

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

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2020 and 2019 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 referred to as the "Group") as of September 30, 2020 and 2019, the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the nine 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 the 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 12 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 September 30, 2020 and 2019, the combined total assets of these non-significant subsidiaries were NT\$2,380,568 thousand and NT\$2,551,935 thousand, respectively, representing 31% and 30%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$662,325 thousand and NT\$721,542 thousand, respectively, representing 25% and 21%, respectively, of the consolidated total liabilities; for the three months and nine months ended September 30, 2020 and 2019, the amounts of combined comprehensive income of these non-significant subsidiaries were NT\$(31,330) thousand, NT\$59,337 thousand, NT\$30,577 thousand and NT\$120,416 thousand, respectively, representing (34%), 25%, 13% and 20%, respectively, of the consolidated total comprehensive income. In addition, as disclosed in Note 13, the investments accounted for using the equity method, as of September 30, 2020 and 2019, were NT\$200,414 thousand and NT\$186,812 thousand, respectively, and the consolidated equity in these investees' net loss and gain for the three months and nine

months ended September 30, 2020 and 2019 amounted to NT\$(1,189) thousand, NT\$6,051 thousand, NT\$5,444 thousand and NT\$9,638 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 September 30, 2020 and 2019 and of its consolidated financial performance and its consolidated cash flows for the three months and nine months ended September 30, 2020 and 2019 and its consolidated cash flows for the nine months ended September 30, 2020 and 2019 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

November 6, 2020

### 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	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 997,138	13	\$ 881,256	12	\$ 999,662	12
Financial assets at fair value through profit or loss - current (Note 7)	9,438	-	1,772	-	1,597	-
Financial assets at amortized cost - current (Note 9)	148,590	2	158,530	2	93,123	1
Notes receivable (Note 10)	81,322	1	80,896	1	183,740	2
Trade receivables (Notes 10 and 28)	1,018,033	14	776,821	10	1,204,987	14
Other receivables (Note 10)	502,898	7	253,737	3	278,496	3
Other receivables from related parties (Note 28)	120,000	2	120,000	2	120,000	2
Inventories (Note 11)	1,980,782	26	2,373,358	31	2,835,685	33
Prepayments	30,423	-	117,747	2	69,607	1
Other current assets	96,504	1	99,151	1	117,612	1
Total current assets	4,985,128	66	4,863,268	64	5,904,509	69
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	188,000	2	367,840	5	288,097	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 13)	200,414	3	199,656	3	186,812	2
Property, plant and equipment (Notes 14, 29 and 30)	1,517,208	20	1,505,271	20	1,526,573	18
Right-of-use assets (Note 15)	150,495	2	164,493	2	172,164	2
Investment properties, net (Note 16)	311,671	4	197,708	2	206,416	2
Other intangible assets (Note 17)	58,291	1	64,867	1	66,667	1
Deferred tax assets	45,657	-	49,754	1	49,854	1
Other non-current assets	64,245	1	98,221	1	121,727	1
Total non-current assets	2,595,981	34	2,707,810	36	2,678,310	31
<b>TOTAL</b>	<b>\$ 7,581,109</b>	<b>100</b>	<b>\$ 7,571,078</b>	<b>100</b>	<b>\$ 8,582,819</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 18)	\$ 816,838	11	\$ 327,286	4	\$ 578,812	7
Short-term bills payable (Note 18)	30,000	-	30,000	-	-	-
Financial liabilities at fair value through profit or loss - current (Note 7)	256	-	2,980	-	13,205	-
Contract liabilities - current	146,655	2	18,156	-	35,345	-
Notes payable	1,207	-	7,533	-	2,191	-
Trade payables	647,274	9	540,132	7	750,914	9
Other payables (Note 19)	324,273	4	351,642	5	366,213	4
Current tax liabilities (Note 4)	130,990	2	60,277	1	61,563	1
Lease liabilities - current (Note 15)	30,411	-	33,443	1	35,617	1
Current portion of long-term liabilities (Notes 18 and 29)	879	-	860	-	856	-
Other current liabilities	7,921	-	15,624	-	8,099	-
Total current liabilities	2,136,704	28	1,387,933	18	1,852,815	22
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Notes 18 and 29)	313,265	4	863,931	11	1,364,148	16
Deferred tax liabilities	143,065	2	138,204	2	133,234	1
Lease liabilities - non-current (Note 15)	47,600	1	53,200	1	55,513	1
Net defined benefit liabilities - non-current (Notes 4 and 20)	27,287	-	31,454	1	34,884	-
Guarantee deposits	3,715	-	3,988	-	4,159	-
Total non-current liabilities	534,932	7	1,090,777	15	1,591,938	18
Total liabilities	2,671,636	35	2,478,710	33	3,444,753	40
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 21 and 25)</b>						
Share capital						
Ordinary shares	1,310,523	17	1,303,075	17	1,301,100	15
Preference shares	182,000	3	182,000	3	182,000	2
Total share capital	1,492,523	20	1,485,075	20	1,483,100	17
Capital surplus	2,332,791	31	2,311,774	30	2,307,103	27
Retained earnings						
Legal reserve	484,890	6	435,765	6	435,765	5
Special reserve	30,367	1	88,634	1	88,634	1
Unappropriated earnings	620,555	8	741,128	10	721,865	9
Total retained earnings	1,135,812	15	1,265,527	17	1,246,264	15
Other equity interests						
Exchange differences on translating the financial statements of foreign operations	(178,061)	(3)	(118,966)	(2)	(37,713)	(1)
Unrealized gain on financial assets at fair value through other comprehensive income	62,499	1	88,599	1	80,679	1
Total other equity interests	(115,562)	(2)	(30,367)	(1)	42,966	-
Total equity attributable to owners of the Company	4,845,564	64	5,032,009	66	5,079,433	59
<b>NON-CONTROLLING INTERESTS</b>	<b>63,909</b>	<b>1</b>	<b>60,359</b>	<b>1</b>	<b>58,633</b>	<b>1</b>
Total equity	4,909,473	65	5,092,368	67	5,138,066	60
<b>TOTAL</b>	<b>\$ 7,581,109</b>	<b>100</b>	<b>\$ 7,571,078</b>	<b>100</b>	<b>\$ 8,582,819</b>	<b>100</b>

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

(With Deloitte & Touche review report dated November 6, 2020)

