. holds 100% ownership of Kwong Lung Feather (B.V.I.) Limited. The base date of the transfer was January 1, 2021.
  - 4) In 2021, Kwong Lung Feather (B.V.I.) Limited reduced its capital by transferring the shares of Kwong Lung (Suzhou) Co., Ltd to Kwong Lung Feather (B.V.I.) Ltd. The base date of the capital reduction was March 19, 2021.
  - 5) In March 2021, Kwong Lung Japan Co., Ltd. acquired 51% shares of Rising Living Co., Ltd. with the original investment amount of JPY15,300 thousand.
- b. Subsidiaries excluded from consolidated financial statements: None.

## 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in associates

	March 31, 2021	December 31, 2020	March 31, 2020
Material associate			
Snowdown Merchandise Corporation	\$ 249,007	\$ -	\$ -
Associates that are not individually material	<u>100,649</u>	<u>207,479</u>	<u>185,647</u>
	<u>\$ 349,656</u>	<u>\$ 207,479</u>	<u>\$ 185,647</u>

### Material associates

Name of Associate	<u>Proportion of Ownership and Voting Rights</u>		
	March 31, 2021	December 31, 2020	March 31, 2020
Snowdown Merchandise Corporation	39.5%	39.5%	39.5%

For the three months ended March 31, 2021, the proportionate amount of the net profit and other comprehensive income of Snowdown Merchandise Corporation recognized by the Group was 59% of the total consolidated comprehensive income; thus, the Group included Snowdown Merchandise Corporation as a material associate.

The nature of activities, principal location of business and incorporation of the above associates are disclosed in Table 7.

Except for Snowdown Merchandise Corporation, whose financial statements for the three months ended March 31, 2021 have been reviewed, investments accounted for using the equity method and the Group's share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have not been reviewed. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of which have not been reviewed.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Trans- portation Equipment	Other Equipment	Property under Construction	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 473,619	\$ 1,392,170	\$ 829,646	\$ 46,237	\$ 290,600	\$ 27,792	\$ 3,060,064
Additions	-	14,900	2,068	2,157	161	44,051	63,337
Disposals	-	-	(7,787)	-	(4,629)	-	(12,416)
Disposals of subsidiaries (Note 27)	-	-	-	-	(356)	-	(356)
Reclassification	-	15,000	-	-	-	(15,000)	-
Effects of foreign currency exchange differences	-	(4,437)	(1,498)	(120)	(1,547)	3	(7,599)
Balance at March 31, 2020	<u>\$ 473,619</u>	<u>\$ 1,417,633</u>	<u>\$ 822,429</u>	<u>\$ 48,274</u>	<u>\$ 284,229</u>	<u>\$ 56,846</u>	<u>\$ 3,103,030</u>

(Continued)

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Property under Construction	Total
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 615,275	\$ 655,223	\$ 36,469	\$ 247,826	\$ -	\$ 1,554,793
Disposals	-	-	(7,787)	-	(4,629)	-	(12,416)
Disposals of subsidiaries (Note 27)	-	-	-	-	(48)	-	(48)
Depreciation expense	-	17,823	13,578	800	3,970	-	36,171
Effects of foreign currency exchange differences	-	(2,918)	(1,773)	(147)	(1,424)	-	(6,262)
Balance at March 31, 2020	<u>\$ -</u>	<u>\$ 630,180</u>	<u>\$ 659,241</u>	<u>\$ 37,122</u>	<u>\$ 245,695</u>	<u>\$ -</u>	<u>\$ 1,572,238</u>
Balance at January 1, 2020	<u>\$ 473,619</u>	<u>\$ 776,895</u>	<u>\$ 174,423</u>	<u>\$ 9,768</u>	<u>\$ 42,774</u>	<u>\$ 27,792</u>	<u>\$ 1,505,271</u>
Carrying amounts at March 31, 2020	<u>\$ 473,619</u>	<u>\$ 787,453</u>	<u>\$ 163,188</u>	<u>\$ 11,152</u>	<u>\$ 38,534</u>	<u>\$ 56,846</u>	<u>\$ 1,530,792</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 715,950	\$ 1,427,432	\$ 894,045	\$ 45,185	\$ 282,279	\$ 159,169	\$ 3,524,060
Additions	41,761	4,902	3,828	-	1,845	30,485	82,821
Disposals	-	-	-	-	(51)	-	(51)
Reclassification	-	-	(88,850)	-	951	(2,731)	(90,630)
Effects of foreign currency exchange differences	-	(1,620)	597	8	(691)	292	(1,414)
Balance at March 31, 2021	<u>\$ 757,711</u>	<u>\$ 1,430,714</u>	<u>\$ 809,620</u>	<u>\$ 45,193</u>	<u>\$ 284,333</u>	<u>\$ 187,215</u>	<u>\$ 3,514,786</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ -	\$ 677,916	\$ 681,330	\$ 36,804	\$ 251,001	\$ -	\$ 1,647,051
Disposals	-	-	-	-	(50)	-	(50)
Reclassification	-	-	(8,503)	-	-	-	(8,503)
Depreciation expense	-	17,961	10,862	687	2,844	-	32,354
Effects of foreign currency exchange differences	-	(678)	517	(8)	(662)	-	(831)
Balance at March 31, 2021	<u>\$ -</u>	<u>\$ 695,199</u>	<u>\$ 684,206</u>	<u>\$ 37,483</u>	<u>\$ 253,133</u>	<u>\$ -</u>	<u>\$ 1,670,021</u>
Balance at January 1, 2021	<u>\$ 715,950</u>	<u>\$ 749,516</u>	<u>\$ 212,715</u>	<u>\$ 8,381</u>	<u>\$ 31,278</u>	<u>\$ 159,169</u>	<u>\$ 1,877,009</u>
Carrying amounts at March 31, 2021	<u>\$ 757,711</u>	<u>\$ 735,515</u>	<u>\$ 125,414</u>	<u>\$ 7,710</u>	<u>\$ 31,200</u>	<u>\$ 187,215</u>	<u>\$ 1,844,765</u>

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life as follows:

<b>Building</b>	
Main buildings	3 to 51 years
Construction	1 to 26 years
<b>Machinery equipment</b>	2 to 20 years
<b>Transportation equipment</b>	4 to 12 years
<b>Other equipment</b>	
Office equipment	3 to 13 years
Air conditioning	36 to 51 years
Utilities equipment	2 to 23 years
Others	2 to 25 years
Leasehold improvements	1 to 5 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 30.

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Carrying amount</u>			
Land	\$ 76,867	\$ 77,846	\$ 83,031
Buildings	55,299	60,772	65,256
Machinery	1,546	1,766	2,457
Transportation equipment	<u>11,944</u>	<u>7,557</u>	<u>7,544</u>
	<u>\$ 145,656</u>	<u>\$ 147,941</u>	<u>\$ 158,288</u>
		<b>For the Three Months Ended March 31</b>	
		<b>2021</b>	<b>2020</b>
Additions to right-of-use assets		<u>\$ 6,474</u>	<u>\$ 4,599</u>
Depreciation charge for right-of-use assets			
Land		\$ 936	\$ 1,040
Buildings		5,937	7,853
Machinery		221	227
Transportation equipment		<u>1,491</u>	<u>1,580</u>
		<u>\$ 8,585</u>	<u>\$ 10,700</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2021 and 2020.

### b. Lease liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Carrying amount</u>			
Current	<u>\$ 31,734</u>	<u>\$ 30,880</u>	<u>\$ 31,410</u>
Non-current	<u>\$ 43,658</u>	<u>\$ 46,055</u>	<u>\$ 50,094</u>

Range of discount rates for lease liabilities was as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Land	1.28%	1.28%	1.28%
Buildings	0.52%-5%	1.03%-5%	1.18%-1.28%
Machinery	1.03%-1.28%	1.03%-1.28%	1.03%-1.28%
Transportation equipment	0.52%-1.28%	1.03%-1.28%	1.03%-1.28%

c. Other lease information

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases and department stores	<u>\$ 3,061</u>	<u>\$ 9,390</u>
Expenses relating to low-value asset leases	<u>\$ 286</u>	<u>\$ 281</u>
Total cash outflow for leases	<u>\$ (11,400)</u>	<u>\$ (19,605)</u>

**17. INVESTMENT PROPERTIES**

Except for the addition of \$90,456 thousand of investment properties for the three months ended March 31, 2021, and the recognition of depreciation expense, there were no significant addition, disposal, or impairment of investment properties held by the Group for the three months ended March 31, 2021 and 2020. The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings 10-50 years

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Fair value	<u>\$ 420,487</u>	<u>\$ 328,765</u>	<u>\$ 199,861</u>

Management of the Group had assessed and determined that there were no significant changes in the fair value of investment properties as of March 31, 2021 and 2020, as compared to as of December 31, 2020 and 2019.

**18. INTANGIBLE ASSETS**

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Goodwill	\$ 22,022	\$ 22,022	\$ 22,022
Cost of computer software	28,019	30,577	37,896
Others	<u>3,229</u>	<u>3,690</u>	<u>5,074</u>
	<u>\$ 53,270</u>	<u>\$ 56,289</u>	<u>\$ 64,992</u>

Other intangible assets are amortized on a straight-line basis over their estimated useful lives of 1-5 years.

## 19. BORROWINGS

### a. Short-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>\$ 653,913</u>	<u>\$ 770,591</u>	<u>\$ 823,061</u>
Range of interest rates	<u>0.29%-4.82%</u>	<u>0.29%-1.60%</u>	<u>0.29%-1.82%</u>

### b. Short-term bills payable

	March 31, 2021	December 31, 2020	March 31, 2020
Commercial paper	\$ 30,000	\$ 80,000	\$ 80,000
Less: Unamortized discounts on bills payable	<u>-</u>	<u>-</u>	<u>(23)</u>
	<u>\$ 30,000</u>	<u>\$ 80,000</u>	<u>\$ 79,977</u>

### c. Current portion of long-term liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
Current portion of long-term borrowings	<u>\$ 300,885</u>	<u>\$ 300,883</u>	<u>\$ 864</u>

### d. Long-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
Secured borrowings			
Bank loans*	\$ 42,376	\$ 13,926	\$ 14,577
Unsecured borrowings			
Credit borrowings	<u>300,000</u>	<u>300,000</u>	<u>950,000</u>
	342,376	313,926	964,577
Less: Current portions	<u>(300,885)</u>	<u>(300,883)</u>	<u>(864)</u>
Long-term borrowings	<u>\$ 41,491</u>	<u>\$ 13,043</u>	<u>\$ 963,713</u>
Range of interest rates	<u>0.62%-1.70%</u>	<u>0.62%-1.70%</u>	<u>1.06%-1.82%</u>

\* The bank borrowings are secured by the Group's freehold land and buildings (see Note 30).

## 20. OTHER PAYABLES

	March 31, 2021	December 31, 2020	March 31, 2020
Payables for payroll and employee benefit	\$ 121,406	\$ 180,953	\$ 137,951
Payables for compensation of employees	30,933	25,933	23,043
Payables for remuneration of directors and supervisors	13,188	10,550	11,500
Payables for commissions	357	-	6,382
Payables for fabrication expense	10,007	5,320	5,382
Payables for VAT	2,339	568	762
Payables for purchase of equipment	2,789	13,911	-
Others	<u>92,631</u>	<u>89,914</u>	<u>108,020</u>
	<u>\$ 273,650</u>	<u>\$ 327,149</u>	<u>\$ 293,040</u>

## 21. RETIREMENT BENEFIT PLANS

Employee benefit expenses for the three months ended March 31, 2021 and 2020 in respect of the Corporation and its subsidiaries' defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2020 and 2019. The Group recognized pension amount of \$69 thousand and \$103 thousand for the three months ended March 31, 2021 and 2020, respectively.

## 22. EQUITY

### a. Share capital

#### Ordinary shares

	March 31, 2021	December 31, 2020	March 31, 2020
Number of shares authorized (in thousands)	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>
Shares authorized	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
Number of shares issued and fully paid (in thousands)	<u>131,231</u>	<u>131,062</u>	<u>130,807</u>
Shares issued	<u>\$ 1,312,308</u>	<u>\$ 1,310,623</u>	<u>\$ 1,308,071</u>

The change in the Company's share capital is mainly due to the exercise of employee share options.

#### Preference shares

The board of directors resolved to issue preference shares A on September 25, 2018. The issuance of preference shares A was approved under the Rule No. 1070337798 issued by FSC on October 25, 2018. The total amount of preference share A issued was \$910,000 thousand, consisting of 18,200 thousand shares sold at \$50, with a par value of \$10. The record date of capital increase was December 20, 2018. The payment of all issued preference shares was received and the relevant statutory registration procedures were completed. The preference shares are classified as equity.

The rights and obligations of the preference shares A are as follows:

- 1) The preference shares are perpetual.
- 2) The dividends of preference shares A is capped at 5% per annum on the issue price. The dividend rate will be set as 5-year IRS + (fixed rate). The fixed rate will be reset after one business day when 5-year is due.
- 3) The fiscal year-end earnings of the Company shall be applied to the following in order: Payments of taxes, adjustments per financial and accounting principle, making-up of deficit, legal reserve, special reserve by law or reversal, and the remaining shall be paid to holders of preference shares as the current year's dividends. The Company has discretion over the dividend distribution of preference shares A. The Company may decide not to distribute dividends of preference shares in the following circumstances: (a) there are no earnings in a fiscal year, and (b) the earnings are insufficient to distribute dividends of preference shares. The cancellation of dividend payment should not constitute an event of default. The preference shares are noncumulative, and the preference shareholders do not have the right to claim any of the unpaid or omitted dividends in the future. Preference shares dividend will be paid in cash every year after the annual general meeting has approved on the audited financial reports. The board will decide on a payment record date for distributing the dividend. Preference shares dividend on the issued year and redeemed year will be calculated based on actual number of days issued.
- 4) Preference shareholders are not entitled to receive ordinary shares' cash or share dividends derived from earnings or capital reserve.
- 5) Preference shares may be redeemed in whole or in part at issue price anytime after five years of issuance at the original issued price. Unredeemed preference shares shall continue to have the rights and obligations of issuance terms prescribed in this Article. Preference shares dividend on the redeemed year will be calculated based on actual number of days issued.
- 6) The order of claim for distribution of property is prior to ordinary shares. The claim of all series of preference shareholders is equal, but subordinate to the holders of debts. The repayment shall be capped at the respective issue amount of preference shares upon liquidation.
- 7) Preference shareholders do not have voting rights or suffrage. However, they have voting rights with respect to agendas related to the rights and obligations of preference shares in shareholders' meetings.
- 8) Preference shares cannot be converted to ordinary shares within one year after the preference share issuance. The actual conversion period will be subjected to the terms approved by the chairman. Preference shareholders A then can convert partially or wholly into ordinary shares based on the approved conversion terms and period. (conversion ratio 1:1) Once preference shares shareholders A are converted to ordinary shares, it has the same rights as ordinary shareholders. The preference shares dividend will be distributed based on the actual number of days issued. Preference shares shareholders A are not entitled to preference share dividend if the preference shares are converted to ordinary share prior to the ex-dividend record date, but are entitled to ordinary shares dividend derived from earnings and capital reserve.
- 9) Preference shareholders have the same pre-emptive right as ordinary shareholders for newly issued shares.

b. Capital surplus

The capital surplus arising from shares issued in excess of par (including share premium from issuance of ordinary shares and treasury share transactions) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, which resulted in the increase/decrease of ownership percentage but still have significant influence, the capital surplus arising from such capital changes can only be used to offset a deficit.