# 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)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 28)								
Sales revenue	\$ 2,423,436	100	\$ 3,058,894	100	\$ 6,660,541	100	\$ 8,132,076	100
OPERATING COSTS (Notes 11, 22 and 28)								
Cost of goods sold	<u>(2,074,181)</u>	<u>(85)</u>	<u>(2,560,302)</u>	<u>(84)</u>	<u>(5,684,761)</u>	<u>(85)</u>	<u>(6,950,312)</u>	<u>(86)</u>
GROSS PROFIT	<u>349,255</u>	<u>15</u>	<u>498,592</u>	<u>16</u>	<u>975,780</u>	<u>15</u>	<u>1,181,764</u>	<u>14</u>
OPERATING EXPENSES (Notes 22 and 28)								
Selling and marketing expenses	(99,184)	(4)	(147,970)	(5)	(290,992)	(4)	(402,629)	(5)
General and administrative expenses	(77,225)	(3)	(77,761)	(3)	(222,024)	(3)	(209,457)	(3)
Research and development expenses	<u>(13,049)</u>	<u>(1)</u>	<u>(15,099)</u>	-	<u>(40,008)</u>	<u>(1)</u>	<u>(39,406)</u>	-
Total operating expenses	<u>(189,458)</u>	<u>(8)</u>	<u>(240,830)</u>	<u>(8)</u>	<u>(553,024)</u>	<u>(8)</u>	<u>(651,492)</u>	<u>(8)</u>
PROFIT FROM OPERATIONS	<u>159,797</u>	<u>7</u>	<u>257,762</u>	<u>8</u>	<u>422,756</u>	<u>7</u>	<u>530,272</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES (Notes 22 and 28)								
Interest income	1,852	-	2,517	-	7,517	-	7,880	-
Other income	10,392	-	10,592	-	10,392	-	10,592	-
Other gains and losses	4,735	-	11,505	1	6,705	-	48,966	1
Finance costs	(3,120)	-	(8,185)	-	(11,348)	-	(23,213)	-
Share of profit of associates accounted for using the equity method	<u>(1,189)</u>	<u>-</u>	<u>6,051</u>	<u>-</u>	<u>5,444</u>	<u>-</u>	<u>9,638</u>	<u>-</u>
Total non-operating income and expenses	<u>12,670</u>	<u>-</u>	<u>22,480</u>	<u>1</u>	<u>18,710</u>	<u>-</u>	<u>53,863</u>	<u>1</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	172,467	7	280,242	9	441,466	7	584,135	7
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(37,607)</u>	<u>(1)</u>	<u>(46,853)</u>	<u>(1)</u>	<u>(97,611)</u>	<u>(2)</u>	<u>(103,746)</u>	<u>(1)</u>
NET PROFIT FOR THE PERIOD	<u>134,860</u>	<u>6</u>	<u>233,389</u>	<u>8</u>	<u>343,855</u>	<u>5</u>	<u>480,389</u>	<u>6</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)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME								
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	\$ (23,419)	(1)	\$ 33,419	1	\$ (49,778)	-	\$ 56,259	1
Share of the other comprehensive income (loss) of associated for using the equity method	(938)	-	664	-	(388)	-	7,505	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	(18,695)	(1)	(29,254)	(1)	(59,324)	(1)	67,779	1
Other comprehensive income (loss) for the period, net of income tax	(43,052)	(2)	4,829	-	(109,490)	(1)	131,543	2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 91,808</u>	<u>4</u>	<u>\$ 238,218</u>	<u>8</u>	<u>\$ 234,365</u>	<u>4</u>	<u>\$ 611,932</u>	<u>8</u>
NET PROFIT								
ATTRIBUTABLE TO:								
Owners of the Company	\$ 128,172	6	\$ 230,886	8	\$ 331,868	5	\$ 471,420	6
Non-controlling interests	6,688	-	2,503	-	11,987	-	8,969	-
	<u>\$ 134,860</u>	<u>6</u>	<u>\$ 233,389</u>	<u>8</u>	<u>\$ 343,855</u>	<u>5</u>	<u>\$ 480,389</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME								
ATTRIBUTABLE TO:								
Owners of the Company	\$ 84,649	4	\$ 236,542	8	\$ 222,607	4	\$ 603,591	8
Non-controlling interests	7,159	-	1,676	-	11,758	-	8,341	-
	<u>\$ 91,808</u>	<u>4</u>	<u>\$ 238,218</u>	<u>8</u>	<u>\$ 234,365</u>	<u>4</u>	<u>\$ 611,932</u>	<u>8</u>
EARNINGS PER SHARE (Note 24)								
Basic	<u>\$0.98</u>		<u>\$1.90</u>		<u>\$2.19</u>		<u>\$4.10</u>	
Diluted	<u>\$0.86</u>		<u>\$1.78</u>		<u>\$1.91</u>		<u>\$3.65</u>	

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

(With Deloitte & Touche review report dated November 6, 2020)

(Concluded)

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)  
(Review, Not Audited)

	Equity Attributable to Owners of the Company										Other Equity Interests			Total	Non-controlling Interests	Total Equity		
	Share Capital			Capital Surplus							Retained Earnings						Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income
	Ordinary Shares	Preference Shares	Subtotal	Additional Paid-in Capital	Additional Paid-in Capital-Bond Conversion	Treasury Share Transactions	Employee Share Options	Convertible Bonds Share Options	Expired Share Options	Subtotal	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2019	\$ 1,103,540	\$ 182,000	\$ 1,285,540	\$ 1,577,397	\$ -	\$ 29,284	\$ 44,956	\$ 34,657	\$ 1,547	\$ 1,687,841	\$ 373,931	\$ 80,889	\$ 707,906	\$ (106,120)	\$ 17,486	\$ 4,047,473	\$ 52,483	\$ 4,099,956
Appropriation of the 2018 earnings	-	-	-	-	-	-	-	-	-	-	61,834	-	(61,834)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	7,745	-	(7,745)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	(386,957)	-	-	(386,957)	-	(386,957)
Cash dividends of preference shares distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	(1,496)	-	-	(1,496)	-	(1,496)
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-	471,420	-	-	471,420	8,969	480,389
Other comprehensive income (loss) for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	68,407	63,764	132,171	(628)	131,543
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-	471,420	68,407	63,764	603,591	8,341	611,932
Issuance of ordinary shares under employee share options	5,502	-	5,502	14,026	-	-	(569)	-	-	13,457	-	-	-	-	-	18,959	-	18,959
Convertible bonds converted to ordinary shares	192,058	-	192,058	-	640,431	-	-	(34,657)	-	605,774	-	-	-	-	-	797,832	-	797,832
Expiration of convertible bonds	-	-	-	-	-	-	-	-	31	31	-	-	-	-	-	31	-	31
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	571	-	(571)	-	-	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,191)	(2,191)
<b>BALANCE AT SEPTEMBER 30, 2019</b>	<u>\$ 1,301,100</u>	<u>\$ 182,000</u>	<u>\$ 1,483,100</u>	<u>\$ 1,591,423</u>	<u>\$ 640,431</u>	<u>\$ 29,284</u>	<u>\$ 44,387</u>	<u>\$ -</u>	<u>\$ 1,578</u>	<u>\$ 2,307,103</u>	<u>\$ 435,765</u>	<u>\$ 88,634</u>	<u>\$ 721,865</u>	<u>\$ (37,713)</u>	<u>\$ 80,679</u>	<u>\$ 5,079,433</u>	<u>\$ 58,633</u>	<u>\$ 5,138,066</u>
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
Appropriation of the 2019 earnings	-	-	-	-	-	-	-	-	-	-	49,125	-	(49,125)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	(58,267)	-	58,267	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	(392,017)	-	-	(392,017)	-	(392,017)
Cash dividends of preference shares distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	(45,500)	-	-	(45,500)	-	(45,500)
Net profit for the nine months ended September 30, 2020	-	-	-	-	-	-	-	-	-	-	-	-	331,868	-	-	331,868	11,987	343,855
Other comprehensive loss for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	(59,095)	(50,166)	(109,261)	(229)	(109,490)
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	-	-	-	-	-	-	-	331,868	(59,095)	(50,166)	222,607	11,758	234,365
Issuance of ordinary shares under employee share options	7,448	-	7,448	27,627	-	-	(6,610)	-	-	21,017	-	-	-	-	-	28,465	320	28,785
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,528)	(8,528)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	(24,066)	-	24,066	-	-	-
<b>BALANCE AT SEPTEMBER 30, 2020</b>	<u>\$ 1,310,523</u>	<u>\$ 182,000</u>	<u>\$ 1,492,523</u>	<u>\$ 1,627,072</u>	<u>\$ 640,431</u>	<u>\$ 29,284</u>	<u>\$ 25,667</u>	<u>\$ -</u>	<u>\$ 10,337</u>	<u>\$ 2,332,791</u>	<u>\$ 484,890</u>	<u>\$ 30,367</u>	<u>\$ 620,555</u>	<u>\$ (178,061)</u>	<u>\$ 62,499</u>	<u>\$ 4,845,564</u>	<u>\$ 63,909</u>	<u>\$ 4,909,473</u>

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

(With Deloitte & Touche review report dated November 6, 2020)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 441,466	\$ 584,135
Adjustments for:		
Depreciation expense	139,934	147,106
Amortization expense	10,242	9,686
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	(9,182)	11,608
Finance costs	11,348	23,213
Interest income	(7,517)	(7,880)
Dividend income	(10,392)	(10,592)
Compensation costs of employee share options	4,251	5,441
Share of profit of associates accounted for using the equity method	(5,444)	(9,638)
Loss (gain) on disposal of property, plant and equipment	(71)	647
Write-downs of inventories	17,005	19,976
Net gain (loss) on foreign currency exchange	6,739	(508)
Other gains and losses	(71)	(28)
Changes in operating assets and liabilities		
Financial assets mandatorily classified at fair value through profit or loss	1,772	2,034
Notes receivable	(8,414)	(51,296)
Trade receivables	(271,741)	(294,554)
Other receivables	(247,712)	(155,123)
Inventories	377,298	(240,937)
Prepayments	85,857	69,337
Other current assets	2,647	(31,986)
Financial liabilities held for trading	(2,980)	(10,289)
Contract liabilities	128,499	(4,356)
Notes payable	(6,326)	(3,076)
Trade payables	114,667	(30,013)
Other payables	(25,637)	(93,926)
Other current liabilities	(7,703)	3,728
Net defined benefit liabilities	(4,167)	(7,525)
Cash generated from (used in) operations	734,368	(74,816)
Interest received	4,012	7,880
Interest paid	(11,656)	(13,761)
Income tax paid	(17,113)	(97,589)
Net cash generated from (used in) operating activities	<u>709,611</u>	<u>(178,286)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(55,204)	(131,139)
Proceeds from disposal of financial assets at fair value through other comprehensive income	185,266	-
Acquisition of financial assets at amortized cost	-	(90,121)

(Continued)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
Proceeds from disposal of financial assets at amortized cost	\$ 3,207	\$ -
Acquisition of investments accounted for using the equity method	-	(14,000)
Net cash inflow on disposal of subsidiaries	8,565	-
Acquisition of property, plant and equipment	(102,474)	(102,535)
Proceeds from disposal of property, plant and equipment	187	4,955
Increase in other receivables - related parties	-	(120,000)
Acquisition of intangible assets	(3,768)	(10,272)
Acquisition of investment properties	(115,147)	(104,226)
Increase in other non-current assets	-	(57,037)
Decrease in other non-current assets	4,854	-
Dividends received	10,392	10,592
Dividends received from associates	<u>1,810</u>	<u>-</u>
Net cash used in investing activities	<u>(62,312)</u>	<u>(613,783)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	515,708	203,007
Repayments of bonds payable	-	(700)
Proceeds from long-term borrowings	250,000	1,250,000
Repayments of long-term borrowings	(800,647)	(100,701)
Repayments of the principal portion of lease liabilities	(28,842)	(30,652)
Increase in other non-current liabilities	-	2,160
Decrease in other non-current liabilities	(273)	-
Cash dividends paid	(437,517)	(388,453)
Proceeds from share options exercised	24,214	13,519
Cash dividends paid by subsidiaries	(8,528)	(2,536)
Changes in non-controlling interests	<u>320</u>	<u>345</u>
Net cash (used in) generated from financing activities	<u>(485,565)</u>	<u>945,989</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>(45,852)</u>	<u>51,527</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	115,882	205,447
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>881,256</u>	<u>794,215</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 997,138</u>	<u>\$ 999,662</u>

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

(With Deloitte & Touche review report dated November 6, 2020)

(Concluded)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (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 November 6, 2020.

### 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. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

<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 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
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

(Continued)

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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)
	(Concluded)

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 are 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” are 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 first 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.

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 12 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 the following accounting policies, refer to the consolidated financial statements for the year ended December 31, 2019.

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 consistent 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, 2019 for the critical accounting judgments and key sources of estimation uncertainty.

## 6. CASH AND CASH EQUIVALENTS

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand	\$ 2,759	\$ 2,555	\$ 2,558
Checking accounts and demand deposits	764,850	580,586	612,758
Cash equivalents (investments with original maturities of less than three months)			
Time deposits	<u>229,529</u>	<u>298,115</u>	<u>384,346</u>
	<u>\$ 997,138</u>	<u>\$ 881,256</u>	<u>\$ 999,662</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets at FVTPL - current</u>			
Mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	\$ 9,438	\$ 1,772	\$ 1,252
Foreign currency swap contracts	<u>-</u>	<u>-</u>	<u>345</u>
	<u>\$ 9,438</u>	<u>\$ 1,772</u>	<u>\$ 1,597</u>
<u>Financial liabilities at FVTPL - current</u>			
Held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	\$ 256	\$ 1,538	\$ 13,205
Foreign currency swap contracts	<u>-</u>	<u>1,442</u>	<u>-</u>
	<u>\$ 256</u>	<u>\$ 2,980</u>	<u>\$ 13,205</u>

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

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>September 30, 2020</u>			
Sell	USD/RMB	2020.10.30-2021.9.30	USD12,000/RMB84,915
Sell	JPY/NTD	2020.10.19	JPY100,000/NTD27,719
<u>December 31, 2019</u>			
Buy	EUR/NTD	2020.2.13	EUR1,500/NTD50,508
Sell	USD/RMB	2020.1.15-2020.10.30	USD10,000/RMB69,985
<u>September 30, 2019</u>			
Buy	EUR/NTD	2019.10.7-2019.12.4	EUR4,000/NTD137,787
Sell	USD/RMB	2019.10.29-2020.9.4	USD11,000/RMB76,542
Sell	JPY/NTD	2019.10.15-2019.12.17	JPY700,000/NTD200,524

- b. At the end of the reporting period, outstanding foreign currency swap contracts not under hedge accounting were as follows:

	<b>Notional Amount (In Thousands)</b>	<b>Maturity Date</b>	<b>Exchange Rate</b>
September 30, 2020	-	-	-
December 31, 2019	USD2,000	2020.2.27	30.687-30.699
September 30, 2019	USD4,000	2019.11.29-2020.2.27	30.687-30.899

The Group entered into foreign exchange forward contracts and foreign currency swap 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>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
<u>Non-current</u>			
Domestic investments			
Listed shares	<u>\$ 188,000</u>	<u>\$ 367,840</u>	<u>\$ 288,097</u>

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Domestic investments			
Restricted assets - bank balance	\$ -	\$ 5,178	\$ 3
Time deposits with original maturity of more than 3 months	<u>148,590</u>	<u>153,352</u>	<u>93,120</u>
	<u>\$ 148,590</u>	<u>\$ 158,530</u>	<u>\$ 93,123</u>

### Non-current

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, six units and six units of five-year corporate bonds without security issued by Snowdown Merchandise Corporation with a coupon rate of 2.75% as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.
- b. Refer to Note 29 for information related to investments in financial assets at amortized cost pledged as security.

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

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ 81,322	\$ 80,896	\$ 183,740
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 81,322</u>	<u>\$ 80,896</u>	<u>\$ 183,740</u>
<u>Trade receivables (including related parties)</u>			
At amortized cost			
Gross carrying amount	\$ 1,018,114	\$ 776,902	\$ 1,206,286
Less: Allowance for impairment loss	<u>(81)</u>	<u>(81)</u>	<u>(1,299)</u>
	<u>\$ 1,018,033</u>	<u>\$ 776,821</u>	<u>\$ 1,204,987</u>
<u>Other receivables</u>			
Sale of raw materials	\$ 467,279	\$ 215,284	\$ 241,295
Tax refund receivable	24,240	33,321	32,148
Others	11,379	5,132	5,053
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 502,898</u>	<u>\$ 253,737</u>	<u>\$ 278,496</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.

The Group applies the simplified approach to estimate expected credit losses, which permits the use of a lifetime expected losses allowance for all trade receivables. The expected credit losses on trade receivables are estimated using an allowance matrix, which takes into consideration the historical credit loss experience with the respective debtor, the current financial position of the debtor, and the current and future economic conditions of the industry as well as the overall economy. The overdue trade receivable will be provided with an allowance of 0% to 100%, 0% to 100% and 0.08% to 100% as of September 30, 2020, December 31, 2019 and September 30, 2019.

The Group writes off a trade receivable when there is information indicating that the debtor is experiencing 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>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Less than 30 days	\$ 722,051	\$ 493,538	\$ 839,334
31-60 days	186,477	217,287	334,411
61-120 days	106,079	65,780	31,069
More than 121 days	<u>3,507</u>	<u>297</u>	<u>1,472</u>
	<u><b>\$ 1,018,114</b></u>	<u><b>\$ 776,902</b></u>	<u><b>\$ 1,206,286</b></u>

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

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 81	\$ 1,299
Add: Net remeasurement of loss allowance	-	-
Foreign exchange gains and losses	<u>-</u>	<u>-</u>
Balance at September 30	<u><b>\$ 81</b></u>	<u><b>\$ 1,299</b></u>

## 11. INVENTORIES

	September 30, 2020	December 31, 2019	September 30, 2019
Merchandise	\$ 256,839	\$ 255,985	\$ 336,544
Finished goods	195,218	216,596	241,541
Work in progress	1,027,580	1,452,589	1,717,034
Raw materials and supplies	349,816	279,410	392,917
Goods to subcontractor	3,229	4,477	2,858
Inventory in transit	<u>148,100</u>	<u>164,301</u>	<u>144,791</u>
	<u>\$ 1,980,782</u>	<u>\$ 2,373,358</u>	<u>\$ 2,835,685</u>

The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2020 and 2019 included inventory write-downs of \$4,619 thousand and \$17,005 thousand, and for the nine months ended September 30, 2020 and 2019 were \$3,317 thousand and \$19,976 thousand, respectively.