The capital surplus arising from employee share and convertible bonds options may not be used for any other purposes.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors, refer to compensation of employees and remuneration of directors and supervisors in Note 23-(f).

The Company's Articles also stipulate a dividends policy whereby the issuance of share dividends takes precedence over the payment of cash dividends. In principle, cash dividends are limited to 20% of the total dividends distributed.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2020 and 2019 were proposed by the Company's board of directors on March 12, 2021 and approved in the shareholders' meeting on June 22, 2020 respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 31,819	\$ 49,125
Special reserve	\$ 29,440	\$ (58,267)
Ordinary share dividends	\$ 241,399	\$ 392,017
Preference share dividends	\$ 45,500	\$ 45,500
Ordinary share dividends per share (NT\$)	\$ 1.84	\$ 3.00
Preference share dividends per share (NT\$)	\$ 2.5	\$ 2.50

The appropriations of earnings for 2020 are subject to the resolution in the shareholders' meeting to be held in May 2021.

The Company's board of directors proposed to issue cash dividends of \$152,187 thousand from the capital surplus and it is subject to the resolution in the shareholders' meeting to be held in May 2021.

## 23. COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

### a. Interest income

	For the Three Months Ended March 31	
	2021	2020
Bank deposits	\$ 3,501	\$ 2,374
Financial assets at amortized cost	756	1,046
Others	<u>1,291</u>	<u>-</u>
	<u>\$ 5,548</u>	<u>\$ 3,420</u>

### b. Other gains and losses

	For the Three Months Ended March 31	
	2021	2020
Foreign exchange gains	\$ 35,088	\$ 18,170
Foreign exchange losses	(48,991)	(9,382)
Loss on financial assets and liabilities designated as at FVTPL	(501)	(2,854)
Loss on disposal of property, plant and equipment	(1)	-
Others	<u>2,355</u>	<u>5,214</u>
	<u>\$ (12,050)</u>	<u>\$ 11,148</u>

### c. Finance costs

	For the Three Months Ended March 31	
	2021	2020
Interest on bank loans	\$ 2,157	\$ 3,748
Interest on lease liabilities	<u>160</u>	<u>262</u>
	<u>\$ 2,317</u>	<u>\$ 4,010</u>

### d. Depreciation and amortization

	For the Three Months Ended March 31	
	2021	2020
An analysis of depreciation by function		
Operating costs	\$ 27,347	\$ 32,638
Operating expenses	<u>14,505</u>	<u>14,479</u>
	<u>\$ 41,852</u>	<u>\$ 47,117</u>
An analysis of amortization by function		
Operating costs	\$ 466	\$ 467
Operating expenses	<u>2,803</u>	<u>3,075</u>
	<u>\$ 3,269</u>	<u>\$ 3,542</u>

e. Employee benefits expense

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Post-employment benefits		
Defined contribution plans	\$ 3,889	\$ 3,383
Defined benefit plans	<u>69</u>	<u>103</u>
	<u>3,958</u>	<u>3,486</u>
Share-based payments		
Equity-settled	<u>572</u>	<u>1,417</u>
Other employee benefits	<u>258,238</u>	<u>280,423</u>
Total employee benefits expense	<u>\$ 262,768</u>	<u>\$ 285,326</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 175,290	\$ 195,236
Operating expenses	<u>87,478</u>	<u>90,090</u>
	<u>\$ 262,768</u>	<u>\$ 285,326</u>

f. Compensation of employees and remuneration of directors and supervisors

According to the Company's Articles, the Company accrued compensation of employees and remuneration of directors and supervisors at the rates no less than 1% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. For the three months ended March 31, 2021 and 2020, the compensation of employees and remuneration of directors and supervisors are as follows:

Amount

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 5,000	\$ 5,933
Remuneration of directors and supervisors	2,638	950

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The appropriations of compensation of employees and remuneration of directors and supervisors for 2020 and 2019 that were resolved by the board of directors on March 12, 2021 and March 27, 2020, respectively, are as shown below:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 25,933	\$ 17,110
Remuneration of directors and supervisors	10,550	10,550

There is no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

### a. Income tax expense recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 30,988	\$ 7,233
Deferred tax		
In respect of the current year	<u>(2,368)</u>	<u>458</u>
Income tax expense recognized in profit or loss	<u>\$ 28,620</u>	<u>\$ 7,691</u>

### b. Income tax assessments

The tax returns through 2018 have been assessed by the tax authorities, and the Group agrees with the assessment.

## 25. EARNINGS PER SHARE

### Net Profit

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Profit for the period attributable to owners of the Company	<u>\$ 128,440</u>	<u>\$ 22,799</u>

The weighted average number of ordinary shares outstanding (in thousands of shares) was as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	131,144	130,519
Effect of potentially dilutive ordinary shares:		
Employee share options	8	310
Compensation of employees	622	570
Convertible preference shares	<u>18,200</u>	<u>18,200</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>149,974</u>	<u>149,599</u>

The Group may settle compensation paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 26. SHARE-BASED PAYMENT ARRANGEMENTS

### Employee Share Option Plan of the Company

- a. Qualified employees of the Company and its subsidiaries were granted 6,000 options in June 2013 and March 2014. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 6 years exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the Taipei Exchange on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

	<b>For the Three Months Ended March 31</b>							
	<b>2021</b>				<b>2020</b>			
	<b>Granted 2014</b>		<b>Granted 2013</b>		<b>Granted 2014</b>		<b>Granted 2013</b>	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	-	\$ -	-	\$ -	42	\$ 30.80	-	\$ -
Options exercised	-	-	-	-	(26)	30.80	-	-
Options forfeited	-	-	-	-	-	-	-	-
Balance at March 31	<u>-</u>	-	<u>-</u>	-	<u>16</u>	30.80	<u>-</u>	-
Options exercisable, end of period	<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>	

- b. Qualified employees of the Company and its subsidiaries were granted 3,926 options in April 2014 and March 2015. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 6 years exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the highest closing price of the Company's ordinary shares listed on the GreTai Securities Market on the day before the grant date, on the grant date and on the day after it, or the average closing price of the three days. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

	For the Three Months Ended March 31							
	2021				2020			
	Granted 2015		Granted 2014		Granted 2015		Granted 2014	
Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	
Balance at January 1	245	\$27.6	-	\$-	505	\$29.7	901	\$34.2
Options exercised	(165)	27.6	-	-	(215)	29.7	(258)	34.2
Options forfeited	(80)	27.6	-	-	-	-	-	-
Balance at March 31	<u>-</u>	-	<u>-</u>	-	<u>290</u>	29.7	<u>643</u>	34.2
Options exercisable, end of period	<u>-</u>	-	<u>-</u>	-	<u>290</u>	-	<u>643</u>	-

- c. Qualified employees of the Company and its subsidiaries were granted 2,200 options in June 2018 and May 2019. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 5 years exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the highest closing price of the Company's ordinary shares listed on the GreTai Securities Market on the day before the grant date, on the grant date and on the day after it, or the average closing price of the three days. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

	For the Three Months Ended March 31							
	2021				2020			
	Granted 2019		Granted 2018		Granted 2019		Granted 2018	
Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	
Balance at January 1	521	\$41.2	1,091	\$40.1	562	\$44.3	1,183	\$43.1
Options granted	-	-	-	-	-	-	-	-
Options exercised	-	-	(4)	40.1	-	-	-	-
Options forfeited	-	-	(2)	40.1	-	-	-	-
Balance at March 31	<u>521</u>	41.2	<u>1,085</u>	40.1	<u>562</u>	44.3	<u>1,183</u>	43.1
Options exercisable, end of period	<u>-</u>	-	<u>541</u>	-	<u>-</u>	-	<u>-</u>	-

Compensation cost recognized were \$572 thousand and \$1,417 thousand for the three months ended March 31, 2021 and 2020, respectively.