## 12. SUBSIDIARIES

### a. Subsidiaries included in consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2020	December 31, 2019	September 30, 2019	
The Company	Kwong Lung Feather (B.V.I.) Limited	Overseas reinvested holding company.	100	100	100	Major subsidiary
	Kwong Lung Meko Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	100	Major subsidiary
	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)
	Klego Co., Ltd.	Wholesale and retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, cosmetics and other textile products; retail business without shop; retail sale of other products; international trade; software design services; data processing services; third party payment; retail sale of computer software; body shaping services; wholesale and retail sale of drugs, medical goods.	-	-	-	1), 2)
	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), 2)
	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)

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2020	December 31, 2019	September 30, 2019	
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	Overseas reinvested holding company.	40	40	40	1)
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	Major subsidiary
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	100	100	1)
Snowdown Merchandise (Suzhou) Co., Ltd.	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	51	1)
P&B Collection Co., Ltd.	Manumech Corporation	Wholesale	51	51	51	1)
Manumech Corporation	Windsun Industry Co., Ltd.	Wholesale	-	100	100	1), 3)
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 September 30, 2020 and September 30, 2019.
- 2) Klego Co., Ltd. was dissolved after the merger with P&B Collection Co., Ltd. on September 1, 2019, and P&B Collection Co., Ltd. is the surviving company.
- 3) The Group originally held a 100% interest in Windsun Industry Co., Ltd. and sold 100% of its interests for proceeds of \$12,981 thousand in March 2020. Refer to Note 26 for details.

b. Subsidiaries excluded from consolidated financial statements: None.

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2020	December 31, 2019	September 30, 2019
Associates that are not individually material			
Investments in associates	<u>\$ 200,414</u>	<u>\$ 199,656</u>	<u>\$ 186,812</u>

The main business and the place of business and incorporation of the above associates are disclosed in Table 7.

Investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have not been reviewed.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Property under Construction	Total
<b>Cost</b>							
Balance at January 1, 2019	\$ 473,471	\$ 1,381,717	\$ 797,385	\$ 46,218	\$ 319,306	\$ 17,295	\$ 3,035,392
Additions	-	7,109	13,873	-	14,848	20,956	56,786
Disposals	-	(4,755)	(3,485)	-	(17,077)	-	(25,317)
Reclassification	148	-	10,484	580	(4,839)	(6,373)	-
Effect of foreign currency exchange differences	-	15,291	27,204	661	(82)	180	43,254
Balance at September 30, 2019	<u>\$ 473,619</u>	<u>\$ 1,399,362</u>	<u>\$ 845,461</u>	<u>\$ 47,459</u>	<u>\$ 312,156</u>	<u>\$ 32,058</u>	<u>\$ 3,110,115</u>
<b>Accumulated depreciation</b>							
Balance at January 1, 2019	\$ -	\$ 568,740	\$ 596,239	\$ 33,254	\$ 263,632	\$ -	\$ 1,461,865
Disposals	-	(4,755)	(2,584)	-	(12,376)	-	(19,715)
Depreciation expense	-	48,664	45,540	2,692	15,393	-	112,289
Effect of foreign currency exchange differences	-	8,328	20,682	543	(450)	-	29,103
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ 620,977</u>	<u>\$ 659,877</u>	<u>\$ 36,489</u>	<u>\$ 266,199</u>	<u>\$ -</u>	<u>\$ 1,583,542</u>
Carrying amounts at January 1, 2019	<u>\$ 473,471</u>	<u>\$ 812,977</u>	<u>\$ 201,146</u>	<u>\$ 12,964</u>	<u>\$ 55,674</u>	<u>\$ 17,295</u>	<u>\$ 1,573,527</u>
Carrying amounts at September 30, 2019	<u>\$ 473,619</u>	<u>\$ 778,385</u>	<u>\$ 185,584</u>	<u>\$ 10,970</u>	<u>\$ 45,957</u>	<u>\$ 32,058</u>	<u>\$ 1,526,573</u>
<b>Cost</b>							
Balance at January 1, 2020	\$ 473,619	\$ 1,392,170	\$ 829,646	\$ 46,237	\$ 290,600	\$ 27,792	\$ 3,060,064
Additions	-	22,645	7,169	2,157	1,098	64,632	97,701
Disposals	-	-	(11,543)	(1,883)	(5,552)	-	(18,978)
Disposal of subsidiaries (Note 26)	-	-	-	-	(356)	-	(356)
Reclassification	-	15,000	1,740	-	-	16,469	33,209
Effect of foreign currency exchange differences	-	(16,248)	(15,851)	(1,018)	(2,153)	(530)	(35,800)
Balance at September 30, 2020	<u>\$ 473,619</u>	<u>\$ 1,413,567</u>	<u>\$ 811,161</u>	<u>\$ 45,493</u>	<u>\$ 283,637</u>	<u>\$ 108,363</u>	<u>\$ 3,135,840</u>
<b>Accumulated depreciation</b>							
Balance at January 1, 2020	\$ -	\$ 615,275	\$ 655,223	\$ 36,469	\$ 247,826	\$ -	\$ 1,554,793
Disposals	-	-	(11,475)	(1,845)	(5,542)	-	(18,862)
Disposals of subsidiaries (Note 26)	-	-	-	-	(48)	-	(48)
Depreciation expense	-	53,494	39,610	2,373	10,878	-	106,355
Effect of foreign currency exchange differences	-	(8,523)	(12,456)	(739)	(1,888)	-	(23,606)
Balance at September 30, 2020	<u>\$ -</u>	<u>\$ 660,246</u>	<u>\$ 670,902</u>	<u>\$ 36,258</u>	<u>\$ 251,226</u>	<u>\$ -</u>	<u>\$ 1,618,632</u>
Carrying amounts 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 September 30, 2020	<u>\$ 473,619</u>	<u>\$ 753,321</u>	<u>\$ 140,259</u>	<u>\$ 9,235</u>	<u>\$ 32,411</u>	<u>\$ 108,363</u>	<u>\$ 1,517,208</u>

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	5 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 10 years
Air conditioning	36 to 51 years
Utilities equipment	2 to 23 years
Others	1 to 25 years
Leasehold improvements	1 to 5 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 29.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	September 30, 2020	December 31, 2019	September 30, 2019	
<u>Carrying amounts</u>				
Land	\$ 79,305	\$ 84,142	\$ 81,442	
Buildings	62,618	73,132	81,992	
Machinery	1,999	1,524	1,727	
Transportation equipment	<u>6,573</u>	<u>5,695</u>	<u>7,003</u>	
	<u>\$ 150,495</u>	<u>\$ 164,493</u>	<u>\$ 172,164</u>	
	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2020	2019	2020	2019
Additions to right-of-use assets	<u>\$ 8,454</u>	<u>\$ -</u>	<u>\$ 28,022</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets				
Land	\$ 1,073	\$ 996	\$ 3,080	\$ 2,971
Buildings	7,976	8,874	23,961	26,600
Machinery	225	174	678	510
Transportation equipment	<u>1,667</u>	<u>1,332</u>	<u>4,958</u>	<u>3,977</u>
	<u>\$ 10,941</u>	<u>\$ 11,376</u>	<u>\$ 32,677</u>	<u>\$ 34,058</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 nine months ended September 30, 2020 and 2019.

### b. Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Carrying amounts</u>			
Current	<u>\$ 30,411</u>	<u>\$ 33,443</u>	<u>\$ 35,617</u>
Non-current	<u>\$ 47,600</u>	<u>\$ 53,200</u>	<u>\$ 55,513</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Land	1.28%	1.28%	-
Buildings	1.18%-1.28%	1.18%-1.28%	1.18%-1.28%
Machinery	1.03%-1.28%	1.18%-1.28%	1.18%-1.28%
Transportation equipment	1.03%-1.28%	1.28%	1.28%

c. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Expenses relating to short-term leases and department stores	\$ <u>1,182</u>	\$ <u>7,668</u>	\$ <u>15,225</u>	\$ <u>34,750</u>
Expenses relating to low-value asset leases	\$ <u>148</u>	\$ <u>90</u>	\$ <u>561</u>	\$ <u>232</u>
Total cash outflow for leases	\$ <u>(10,780)</u>	\$ <u>(17,617)</u>	\$ <u>(45,405)</u>	\$ <u>(66,670)</u>

## 16. INVESTMENT PROPERTIES

Except for the addition of \$115,147 thousand and \$104,226 of investment properties for the nine months ended September 30, 2020 and 2019, and the recognition of depreciation expenses, there were no significant disposals or impairment of investment properties held by the Group for the nine months ended September 30, 2020 and 2019. The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings 24-28 years

The fair value of investment properties as of December 31 and September 30, 2019 was JPY716,860 thousand and JPY751,000 thousand, respectively. Management of the Company had assessed and determined that there were no significant changes in the fair value as of September 30, 2020, as compared to that as of December 31, 2019. The fair value of investment properties as of September 30, 2019 was based on the valuation carried out as of by independent qualified professional valuator. The fair value of investment properties was estimated by using the comparative approach and cost approach.