## 27. DISPOSAL OF SUBSIDIARIES

On March 9, 2020, the Group entered into a sale agreement to dispose of Windsun Industry Co., Ltd. The total amount of disposal was NT\$12,981 thousand, with a gain of NT\$0. The Group had completed the disposal as of March 9, 2020, and lost control of the subsidiary.

a. Analysis of assets and liabilities on the date control was lost

	<b>Windsun Industry Co., Ltd.</b>
Current assets	
Cash and cash equivalents	\$ 4,416
Notes receivable	7,988
Trade receivables	28,486
Inventories	63
Other current assets	8,200
Non-current assets	
Property, plant and equipment	308
Other intangible assets	101
Other non-current assets	83
Current liabilities	
Short-term borrowings	(28,318)
Trade payables	(6,784)
Other payables	(724)
Current tax liabilities	<u>(838)</u>
Net assets disposed of	<u>\$ 12,981</u>

b. Gain on disposals of subsidiaries

	<b>Windsun Industry Co., Ltd.</b>
Consideration received	
Net assets disposed of	\$ 12,981
	<u>12,981</u>
Gain on disposals	<u>\$ -</u>

c. Net cash inflow on disposals of subsidiaries

	<b>Windsun Industry Co., Ltd.</b>
Consideration received in cash and cash equivalents	\$ 12,981
Less: Cash and cash equivalent balances disposed of	<u>4,416</u>
	<u>\$ 8,565</u>

## 28. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are not measured at fair value

The Group's management believes that the carrying amounts of the financial assets and financial liabilities that are not measured at fair value approximate their fair value or the fair value cannot be reliably measured.

### b. Fair value of financial instruments that are measured at fair value on a recurring basis

#### 1) Fair value hierarchy

March 31, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares and emerging market shares	<u>\$ 379,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 379,000</u>
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 13,773</u>	<u>\$ -</u>	<u>\$ 13,773</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ 19</u>

December 31, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares and emerging market shares	<u>\$ 266,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 266,500</u>
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 22,807</u>	<u>\$ -</u>	<u>\$ 22,807</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 692</u>	<u>\$ -</u>	<u>\$ 692</u>

March 31, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares and emerging market shares	<u>\$ 292,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 292,649</u>
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 804</u>	<u>\$ -</u>	<u>\$ 804</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 5,006</u>	<u>\$ -</u>	<u>\$ 5,006</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign exchange forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 13,773	\$ 22,807	\$ 804
Financial assets at amortized cost (1)	2,179,108	2,629,089	2,954,100
Financial assets at FVTOCI	379,000	266,500	292,649
<u>Financial liabilities</u>			
FVTPL			
Held for trading	19	692	5,006
Amortized cost (2)	2,219,330	1,967,549	2,980,740

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, trade receivables and other receivables.

2) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, notes, trade and other payables.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivable, other receivables, trade payables, other payables and borrowings and lease liabilities. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (a) below) and interest rates (refer to (b) below). The Group entered into forward foreign exchange contracts to manage its exposure to foreign currency risk.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 32.

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Assets</u>			
JPY	\$ 243	\$ -	\$ -
EUR	46	618	296
USD	13,474	22,189	508
RMB	10	-	-
<u>Liabilities</u>			
JPY	6	606	-
USD	13	-	5,006
RMB	-	86	-

Sensitivity analysis

The Group is mainly exposed to the USD, JPY, VND and EUR.

The following table details the Group's sensitivity to a 3% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate of 3% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 3% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with New Taiwan dollars weakening by 3% against the relevant currency. For a 3% strengthening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	<u>VND Impact</u>		<u>JPY Impact</u>	
	<u>For the Three Months Ended March 31</u>			
	2021	2020	2021	2020
Profit or loss*	\$ (2,151)	\$ (2,512)	\$ 2,105	\$ 3,925

	<b>EUR Impact</b>		<b>USD Impact</b>	
	<b>For the Three Months Ended March 31</b>		<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Profit or loss*	\$ (1,411)	\$ (2,118)	\$ 11,141	\$ 19,542

\* This was mainly attributable to the exposure on outstanding foreign currency cash, trade receivables, other receivables, borrowings, trade payables, and other payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Fair value interest rate risk			
Financial assets	\$ 502,100	\$ 599,178	\$ 739,590
Financial liabilities	476,627	540,230	328,637
Cash flow interest rate risk			
Financial assets	721,237	780,620	723,563
Financial liabilities	625,054	701,222	1,620,482

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2021 and 2020 would have decreased/increased by \$120 thousand and decreased/increased by \$1,121 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities. The Group does not actively trade these investments. The Group's equity price risk was mainly concentrated on equity instruments operating in the ROC.

### Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 10% higher/lower, the pre-tax other comprehensive income for the three months ended March 31, 2021 and 2020 would have increased/decreased by \$37,900 thousand and \$29,265 thousand, respectively, as a result of the changes in fair value of financial assets of FVTOCI.

#### 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to minimize credit risk, management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with good credit ratings assigned by international credit-rating agencies.

Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

Counterparties of trade receivables consisted of a large number of different customers, spread across apparel, down material, home textile industry and geographical areas. Ongoing credit evaluation is performed on the customers' financial condition. The Group's concentration of credit risk by geographical location was mainly in the United States and Japan.

#### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of March 31, 2021, December 31, 2020 and March 31, 2020, the Group had available unutilized bank loan facilities in the amounts of \$6,259,535 thousand, \$6,154,686 thousand and \$5,897,018 thousand, respectively.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detailed the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

March 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing	\$ 918,473	\$ 357,675	\$ 82,420	\$ -	\$ -
Undiscounted lease	2,910	5,664	23,504	39,720	4,086
Borrowings	<u>175,699</u>	<u>363,921</u>	<u>448,174</u>	<u>12,694</u>	<u>34,721</u>
	<u>\$ 1,097,082</u>	<u>\$ 727,260</u>	<u>\$ 554,098</u>	<u>\$ 52,414</u>	<u>\$ 38,807</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 32,078</u>	<u>\$ 39,720</u>	<u>\$ 1,624</u>	<u>\$ 2,462</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing	\$ 591,181	\$ 320,722	\$ 108,565	\$ -	\$ -
Undiscounted lease	2,942	5,456	22,639	46,073	4,134
Borrowings	<u>333,524</u>	<u>248,444</u>	<u>572,203</u>	<u>4,451</u>	<u>10,105</u>
	<u>\$ 927,647</u>	<u>\$ 574,622</u>	<u>\$ 703,407</u>	<u>\$ 50,524</u>	<u>\$ 14,239</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 31,037</u>	<u>\$ 46,073</u>	<u>\$ 1,611</u>	<u>\$ 2,523</u>	<u>\$ -</u>	<u>\$ -</u>

March 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing	\$ 882,425	\$ 279,121	\$ 124,073	\$ -	\$ -
Undiscounted lease	3,286	6,504	22,047	46,839	4,536
Borrowings	<u>79,561</u>	<u>293,834</u>	<u>544,111</u>	<u>962,222</u>	<u>9,911</u>
	<u>\$ 965,272</u>	<u>\$ 579,459</u>	<u>\$ 690,231</u>	<u>\$ 1,009,061</u>	<u>\$ 14,447</u>

b) Liquidity and interest rate risk tables for derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis or on the undiscounted gross outflows on those derivatives that require gross settlement.