## 17. OTHER INTANGIBLE ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
Goodwill	\$ 22,022	\$ 22,022	\$ 22,022
Cost of computer software	32,117	37,287	38,648
Others	<u>4,152</u>	<u>5,558</u>	<u>5,997</u>
	\$ <u>58,291</u>	\$ <u>64,867</u>	\$ <u>66,667</u>

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

## 18. BORROWINGS

### a. Short-term borrowings

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>\$ 816,838</u>	<u>\$ 327,286</u>	<u>\$ 578,812</u>
Range of interest rates	<u>0.29%-4.82%</u>	<u>0.29%-2.00%</u>	<u>0.29%-2.05%</u>

### b. Short-term bills payable

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Commercial paper	\$ 30,000	\$ 30,000	\$ -
Less: Unamortized discount on bills payable	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ -</u>

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

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Current portion of long-term borrowings	<u>\$ 879</u>	<u>\$ 860</u>	<u>\$ 856</u>

### d. Long-term borrowings

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
<u>Secured borrowings</u>			
Bank loans*	\$ 14,144	\$ 14,791	\$ 15,004
<u>Unsecured borrowings</u>			
Credit borrowings	<u>300,000</u>	<u>850,000</u>	<u>1,350,000</u>
	314,144	864,791	1,365,004
Less: Current portions	<u>(879)</u>	<u>(860)</u>	<u>(856)</u>
Long-term borrowings	<u>\$ 313,265</u>	<u>\$ 863,931</u>	<u>\$ 1,364,148</u>
Range of interest rates	0.62%-1.70%	1.10%-1.82%	1.13%-1.82%

\* The bank borrowings are secured by the Group's freehold land and buildings (see Note 29).

## 19. OTHER PAYABLES

	September 30, 2020	December 31, 2019	September 30, 2019
Payables for payroll and employee benefit	\$ 174,124	\$ 184,366	\$ 211,115
Payables for bonus to employees	15,933	17,110	17,110
Payables for remuneration of directors and supervisors	7,913	10,550	5,803
Payables for commissions	6,259	8,316	6,634
Payables for fabrication expense	8,583	4,987	3,368
Payables for VAT	10,703	9,228	4,318
Payables for equipment	475	1,089	1,174
Others	<u>100,283</u>	<u>115,996</u>	<u>116,691</u>
	<u>\$ 324,273</u>	<u>\$ 351,642</u>	<u>\$ 366,213</u>

## 20. RETIREMENT BENEFIT PLANS

Employee benefit expenses for the nine months ended September 30, 2020 and 2019 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, 2019 and 2018. The Group recognized pension amount of \$103 thousand, \$188 thousand, \$310 thousand and \$565 thousand for the three months and nine months ended September 30, 2020 and 2019, respectively.

## 21. EQUITY

### a. Share capital

#### Ordinary shares

	September 30, 2020	December 31, 2019	September 30, 2019
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>131,052</u>	<u>130,308</u>	<u>130,110</u>
Shares issued	<u>\$ 1,310,523</u>	<u>\$ 1,303,075</u>	<u>\$ 1,301,100</u>

The change in the Company's share capital is mainly due to the exercise of employee share option and the conversion of convertible bonds.

#### 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 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 shareholders A are not entitled to preferred 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).

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 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.

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.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. 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.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reserved from a special reserve by the Company.

The appropriations of earnings for 2019 and 2018 were approved in the shareholders' meeting on June 22, 2020 and May 30, 2019, respectively; the amounts were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Legal reserve	\$ 49,125	\$ 61,834
Special reserve	\$ (58,267)	\$ 7,745
Cash dividends - ordinary shares	\$ 392,017	\$ 386,957
Cash dividends - preference shares	\$ 45,500	\$ 1,496
Cash dividends - ordinary shares per share (NT\$)	\$ 3	\$ 3.5
Cash dividends - preference shares per share (NT\$)	\$ 2.5	\$ 0.08

## 22. COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

### a. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Foreign exchange gains	\$ 62,463	\$ 71,085	\$ 122,167	\$ 165,977
Foreign exchange losses	(77,915)	(50,373)	(146,515)	(119,546)
Net gain (loss) on financial assets and liabilities designated as at FVTPL	9,902	(9,247)	9,182	(11,608)
Gain (loss) on disposal of property, plant and equipment	108	(304)	71	(647)
Others	<u>10,177</u>	<u>344</u>	<u>21,800</u>	<u>14,790</u>
	<u>\$ 4,735</u>	<u>\$ 11,505</u>	<u>\$ 6,705</u>	<u>\$ 48,966</u>

### b. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Interest on bank loans	\$ 2,823	\$ 5,937	\$ 10,571	\$ 13,501
Interest on lease liabilities	297	315	777	1,036
Convertible bonds	<u>-</u>	<u>1,933</u>	<u>-</u>	<u>8,676</u>
	<u>\$ 3,120</u>	<u>\$ 8,185</u>	<u>\$ 11,348</u>	<u>\$ 23,213</u>

### c. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
An analysis of depreciation by function				
Operating costs	\$ 30,338	\$ 32,276	\$ 94,715	\$ 90,965
Operating expenses	<u>15,391</u>	<u>16,874</u>	<u>45,219</u>	<u>56,141</u>
	<u>\$ 45,729</u>	<u>\$ 49,150</u>	<u>\$ 139,934</u>	<u>\$ 147,106</u>
An analysis of amortization by function				
Operating costs	\$ 466	\$ 461	\$ 1,399	\$ 1,405
Operating expenses	<u>2,883</u>	<u>3,296</u>	<u>8,843</u>	<u>8,281</u>
	<u>\$ 3,349</u>	<u>\$ 3,757</u>	<u>\$ 10,242</u>	<u>\$ 9,686</u>

d. Employee benefits expense

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Post-employment benefits				
Defined contribution plans	\$ 2,725	\$ 4,398	\$ 8,589	\$ 13,907
Defined benefit plans (Note 20)	<u>103</u>	<u>188</u>	<u>310</u>	<u>565</u>
	2,828	4,586	8,899	14,472
Share-based payments				
Equity-settled	1,417	1,814	4,251	5,441
Other employee benefits	<u>291,168</u>	<u>373,454</u>	<u>878,266</u>	<u>955,930</u>
Total employee benefits expense	<u>\$ 295,413</u>	<u>\$ 379,854</u>	<u>\$ 891,416</u>	<u>\$ 975,843</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 195,350	\$ 256,839	\$ 598,514	\$ 661,303
Operating expenses	<u>100,063</u>	<u>123,015</u>	<u>292,902</u>	<u>314,540</u>
	<u>\$ 295,413</u>	<u>\$ 379,854</u>	<u>\$ 891,416</u>	<u>\$ 975,843</u>

e. Employees' compensation and remuneration of directors and supervisors

According to the Company's Articles, the Company accrued employees' compensation 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, employees' compensation, and remuneration of directors and supervisors. For the three months and nine months ended September 30, 2020 and 2019, the employees' compensation and remuneration of directors and supervisors are as follows:

Amount

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>
Employees' compensation	<u>\$ 10,000</u>	<u>\$ 12,890</u>	<u>\$ 15,933</u>	<u>\$ 17,110</u>
Remuneration of directors and supervisors	<u>\$ 2,638</u>	<u>\$ 4,748</u>	<u>\$ 7,913</u>	<u>\$ 5,803</u>

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 employees' compensation and remuneration of directors and supervisors for 2019 and 2018 that were resolved by the board of directors on March 27, 2020 and March 8, 2019, respectively, are as shown below:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 17,110	\$ 26,899
Remuneration of directors and supervisors	10,550	11,550

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation 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.

## 23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

Major components of income tax expense are as follows:

	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Current tax				
In respect of the current year	\$ 26,827	\$ 43,704	\$ 82,365	\$ 89,196
Income tax on unappropriated earnings	-	-	3,144	8,150
Adjustments for prior year	<u>3,155</u>	<u>2,332</u>	<u>3,155</u>	<u>2,332</u>
	<u>29,982</u>	<u>46,036</u>	<u>88,664</u>	<u>99,678</u>
Deferred tax				
In respect of the current year	<u>7,625</u>	<u>817</u>	<u>8,947</u>	<u>4,068</u>
Income tax expense recognized in profit or loss	<u>\$ 37,607</u>	<u>\$ 46,853</u>	<u>\$ 97,611</u>	<u>\$ 103,746</u>

### b. Income tax assessments

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

## 24. EARNINGS PER SHARE

### Net Profit

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Profit for the period attributable to owners of the Company	\$ 128,172	\$ 230,886	\$ 331,868	\$ 471,420
Less: Dividends on preference shares	<u>-</u>	<u>-</u>	<u>(45,500)</u>	<u>(1,496)</u>
Earnings used in the computation of basic earnings per share	128,172	230,886	286,368	469,924
Effect of potentially dilutive ordinary shares:				
Interest on convertible bonds	<u>-</u>	<u>1,933</u>	<u>-</u>	<u>8,676</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 128,172</u>	<u>\$ 232,819</u>	<u>\$ 286,368</u>	<u>\$ 478,600</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Weighted average number of ordinary shares in computation of basic earnings per share	131,026	121,484	130,847	114,680
Effect of potentially dilutive ordinary shares:				
Employee share options	89	636	128	603
Employees' compensation or bonus issue to employees	396	376	535	518
Convertible bonds	-	8,575	-	15,252
Preference shares	<u>18,200</u>	<u>-</u>	<u>18,200</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>149,711</u>	<u>131,071</u>	<u>149,710</u>	<u>131,053</u>

If the Group offered to settle compensation paid to employees in cash or shares, the Group will assume the entire amount of the compensation or bonus would be settled in shares and the resulting potential shares were 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.