March 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Gross settled - outflows</u>			
Foreign exchange forward contracts	<u>\$ 147,310</u>	<u>\$ 186,950</u>	<u>\$ 144,615</u>

December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Gross settled - outflows</u>			
Foreign exchange forward contracts	<u>\$ 404,869</u>	<u>\$ 168,697</u>	<u>\$ 230,747</u>

March 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Gross settled - outflows</u>			
Foreign exchange forward contracts	<u>\$ 47,622</u>	<u>\$ 149,719</u>	<u>\$ 273,122</u>

## 29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in other notes, details of transactions between the Group and other related parties are disclosed as follows:

a. Related parties and relationships

<u>Related Parties</u>	<u>Relationships with the Group</u>
Snowdown Merchandise Corporation	Investments in associate
Koutou Co., Ltd.	Investments in associate
BBL Premium Co., Ltd.	Investments in associate
Daquan Hanshi Co., Ltd.	Investments in associate of subsidiary
Gong Tong Zu Lin Co., Ltd.	Investments in associate of subsidiary

(Continued)

<b>Related Parties</b>	<b>Relationships with the Group</b>
Kai Sheng Investment Co., Ltd.	Substantively related party
Ou Li Investment Co., Ltd.	Substantively related party
Cave & Wine Co., Ltd.	Substantively related party
Huang Lu Investment Co., Ltd.	Substantively related party
Fortune Phoenix Insurance Brokerage Service Corporation	Substantively related party
Han Jin Industrial Co., Ltd.	Substantively related party
	(Concluded)

b. Sales of goods

<b>Related Party</b>	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Daquan Hanshi Co., Ltd.	\$ 235	\$ 269
BBL Premium Co., Ltd.	<u>3,620</u>	<u>5,884</u>
	<u>\$ 3,855</u>	<u>\$ 6,153</u>

The sale of goods to related parties were made at cost plus.

c. Receivables from related parties

<b>Related Party</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Daquan Hanshi Co., Ltd.	\$ -	\$ -	\$ 25
BBL Premium Co., Ltd.	<u>8,296</u>	<u>12,293</u>	<u>13,597</u>
	<u>\$ 8,296</u>	<u>\$ 12,293</u>	<u>\$ 13,622</u>

Payment terms are 30 days for Daquan Hanshi Co., Ltd. and 90 days for BBL Premium Co. Ltd. The sales terms with non-related parties are L/C 30-90 days, T/T 30-90 days, O/A 30-180 days, D/A 30-90 days or D/P.

The outstanding trade receivables from related parties are unsecured. For the three months ended March 31, 2021 and 2020, no impairment loss was recognized for trade receivables from related parties.

d. Payables to related parties (not including loans from related parties)

<b>Related Party</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Accrued expenses</u>			
Associates	<u>\$ 4,625</u>	<u>\$ 2,323</u>	<u>\$ -</u>

The outstanding trade payables to related parties are unsecured.

e. Acquisition of investment properties

<b>Related Party</b>	<b>Purchase Price</b>	
	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
Koutou Co., Ltd.	\$ <u>1,412</u>	\$ <u>-</u>

f. Acquisition of property, plant and equipment

<b>Related Party</b>	<b>Purchase Price</b>	
	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
Koutou Co., Ltd.	\$ <u>-</u>	\$ <u>19,500</u>

g. Lease arrangements

<b>Related Party</b>	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Acquisition of right-of-use assets</u>		
Gong Tong Zu Lin Co., Ltd.	\$ <u>5,270</u>	\$ <u>2,064</u>

<b>Account</b>	<b>Related Party</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Lease liabilities	Gong Tong Zu Lin Co., Ltd.	\$ <u>10,503</u>	\$ <u>6,428</u>	\$ <u>4,118</u>

<b>Related Party</b>	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Interest expense</u>		
Gong Tong Zu Lin Co., Ltd.	\$ <u>16</u>	\$ <u>11</u>

h. Loans to related parties

<b>Related Party</b>	<b>March 31, 2021</b>	<b>December 31,</b>	<b>March 31, 2020</b>
		<b>2020</b>	
Other receivables			
Snowdown Merchandise Corporation	\$ <u>120,000</u>	\$ <u>120,000</u>	\$ <u>120,000</u>

<b>Related Party</b>	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
Interest income		
Snowdown Merchandise Corporation	\$ <u>417</u>	\$ <u>445</u>

i. Expenses

<b>Related Party</b>	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Substantively related parties	\$ 480	\$ 605
Investments in associates	<u>2,510</u>	<u>1,522</u>
	<u>\$ 2,990</u>	<u>\$ 2,127</u>

The expenses included rents, other expenses, etc.

j. Other transactions

The subsidiary Manumech Corporation is engaged in the trading of industrial materials, including raw materials for plastics. For the three months ended March 31, 2021 and 2020, Manumech Corporation purchased raw materials for plastics in the amounts of \$0 thousand and \$63,692 thousand, respectively, from the related party Han Jin Industrial Co., Ltd. The purchase terms with related parties are prepayments and there were no significant differences in transaction terms between related parties and third parties.

In the aforementioned transaction, Manumech Corporation served as an agent, and thus recognized revenue at the net amount of operating revenue less operating costs.

k. Compensation of key management personnel

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 13,888	\$ 14,598
Post-employment benefits	158	289
Share-based payments	<u>122</u>	<u>285</u>
	<u>\$ 14,168</u>	<u>\$ 15,172</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

### 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and letters of credit:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Pledged deposits	\$ 10,000	\$ -	\$ 2
Land	63,001	21,240	21,240
Buildings, net	<u>6,483</u>	<u>2,096</u>	<u>2,190</u>
	<u>\$ 79,484</u>	<u>\$ 23,336</u>	<u>\$ 23,432</u>

### 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of March 31, 2021 and 2020 were as follows:

#### Significant Commitments

- a. Unused letters of credit for purchases of raw materials as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
USD	<u>\$ 6,987</u>	<u>\$ 5,851</u>	<u>\$ 2,411</u>
EUR	<u>\$ 430</u>	<u>\$ 444</u>	<u>\$ 1,503</u>
NTD	<u>\$ 41,881</u>	<u>\$ 41,881</u>	<u>\$ 37,738</u>

- b. As of March 31, 2021, December 31, 2020 and March 31 2020, guarantees issued by financial institutions for purchases of raw materials and development of technology amounted to \$36,000 thousand, \$40,000 thousand and \$40,000 thousand, respectively.
- c. As of March 31, 2021, December 31, 2020 and March 31 2020, notes provided as refundable deposits for bank borrowing and purchases of raw materials were \$354,000 thousand, \$354,000 thousand and \$106,000 thousand, respectively.
- d. As of March 31, 2021, December 31, 2020 and March 31 2020, commitments for purchases of machinery and equipment were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Unpaid amounts of the purchases			
NTD	\$ 23,839	\$ 39,397	\$ 169,433