## 25. SHARE-BASED PAYMENT ARRANGEMENTS

### a. Employee share option plan of the Company

- 1) Qualified employees of the Company and its subsidiaries were granted 6,000 options in March 2014 and June 2013. 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.

	For the Nine Months Ended September 30							
	2020				2019			
	Granted 2014		Granted 2013		Granted 2014		Granted 2013	
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	-	\$ -	212	\$ 33.20	318	\$ 14.50
Options exercised	(26)	30.80	-	-	(27)	31.42	(267)	14.50
Options forfeited	-	-	-	-	(51)	-	-	-
Options expired	(16)	-	-	-	-	-	(51)	-
Balance at September 30	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134</u>	<u>30.80</u>	<u>-</u>	<u>-</u>
Options exercisable, end of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134</u>	<u>-</u>	<u>-</u>	<u>-</u>

- 2) Qualified employees of the Company and its subsidiaries were granted 3,926 options in March 2015 and April 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 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 Nine Months Ended September 30							
	2020				2019			
	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	505	\$ 29.70	901	\$ 34.20	600	\$ 32.00	1,616	\$ 36.80
Options exercised	(250)	29.49	(467)	34.20	(85)	31.86	(172)	35.51
Options forfeited	-	-	-	-	(5)	-	(33)	-
Options expired	-	-	(434)	-	-	-	-	-
Balance at September 30	<u>255</u>	<u>27.60</u>	<u>-</u>	<u>-</u>	<u>510</u>	<u>29.70</u>	<u>1,411</u>	<u>34.20</u>
Options exercisable, end of period	<u>255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>510</u>	<u>-</u>	<u>1,411</u>	<u>-</u>

- 3) Qualified employees of the Company and its subsidiaries were granted 2,200 options in May 2019 and June 2018. 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 Nine Months Ended September 30							
	2020				2019			
	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	562	\$ 44.3	1,183	\$ 43.1	-	\$ -	1,610	\$ 46.4
Options granted	-	-	(1)	40.1	590	44.3	-	-
Options forfeited	-	-	(77)	-	-	-	-	-
Balance at September 30	<u>562</u>	41.2	<u>1,105</u>	40.1	<u>590</u>	44.3	<u>1,610</u>	43.1
Options exercisable, end of period	<u>=</u>		<u>553</u>		<u>=</u>		<u>=</u>	

Compensation costs recognized were \$1,417 thousand, \$1,814 thousand, \$4,251 thousand and \$5,441 thousand for the three months and nine months ended September 30, 2020 and 2019, respectively.

## 26. 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 12,981 thousand, with a gain of 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
Note receivables	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>

## 27. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

September 30, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	<u>\$ 188,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,000</u>
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 9,438</u>	<u>\$ -</u>	<u>\$ 9,438</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 256</u>	<u>\$ -</u>	<u>\$ 256</u>

December 31, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVOCI				
Investments in equity instruments				
Domestic listed shares	<u>\$ 367,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,840</u>
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 1,772</u>	<u>\$ -</u>	<u>\$ 1,772</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 2,980</u>	<u>\$ -</u>	<u>\$ 2,980</u>

September 30, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	<u>\$ 288,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 288,097</u>
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 1,597</u>	<u>\$ -</u>	<u>\$ 1,597</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 13,205</u>	<u>\$ -</u>	<u>\$ 13,205</u>

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

- 2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

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

c. Categories of financial instruments

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 9,438	\$ 1,772	\$ 1,597
Financial assets at amortized cost (1)	2,903,741	2,297,919	2,907,860
Financial assets at FVTOCI	188,000	367,840	288,097
<u>Financial liabilities</u>			
FVTPL			
Held for trading	256	2,980	13,205
Amortized cost (2)	1,935,766	1,909,358	2,829,106

- 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 payable, and trade and other payables.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, other receivables, trade payables, other payables, borrowings and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that 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 and foreign currency swap contracts to manage its exposure to foreign currency risk.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency swap contracts denominated 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 33.

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
<u>Assets</u>			
JPY	\$ 156	\$ -	\$ 998
EUR	-	1,575	-
USD	9,282	197	599
<u>Liabilities</u>			
JPY	-	-	1,945
EUR	-	2,921	2,017
USD	256	59	9,243

Sensitivity analysis

The Group was mainly exposed to the USD, JPY, RMB 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.

	<b>VND Impact</b>		<b>JPY Impact</b>	
	<b>For the Nine Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Profit or loss*	\$ (2,867)	\$ (2,886)	\$ 8,737	\$ 12,809
	<b>EUR Impact</b>		<b>USD Impact</b>	
	<b>For the Nine Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Profit or loss*	\$ (1,707)	\$ (4,969)	\$ 68,972	\$ 34,491

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

b) Interest rate risk

The Group was 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>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Fair value interest rate risk			
Financial assets	\$ 558,119	\$ 631,467	\$ 567,466
Financial liabilities	546,434	287,432	591,115
Cash flow interest rate risk			
Financial assets	744,876	576,848	816,658
Financial liabilities	692,559	999,542	1,443,831

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 nine months ended September 30, 2020 and 2019 would increase/decrease by \$196 thousand and decrease/increase by \$2,352 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 nine months ended September 30, 2020 and 2019 would increase/decrease by \$18,800 thousand and \$28,810 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

## 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. As 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 September 30, 2020, December 31, 2019 and September 30, 2019, the Group had available unutilized bank loan facilities in the amounts of \$5,519,204 thousand, \$6,222,169 thousand and \$6,185,336 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.

September 30, 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>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing Undiscounted lease liabilities	\$ 471,201	\$ 255,500	\$ 246,053	\$ -	\$ -
Borrowings	3,276	6,553	23,620	49,415	4,134
	<u>304,461</u>	<u>122,737</u>	<u>425,179</u>	<u>304,560</u>	<u>10,383</u>
	<u>\$ 778,938</u>	<u>\$ 384,790</u>	<u>\$ 694,852</u>	<u>\$ 353,975</u>	<u>\$ 14,517</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>\$ 33,449</u>	<u>\$ 49,415</u>	<u>\$ 1,676</u>	<u>\$ 1,676</u>	<u>\$ 782</u>	<u>\$ -</u>

December 31, 2019

	<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>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing Undiscounted lease liabilities	\$ 587,397	\$ 225,164	\$ 86,746	\$ -	\$ -
Borrowings	3,504	6,332	24,456	50,024	4,589
	<u>113,667</u>	<u>146,096</u>	<u>109,318</u>	<u>861,261</u>	<u>11,314</u>
	<u>\$ 704,568</u>	<u>\$ 377,592</u>	<u>\$ 220,520</u>	<u>\$ 911,285</u>	<u>\$ 15,903</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>\$ 34,292</u>	<u>\$ 50,024</u>	<u>\$ 1,689</u>	<u>\$ 1,689</u>	<u>\$ 1,211</u>	<u>\$ -</u>

September 30, 2019

	<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>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing Undiscounted lease liabilities	\$ 686,415	\$ 289,179	\$ 143,724	\$ -	\$ -
Borrowings	3,214	6,428	26,865	56,366	-
	<u>225,204</u>	<u>169,151</u>	<u>202,521</u>	<u>1,364,757</u>	<u>11,594</u>
	<u>\$ 914,833</u>	<u>\$ 464,758</u>	<u>\$ 373,110</u>	<u>\$ 1,421,123</u>	<u>\$ 11,594</u>

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

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

September 30, 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</u>			
Foreign exchange forward contracts and foreign currency swap contracts - outflows	<u>\$ 56,711</u>	<u>\$ 58,397</u>	<u>\$ 265,928</u>

December 31, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Gross settled</u>			
Foreign exchange forward contracts and foreign currency swap contracts - outflows	<u>\$ 29,992</u>	<u>\$ 171,941</u>	<u>\$ 211,150</u>

September 30, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Gross settled</u>			
Foreign exchange forward contracts and foreign currency swap contracts - outflows	<u>\$ 157,249</u>	<u>\$ 336,672</u>	<u>\$ 310,348</u>

## 28. 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 associates
Koutou Co., Ltd.	Investments in associates
BBL Premium Co., Ltd.	Investments in associates
Daquan Hanshi Co., Ltd.	Investments in associates of subsidiary
Gong Tong Zu Lin Co., Ltd.	Investments in associates of subsidiary
Kai Sheng Investment Co., Ltd.	Substantively related parties
Ou Li Investment Co., Ltd.	Substantively related parties
Cave & Wine Co., Ltd.	Substantively related parties
Huang Lu Investment Co., Ltd.	Substantively related parties
Fortune Phoenix Insurance Brokerage Service Corporation	Substantively related parties
Han Jin Industrial Co., Ltd.	Substantively related parties
Bisugi Corporation	Substantively related parties

### b. Sales of goods

<u>Related Party</u>	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Daquan Hanshi Co., Ltd.	\$ 231	\$ 191	\$ 513	\$ 1,253
BBL Premium Co., Ltd.	<u>3,133</u>	<u>1,830</u>	<u>13,314</u>	<u>1,830</u>
	<u>\$ 3,364</u>	<u>\$ 2,021</u>	<u>\$ 13,827</u>	<u>\$ 3,083</u>

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

### c. Purchases of goods

<u>Related Party</u>	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Bisugi Corporation	<u>\$ 88,850</u>	<u>\$ -</u>	<u>\$ 88,850</u>	<u>\$ -</u>

### d. Receivables from related parties

<u>Related Party</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Daquan Hanshi Co., Ltd.	\$ 130	\$ -	\$ -
BBL Premium Co., Ltd.	<u>4,497</u>	<u>18,475</u>	<u>1,922</u>
	<u>\$ 4,627</u>	<u>\$ 18,475</u>	<u>\$ 1,922</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, L/C 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 nine months ended September 30, 2020 and 2019, no impairment loss was recognized for trade receivables from related parties.

e. Disposals of property, plant and equipment

Related Party	Proceeds			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Gong Tong Zu Lin Co., Ltd.	\$ -	\$ -	\$ -	\$ 1,352
BBL Premium Co., Ltd.	-	3,304	-	3,304
	<u>\$ -</u>	<u>\$ 3,304</u>	<u>\$ -</u>	<u>\$ 4,656</u>

  

Related Party	Gain (Loss) on Disposal			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Gong Tong Zu Lin Co., Ltd.	\$ -	\$ -	\$ -	\$ (68)
BBL Premium Co., Ltd.	-	(265)	-	(265)
	<u>\$ -</u>	<u>\$ (265)</u>	<u>\$ -</u>	<u>\$ (333)</u>

f. Lease arrangements - Group is lessee

Related Party	For the Nine Months Ended September 30		
	2020	2019	
<u>Acquisition of right-of-use assets</u>			
Gong Tong Zu Lin Co., Ltd.	\$ 4,203	\$ -	
		September 30, 2020	December 31, 2019
<u>Lease liabilities</u>			
Gong Tong Zu Lin Co., Ltd.	\$ 4,638	\$ 2,627	\$ -
		For the Nine Months Ended September 30	
		2020	2019
<u>Interest expense</u>			
Gong Tong Zu Lin Co., Ltd.	\$ 40	\$ -	

g. Acquisition of investment properties

Related Party	Purchase Price			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Koutou Co., Ltd.	\$ -	\$ -	\$ 114,745	\$ -

h. Loans to related parties

Related Party	September 30, 2020	December 31, 2019	September 30, 2019
<u>Other receivables</u>			
Snowdown Merchandise Corporation	\$ 120,000	\$ 120,000	\$ 120,000

Related Party	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
<u>Interest income</u>				
Snowdown Merchandise Corporation	\$ 427	\$ 455	\$ 1,296	\$ 871

i. Expenses

Category of Related Party	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Substantively related parties	\$ 771	\$ 1,028	\$ 2,352	\$ 2,922
Investments in associates	1,857	1,924	5,103	4,664
	\$ 2,628	\$ 2,952	\$ 7,455	\$ 7,586

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 and nine months ended September 30, 2020 and 2019, Manumech Corporation purchased raw materials for plastics in the amounts of \$28,515 thousand, \$0 thousand, \$223,111 thousand, and \$0 thousand, respectively, from the related party Han Jin Industrial Co., Ltd. and in the amounts of \$44,546 thousand, \$0 thousand, \$44,546 thousand, and \$0 thousand, respectively, from the related party Bisugi Corporation. 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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 17,944	\$ 6,583	\$ 48,887	\$ 37,883
Post-employment benefits	295	232	877	577
Share-based payments	<u>177</u>	<u>228</u>	<u>755</u>	<u>649</u>
	<u>\$ 18,416</u>	<u>\$ 7,043</u>	<u>\$ 50,519</u>	<u>\$ 39,109</u>

The remuneration of directors and key executives was determined by the remuneration committee according to the performance of individuals and market trends.

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	September 30, 2020	December 31, 2019	September 30, 2019
Pledged deposits	\$ -	\$ 5,178	\$ 3
Land	21,240	21,240	21,240
Buildings, net	<u>2,108</u>	<u>2,274</u>	<u>2,359</u>
	<u>\$ 23,348</u>	<u>\$ 28,692</u>	<u>\$ 23,602</u>

## 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of September 30, 2020 and 2019 were as follows:

### Significant Commitments

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

	September 30, 2020	December 31, 2019	September 30, 2019
USD	<u>\$ 3,361</u>	<u>\$ 3,013</u>	<u>\$ 1,699</u>
EUR	<u>\$ 389</u>	<u>\$ 509</u>	<u>\$ 591</u>
NTD	<u>\$ 29,034</u>	<u>\$ 50,196</u>	<u>\$ 21,116</u>

b. As of September 30, 2020, December 31, 2019 and September 30 2019, guarantees issued by financial institutions for purchases of raw materials and development of technology amounted to \$40,000 thousand, \$40,000 thousand and \$40,000 thousand, respectively.

c. As of September 30, 2020, December 31, 2019 and September 30 2019, notes provided as refundable deposits for bank borrowing and purchases of raw materials were \$304,000 thousand, \$106,000 thousand and \$106,146 thousand, respectively.

- d. As of September 30, 2020, December 31, 2019 and September 30 2019, commitments for purchases of machinery and equipment were as follows:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Unpaid amounts of the purchases NTD	\$ 73,527	\$ 1,277	\$ 5,014

### 31. OTHER ITEMS

In the time of COVID-19 pandemic, the Company and its subsidiaries have cooperated with local governments to take relevant responses. The current production and operations are keeping regular operating, and there is no significant impact on the company and its subsidiaries' business and finances.

In response to the risk of uncertainty, the Company will continue to follow up the pandemic, and will actively contact customers and suppliers to arrange shipment schedules, adjust production capacity in a timely basis, and promote cost and expense control policy, to reduce possible adverse effects.

### 32. SIGNIFICANT EVENT AFTER REPORTING PERIOD: NONE.

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

The following information was aggregated by the foreign currencies other than functional currencies of the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

September 30, 2020

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 58,809	29.10 (USD:NTD)	\$ 1,711,342
USD	4,319	6.8166 (USD: RMB)	125,683
USD	26,512	23,095 (USD:VND)	771,499
JPY	1,056,702	0.2756 (JPY:NTD)	291,227
VND	33,688,356	0.000043 (VND:USD)	42,447
EUR	13	34.15 (EUR:NTD)	444
EUR	32	4.542 (EUR:PLN)	1,093
RMB	10,767	4.269 (RMB:NTD)	45,964
Non-monetary items			
Investments accounted for using equity method			
USD	652	29.10 (USD:NTD)	18,984
CAD	309	21.72 (CAD:NTD)	6,706
			(Continued)

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 10,552	29.10 (USD:NTD)	\$ 307,063
USD	17	6.8166 (USD: RMB)	495
USD	73	23,095 (USD:VND)	2,124
VND	109,546,302	0.000043 (VND:USD)	138,028
EUR	1,711	34.15 (EUR:NTD)	58,431
			(Concluded)