### 32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between foreign currencies and respective functional currencies were as follows:

#### March 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 32,266	28.535 (USD:NTD)	\$ 920,710
USD	308	6.5688 (USD:RMB)	8,789
USD	1,019	23,012 (USD:VND)	29,077
JPY	272,237	0.2577 (JPY:NTD)	70,155
VND	30,801,559	0.000043 (VND:USD)	38,194
EUR	8	33.48 (EUR:NTD)	268
EUR	35	4.659 (EUR:PLN)	1,172
RMB	11,945	4.344 (RMB:NTD)	51,889

(Continued)

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
Non-monetary items			
Investments in associates accounted for using equity method			
USD	\$ 780	28.535 (USD:NTD)	\$ 22,269
CAD	289	22.65 (CAD:NTD)	6,543

#### Financial liabilities

Monetary items			
USD	20,271	28.535 (USD:NTD)	578,433
USD	2	6.5688 (USD:RMB)	57
USD	314	23,012 (USD:VND)	8,960
VND	88,636,667	0.000043 (VND:USD)	109,909
EUR	1,123	33.48 (EUR:NTD)	37,598
EUR	325	1.1733(EUR:USD)	10,881
			(Concluded)

#### December 31, 2020

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 33,010	28.48 (USD:NTD)	\$ 940,125
USD	81	6.5067 (USD:RMB)	2,307
USD	22,065	23,154 (USD:VND)	628,411
JPY	567,727	0.2763 (JPY:NTD)	156,863
VND	23,004,036	0.000043 (VND:USD)	28,295
EUR	3	35.02 (EUR:NTD)	105
EUR	35	4.621 (EUR:PLN)	1,226
Non-monetary items			
Investments in associates accounted for using equity method			
USD	712	28.48 (USD:NTD)	20,274
CAD	301	22.35 (CAD:NTD)	6,720

#### Financial liabilities

Monetary items			
USD	8,267	28.48 (USD:NTD)	235,444
USD	53	6.5067 (USD:RMB)	1,509
USD	456	23,154 (USD:VND)	12,987
VND	110,924,442	0.000043 (VND:USD)	136,437
EUR	1,557	35.02 (EUR:NTD)	54,526

March 31, 2020

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 68,281	30.225 (USD:NTD)	\$ 2,063,793
USD	2,277	7.1034 (USD:RMB)	68,822
USD	25,903	23,613 (USD:VND)	782,918
JPY	469,248	0.2788 (JPY:NTD)	130,826
VND	22,537,769	0.000042 (VND:USD)	28,848
EUR	5	33.24 (EUR:NTD)	166
EUR	38	4.549 (EUR:PLN)	1,263
Non-monetary items			
Investments in associates accounted for using equity method			
USD	672	30.225 (USD:NTD)	20,298
CAD	324	21.31 (CAD:NTD)	6,913

Financial liabilities

Monetary items			
USD	49,091	30.225 (USD:NTD)	1,483,775
USD	1,757	7.1034 (USD:RMB)	53,105
USD	24,061	23,613 (USD:VND)	727,244
JPY	13	0.2788 (JPY:NTD)	4
VND	87,958,717	0.000042 (VND:USD)	112,587
EUR	2,167	33.24 (EUR:NTD)	72,031

The significant realized and unrealized foreign exchange gains (losses) were as follows:

<b>For the Three Months Ended March 31</b>				
<b>2021</b>			<b>2020</b>	
<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
VND	0.00123 (VND:NTD)	\$ (833)	0.0013 (VND:NTD)	\$ 1,054
NTD	1 (NTD:NTD)	(14,490)	1 (NTD:NTD)	6,407
USD	28.366 (USD:NTD)	1,200	30.106 (USD:NTD)	1,258
RMB	4.376 (RMB:NTD)	188	4.310 (RMB:NTD)	(38)
PLN	7.537 (PLN:NTD)	<u>32</u>	7.7135 (PLN:NTD)	<u>107</u>
		<u>\$ (13,903)</u>		<u>\$ 8,788</u>

**33. SEPARATELY DISCLOSED ITEMS**

a. Information about significant transactions:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)

- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)
  - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
  - 9) Trading in derivative instruments (Note 7)
  - 10) Intercompany relationships and significant intercompany transactions (Table 6)
- b. Information on investees (Table 7)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 9):
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

### 34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

Apparel department - manufacturing, developing, designing and selling of apparel.

Down material department - manufacturing, developing and selling of down.

Home textile department - manufacturing, developing, designing and selling of bedding.

#### a. Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment Revenue		Segment Profit	
	For the Three Months Ended March 31		For the Three Months Ended March 31	
	2021	2020	2021	2020
Apparel department	\$ 654,186	\$ 807,243	\$ (14,090)	\$ 8,930
Down material department	423,680	548,482	(10,695)	(13,617)
Home textile department	500,873	414,980	50,821	26,651
Others	177,154	143,346	10,455	945
Segment revenue	1,755,893	1,914,051	36,491	22,909
Eliminations	(65,573)	(85,875)	-	-
Segment revenue or segment income	\$ 1,690,320	\$ 1,828,176	36,491	22,909
Interest income			5,548	3,420
Other gains and losses			(12,050)	11,148
Finance costs			(2,317)	(4,010)
Share of profit or loss of associates			134,476	41
Profit before tax (continuing operations)			\$ 162,148	\$ 33,508

Segment profit represented the profit before tax earned by each segment without allocation of share of profit or loss of associates and joint ventures, other income, other gains and losses, and finance costs. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

## KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account (Note 2)	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing (Note 3)	Business Transaction Amount (Note 4)	Reasons for Short-term Financing (Note 5)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 6)	Aggregate Financing Limit (Note 6)	Note
													Item	Value			
0	Kwong Lung Enterprise Co., Ltd.	Snowdown Merchandise Corporation	Other receivables from related parties	Yes	\$ 240,000	\$ 240,000	\$ 120,000	1.41	b.	\$ -	Operating capital	\$ -	Promissory note	\$ 120,000	\$ 2,059,114 (Note 6)	\$ 2,059,114 (Note 6)	
1	Manumech Corporation	Intime Tech Co., Ltd.	Other receivables from related parties	Yes	21,920	21,720	10,860	1.83	b.	-	Operating capital	-	Promissory note	10,860	7,139 (Note 6)	7,139 (Note 6)	
2	P&B Collection Co., Ltd.	Gong Tong Zu Lin Co., Ltd.	Other receivables from related parties	Yes	80,000	80,000	-	-	b.	-	Operating capital	-	N/A	-	92,182 (Note 6)	92,182 (Note 6)	

Note 1: The numbers denote the following:

- a. 0 is issuer.
- b. Investees are listed by names and numbered starting with 1.

Note 2: Fill in the name of account in which the loans are recognized, such as receivables-related parties, current account with shareholders, prepayments, temporary payments, etc.

Note 3: Purpose of fund financing for the borrower:

- a. For those companies with business transactions, please fill in 1.
- b. For those companies with short-term financing needs, please fill in 2.

Note 4: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 5: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 6: Individual and total loans should not exceed 40% of the lender's net equity of the prior year. For No. 0:  $\$5,147,784 \times 40\% = \$2,059,114$ ; for No. 1:  $\$17,847 \text{ (net worth)} \times 40\% = \$7,139$ ; for No. 2:  $\$230,456 \text{ (net worth)} \times 40\% = \$92,182$ .

## KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorsement/Guarantee Provider	Guaranteed Party		Limited on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
1	Manumech Corporation	Intime Tech Co., Ltd.	b	\$ 7,139 (Note 3)	\$ 23,152	\$ 23,032	\$ 2,259	\$ -	129.05%	\$ 8,924 (Note 3)	Y	N	Y

Note 1: The numbers denote the following:

- 0 is the issuer.
- Investees are listed by names and numbered starting with 1.

Note 2: Relationship information of endorser and endorsee are categorized as follows:

- Business deals between the Company and guarantee party.
- Direct holding of more than 50% of the subsidiaries' ordinary shares
- Direct holding of more than 50% of the invested company's ordinary shares by the Company and its subsidiaries.
- Direct and indirect holding of more than 50% of the parent company's ordinary shares.
- Guarantee by the Company according to construction contract.
- All capital contributing shareholders make endorsements on guarantees for their jointly invested company in proportion to their shareholding percentage.

Note 3: 

- The maximum balance of endorsement/guarantee provided by the Company and to individual company cannot exceed 10% of net assets:  $\$17,847 \times 40\% = \$7,139$ .
- The maximum balance of endorsement/guarantee provided by the Company cannot exceed 10% of net assets:  $\$17,847 \times 50\% = \$8,924$ .
- The endorsement/guarantee amount to subsidiaries is not limited by the above-mentioned proportion.

Note 4: The aforementioned intercompany transactions have been eliminated upon consolidation.

## KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
MARCH 31, 2021  
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Kwong Lung Enterprise Co., Ltd.	<u>Ordinary shares</u> Co-Tech Development Corporation	Member of the board directors	Financial assets at FVTOCI - non-current	5,000	\$ 379,000	1.98	\$ 379,000	
	<u>Private corporate bond</u> Snowdown Merchandise Corporation	Investments in associates	Financial assets at amortized cost - non-current	-	50,000	-	-	
Manumech Corporation	<u>Private corporate bond</u> Snowdown Merchandise Corporation	Investments in associates (parent company)	Financial assets at amortized cost - non-current	-	10,000	-	-	

## KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Note/Trade Receivables (Payables)			Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Account	Ending Balance	% of Total	
Kwong Lung Enterprise Co., Ltd.	Bo Hsing Enterprise Co., Ltd.	Subsidiary	Purchase	\$ 296,010	25	T/T 30-180 days	No significant difference	No significant difference	Trade payables	\$ 670,028	38	
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Sale	296,010	100	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	670,028	100	
Kwong Lung Enterprise Co., Ltd.	Toptex Garment Co., Ltd.	Subsidiary	Purchase	120,337	10	T/T 30-180 days	No significant difference	No significant difference	Trade payables	75,746	4	
Toptex Garment Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Sale	120,337	100	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	75,746	99	
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Meko Co., Ltd.	Subsidiary	Purchase	505,044	43	T/T 30-180 days	No significant difference	No significant difference	Trade payables	398,656	22	
Kwong Lung Meko Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Sale	505,044	93	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	398,656	92	

Note: The aforementioned intercompany transactions have been eliminated upon consolidation.

## KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

MARCH 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Receivables from Related Parties Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
			Account	Ending Balance		Amount	Actions Taken		
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Meko Co., Ltd.	Subsidiary	Other receivables	\$ 171,694	-	\$ -	-	\$ 17,878	\$ -
Kwong Lung Enterprise Co., Ltd.	Toptex Garment Co., Ltd.	Subsidiary	Other receivables	129,643	-	-	-	-	-
Kwong Lung Enterprise Co., Ltd.	Bo Hsing Enterprise Co., Ltd.	Subsidiary	Other receivables	493,350	-	-	-	30,862	-
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Trade receivables	670,028	1.81	-	-	82,975	-
Kwong Lung Meko Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Trade receivables	398,656	4.56	-	-	173,840	-

Note: The aforementioned intercompany transactions have been eliminated upon consolidation.

## KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
0	Kwong Lung Enterprise Co., Ltd.	Kwong Lung Meko Co., Ltd.	a	Sales revenue	\$ 14,890	No significant difference	1
			a	Cost of goods sold	505,044	No significant difference	30
			a	Trade receivables	7,609	No significant difference	-
			a	Trade payables	398,656	No significant difference	5
		Kwong Lung Japan Co., Ltd.	a	Other receivables	171,694	-	2
			a	Sales revenue	62,382	No significant difference	4
		Snowdown Merchandise (Suzhou) Co., Ltd.	a	Trade receivables	69,334	No significant difference	1
			a	Cost of goods sold	85,176	No significant difference	5
			a	Trade payables	65,755	No significant difference	1
			a	Other receivables	11,341	-	-
		Toptex Garment Co., Ltd.	a	Cost of goods sold	120,337	No significant difference	7
			a	Trade payables	75,746	No significant difference	1
			a	Other receivables	129,643	-	2
		Bo Hsing Enterprise Co., Ltd.	a	Cost of goods sold	296,010	No significant difference	18
a	Trade payables		670,028	No significant difference	8		
a	Other receivables		493,350	-	6		
1	Manumech Corporation	Intime Tech Co., Ltd.	a	Sales revenue	20,377	No significant difference	1
			a	Trade receivables	22,548	No significant difference	-
3	Kwong Lung Meko Co., Ltd.	Bo Hsing Enterprise Co., Ltd.	c	Processing revenue	5,729	No significant difference	-
4	Snowdown Merchandise (Suzhou) Co., Ltd.	Kwong Lung Meko Co., Ltd.	c	Trade payables	15,136	No significant difference	-
			c	Sales revenue	16,572	No significant difference	1

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

- The parent company is coded "0".
- The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of relationship is as follows:

- From the parent company to its subsidiary.
- From a subsidiary to its parent company.
- Between subsidiaries.

Note 3: The percentage calculation is based on the consolidated total operating revenue or total assets. For balance sheet items, each item's period-end balance is shown as a percentage to consolidated total assets as of March 31, 2021. For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenue for the three months ended March 31, 2021.

Note 4: The aforementioned intercompany transactions have been eliminated upon consolidation.

## KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note	
				March 31, 2021	December 31, 2020	Shares (In Thousands)	%	Carrying Amount				
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Feather (B.V.I.) Limited	British Virgin Islands	Overseas reinvested holding company	\$ -	\$ 691,210	-	-	\$ -	\$ (7,246)	\$ -	Turn into sub-subsidiary from January 1,2021	
	Kwong Lung (B.V.I.) Ltd.	British Virgin Islands	Overseas reinvested holding company	652,195	-	15	100.00	717,221	(7,745)	(7,578)		Subsidiary
	Kwong Lung Meko Co., Ltd.	Vietnam	Manufacturing and selling of down and bedding	198,399	198,399	-	100.00	1,127,946	14,217	14,228		Subsidiary
	Kwong Lung Japan Co., Ltd.	Japan	Manufacturing and selling of down and bedding	280,977	280,977	11	100.00	300,910	794	794		Subsidiary
	Bo Hsing Enterprise Co., Ltd.	Vietnam	Manufacturing and selling of apparel	386,911	386,911	-	100.00	858,501	7,489	7,489		Subsidiary
	Toptex Garment Co., Ltd.	Vietnam	Manufacturing and selling of apparel	191,809	191,809	-	100.00	33,336	(4,258)	(4,258)		Subsidiary
	P&B Collection Co., Ltd.	Taiwan	Outerwear knitting mills; apparel, clothing accessories and other textile product manufacturing; other textile products manufacturing; cleaning products manufacturing; wholesale and retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, articles for daily use, cleaning preparations and other textile products; wholesale of pottery, porcelain and glassware; international trade	260,000	260,000	26,000	100.00	226,617	6,472	6,472		Subsidiary
	Kwong Lung-Omon Company Limited	Vietnam	Various selling of down and bedding	69,799	69,799	-	100.00	67,988	(8,694)	(9,373)		Subsidiary
	Kwong Lung Europe SP.Z O.O.	Poland	Various selling of down and bedding	7,102	7,102	17	100.00	2,493	(182)	(182)		Subsidiary
	Snowdown Merchandise Corporation	Taiwan	Retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories and other textile products; real estate rental and leasing	55,095	55,095	7,070	39.50	249,007	336,433	134,553		Associate
BBL Premium Co., Ltd.	Taiwan	Wholesale and retail sale.	14,000	14,000	1,487	46.67	13,263	(3,615)	(1,687)	Associate		
Kwong Lung (B.V.I.) Ltd	Kwong Lung Feather (B.V.I.) Limited	British Virgin Islands	Overseas reinvested holding company	491,255	-	18,259	100.00	521,782	(7,246)	NA	Subsidiary	
Kwong Lung Japan Co., Ltd.	Rising Living Co., Ltd.	Japan	Manufacturing and selling of down and bedding	3,943	-	306	51.00	7,731	-	NA	Subsidiary	
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	British Virgin Islands	Overseas reinvested holding company	60,180	60,180	2,000	40.00	56,189	235	NA	Subsidiary	
Kwong Lung Meko Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	British Virgin Islands	Overseas reinvested holding company	92,880	92,880	3,000	60.00	82,760	235	NA	Subsidiary	
Kwong Lung (B.V.I.) Limited	Jbv HI-TECH Ltd.	Republic of Seychelles	Overseas reinvested holding company	44,017	44,017	1,350	25.00	22,269	(138)	NA	Associate of subsidiary	
P&B Collection Co., Ltd.	Gong Tong Zu Lin Co., Ltd.	Taiwan	Wholesale of machinery and equipment	27,300	27,300	3,790	39.00	46,638	2,197	NA	Associate of subsidiary	
	Daquan Hanshi Co., Ltd.	Taiwan	Food service activities	6,927	6,927	588	49.00	11,936	1,898	NA	Associate of subsidiary	
	Manumech Corporation	Taiwan	Wholesale	20,000	20,000	3,060	51.00	9,104	10,044	NA	Subsidiary	
Kwong Lung Meko (B.V.I.) Ltd.	Lyon Ventures Holdings Ltd.	Canada	Wholesale of household products.	8,471	8,471	90	45.00	6,543	(177)	NA	Associate of subsidiary	

Note: Refer to Table 8 for investments in mainland China.

## KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of March 31, 2020	Accumulated Repatriation of Investment Income as of March 31, 2020
					Outward	Inward						
Snowdown Merchandise (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding.	US\$ 15,000	b. 1)	\$ 448,640	\$ -	\$ -	\$ 448,640	\$ (6,420)	100	\$ (6,420) b. 3)	\$ 510,443	\$ -
Kwong Lung (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding.	US\$ 5,000	b. 2)	149,546	-	-	149,546	(1,352)	100	(1,352) b. 3)	173,954	-
Kunshan Fulong Trade Co., Ltd.	Wholesale of outdoor supplies, household wares, clothing, and related packaging materials; food; Import and export of goods and technology.	RMB 5,000	c. 1)	-	-	-	-	(335)	100	(335) b. 3)	16,109	-
Huai An Guang Long He Yu Home Textile Co., Ltd.	Home textile products; textile and apparel production and sales; feather acquisition; down processing, down products production and sales; self-support and agents of various types of goods and technology import and export business.	RMB 7,000	c. 1)	-	-	-	-	339	51	173 b. 3)	19,176	-
Intime Tech Co., Ltd.	Wholesale.	RMB 2,400	c. 2)	10,635	-	-	10,635	3,636	100	3,636 b. 3)	24,336	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
Kwong Lung Enterprise Co., Ltd.	\$ 598,186	\$ 600,875 (US\$ 20,000)	\$ 3,107,245 (Note 3)
Manumech Corporation	10,635	10,635 (US\$ 350)	10,708 (Note 4)

Note 1: The way of investment in mainland China is as follows:

- a. The investment was made directly in China.
- b. The investment was made through a company registered in a third region.
  - 1) Through Kwong Lung Feather (B.V.I.) Limited.
  - 2) Through Kwong Lung (B.V.I.) Ltd.
- c. Other types:
  - 1) Direct investment from Kwong Lung (Suzhou) Co., Ltd.
  - 2) Direct investment from Manumech Corporation.

Note 2: Net income (loss) of the investee:

- a. If it is in preparation, there is no investment loss, it should be noted.
- b. Recognition of gains or losses was based on the following three information:
  - 1) Financial statements which were audited by an international accounting firm with a cooperative relationship with an ROC accounting firm.
  - 2) Financial statements which were audited by the parent company's accounting firm.
  - 3) Other.

Note 3: The maximum allowable limit on investment was 60% of the consolidated net asset value of the Company \$5,178,742 (consolidated net worth) × 60% = \$3,107,245.

Note 4: The maximum allowable limit on investment was 60% of the net asset value of Manumech Corporation. \$17,847 (net worth) × 60% = \$10,708.

## KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Note/Trade Receivables (Payables)		Unrealized Gain	
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Snowdown Merchandise (Suzhou) Co., Ltd. (Note 1)	Purchase	\$ 85,176	7	Normal	Prepayment or T/T 30-180 days	No significant difference	Trade payables	\$ 65,755	4	\$ 732
Intime Tech Co., Ltd. (Note 2)	Sale	20,377	18	Normal	Open account 120 days	No significant difference	Trade receivables	22,548	22	-

Note 1: As of March 31, 2021, the Company had transactions with Snowdown Merchandise (Suzhou) Co., Ltd. for processing of materials and purchasing materials amounted to \$11,341 thousand of the Company's other receivables.

Note 2: As of March 31, 2021, Manumech Corporation, the investor company, had significant transactions with Intime Tech Co., Ltd., the investee company in mainland China.

Note 3: The aforementioned intercompany transactions have been eliminated upon consolidation.

**KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**INFORMATION OF MAJOR SHAREHOLDERS**

**March 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Kai Sheng Investment Co., Ltd.	14,873,422	9.95
Ou Li Investment Co., Ltd.	12,689,840	8.49

Note 1: The table discloses shareholding information of shareholders whose shareholding percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total ordinary shares and preference shares (including treasury shares) that completed the dematerialized registration and delivery on the last business day for the current quarter. The shares reported in the Company's consolidated financial statements and the actual number of shares that have completed the dematerialized and delivery may be different due to the basis of calculation.

Note 2: If the shareholders transfer the shareholding to the trust, the trustee will open the trust account to separate the account. For shareholders who handle the declaration of insiders shareholdings with ownership of more than 10% of their shares in accordance with the Securities Exchange Act, their shareholdings include their shareholdings plus the shares they delivered to the trust with the rights to make decisions on trust property. For the registration of shares held by a company insider, refer to the Market Observation Post System website of the Taiwan Stock Exchange.