December 31, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 51,751	29.98 (USD:NTD)	\$ 1,551,495
USD	3,867	6.964 (USD: RMB)	115,933
USD	23,242	23,240 (USD:VND)	696,795
JPY	690,082	0.2760 (JPY:NTD)	190,463
VND	28,948,665	0.000043 (VND:USD)	37,344
EUR	26	33.59 (EUR:NTD)	873
EUR	38	4.237 (EUR:PLN)	1,276
Non-monetary items			
Investments accounted for using equity method			
USD	698	29.98 (USD:NTD)	20,919
CAD	335	22.99 (CAD:NTD)	7,711

Financial liabilities

Monetary items			
USD	39,599	29.98 (USD:NTD)	1,187,178
USD	2,839	6.964 (USD: RMB)	85,113
USD	16,155	23,240 (USD:VND)	484,327
JPY	2,371	0.276 (JPY:NTD)	654
VND	82,124,087	0.000043 (VND:USD)	108,520
EUR	3,097	33.59 (EUR:NTD)	104,028

September 30, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 71,034	31.04 (USD:NTD)	\$ 2,204,895
USD	5,254	7.1356 (USD:RMB)	163,084
USD	25,041	23,164 (USD:VND)	777,273
JPY	1,483,554	0.2878 (JPY:NTD)	426,967
VND	11,796,497	0.000043 (VND:USD)	15,807
EUR	9	33.95 (EUR:NTD)	306
RMB	6,500	4.35 (RMB:NTD)	28,275
EUR	38	4.395 (EUR:PLN)	1,290
Non-monetary items			
Investments accounted for using equity method			
USD	649	31.04 (USD:NTD)	20,134

Financial liabilities

Monetary items			
USD	45,764	31.04 (USD:NTD)	1,420,515
USD	727	7.1356 (USD:RMB)	22,566
USD	17,799	23,164 (USD:VND)	552,481
VND	83,591,811	0.000043 (VND:USD)	112,013
EUR	4,926	33.95 (EUR:NTD)	167,238

The Group is mainly exposed to the USD. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

<b>For the Three Months Ended September 30</b>				
<b>2020</b>		<b>2019</b>		
<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
VND	0.00127 (VND:NTD)	\$ 1,375	0.00134 (VND:NTD)	\$ 233
NTD	1 (NTD:NTD)	(12,124)	1 (NTD:NTD)	8,212
USD	29.45 (USD:NTD)	789	31.1973 (USD:NTD)	855
RMB	4.257 (RMB:NTD)	(5,500)	4.441 (RMB:NTD)	11,353
PLN	7.7552 (PLN:NTD)	<u>8</u>	8.0417 (PLN:NTD)	<u>59</u>
		<u>\$ (15,452)</u>		<u>\$ 20,712</u>

<b>For the Nine Months Ended September 30</b>				
<b>2020</b>			<b>2019</b>	
<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
VND	0.00128 (VND:NTD)	\$ 2,172	0.00129 (VND:NTD)	\$ 271
NTD	1 (NTD:NTD)	(23,097)	1 (NTD:NTD)	30,666
USD	29.817 (USD:NTD)	1,984	31.0544 (USD:NTD)	1,355
RMB	4.2594 (RMB:NTD)	(5,489)	4.5202 (RMB:NTD)	14,293
PLN	7.5932 (PLN:NTD)	<u>82</u>	8.1156 (PLN:NTD)	<u>(154)</u>
		<u>\$ (24,348)</u>		<u>\$ 46,431</u>

### 34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 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)

### **35. 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.

## Segment Revenues 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 Nine Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Apparel department	\$ 3,393,673	\$ 3,725,055	\$ 336,076	\$ 404,630
Down material department	1,690,873	2,756,822	(17,654)	110,123
Home textile department	1,312,671	1,362,625	89,597	23,218
Others	460,032	533,071	14,737	(7,699)
Segment revenues	6,857,249	8,377,573	422,756	530,272
Eliminations	(196,708)	(245,497)	-	-
Segment revenue or segment income	<u>\$ 6,660,541</u>	<u>\$ 8,132,076</u>	422,756	530,272
Interest income			7,517	7,880
Other income			10,392	10,592
Other gains and losses			6,705	48,966
Finance costs			(11,348)	(23,213)
Share of profit or loss of associates			5,444	9,638
Profit before tax (continuing operations)			<u>\$ 441,466</u>	<u>\$ 584,135</u>

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 NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars or Foreign Currency)

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	\$ 120,000	\$ 120,000	1.41	b.	\$ -	Operating capital	\$ -	Promissory note	\$ 120,000	\$ 1,938,226 (Note 6.a.)	\$ 1,938,226 (Note 6.b.)	
1	Manumech Corporation	Intime Tech Co., Ltd.	Other receivables from related parties	Yes	29,062	21,345	10,673	1.83	b.	-	Operating capital	-	Promissory note	10,673	34,692 (Note 6.a.)	34,692 (Note 6.b.)	
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	-	-	-	98,978 (Note 6.a.)	98,978 (Note 6.b.)	

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 recognised, such as receivables-related parties, current account with stockholders, 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: a. Individual loans should not exceed 40% of the lender's net equity of the prior year. For No. 0:  $\$4,845,564 \times 40\% = \$1,938,226$ ; for No. 1:  $\$86,730 \times 40\% = \$34,692$ ; for No. 2:  $\$247,446 \times 40\% = \$98,978$ .  
b. Total loans should not exceed 40% of the lender's net equity of the prior year. For No. 0:  $\$4,845,564 \times 40\% = \$1,938,226$ ; for No. 1:  $\$86,730 \times 40\% = \$34,692$ ; for No. 2:  $\$247,446 \times 40\% = \$98,978$ .

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

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars or Foreign Currency)

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.	2	\$ 24,745 (Note 3)	\$ 12,972	\$ 12,807	\$ 12,807	\$ -	14.77%	\$ 24,745 (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: a. The maximum balance of endorsement/guarantee provided by the Company and to individual company cannot exceed 10% of the Parent Company's net assets:  $\$247,446 \times 10\% = \$24,745$ .  
b. The maximum balance of endorsement/guarantee provided by the Company cannot exceed 10% of the Parent Company's net assets:  $\$247,446 \times 10\% = \$24,745$ .  
c. 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  
SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 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	\$ 188,000	1.98	\$ 188,000	
	<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 NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars or Foreign Currency)

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.	Kwong Lung Japan Co., Ltd.	Subsidiary	Sale	\$ 457,703	8	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	\$ 290,031	31	
	Bo Hsing Enterprise Co., Ltd.	Subsidiary	Purchase	1,447,474	28	T/T 30-180 days	No significant difference	No significant difference	Trade payables	683,023	44	
	Snowdown Merchandise (Suzhou) Co., Ltd.	Subsidiary	Purchase	282,309	5	Prepayment or T/T 30-180 days	No significant difference	No significant difference	Trade payables	102,602	7	
	Toptex Garment Co., Ltd.	Subsidiary	Purchase	371,958	7	T/T 30-180 days	No significant difference	No significant difference	Trade payables	17,940	1	
	Kwong Lung Meko Co., Ltd.	Subsidiary	Purchase	1,761,177	34	T/T 30-180 days	No significant difference	No significant difference	Trade payables	449,456	29	
Kwong Lung Japan Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Purchase	457,703	80	T/T 30-180 days	No significant difference	No significant difference	Trade payables	290,031	94	
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Sale	1,447,474	100	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	683,023	100	
Snowdown Merchandise (Suzhou) Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Sale	282,309	57	Sales revenue received in advance or T/T 30-180 days	No significant difference	No significant difference	Trade receivables	102,602	95	
Toptex Garment Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Sale	371,958	100	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	17,940	69	
Kwong Lung Meko Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Sale	1,761,177	90	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	449,456	97	

Note: The aforementioned intercompany transactions have been eliminated from 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

SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars or Foreign Currency)

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 Japan Co., Ltd. Bo Hsing Enterprise Co., Ltd.	Subsidiary Subsidiary	Trade receivables	\$ 290,031	2.67	\$ -	-	\$ 30,001	\$ -
			Other receivables	336,929	-	-	-	95,702	-
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Trade receivables	683,023	3.04	-	-	120,907	-
Snowdown Merchandise (Suzhou) Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Trade receivables	102,602	3.57	-	-	30,911	-
Kwong Lung Meko Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent Company	Trade receivables	449,456	6.99	-	-	177,834	-

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

TABLE 6

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

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR NINE MONTHS ENDED SEPTEMBER 30, 2020  
(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	\$ 96,772	No significant difference	1
			a	Trade receivables	15,539	No significant difference	-
			a	Cost of goods sold	1,761,177	No significant difference	26
			a	Trade payables	449,456	No significant difference	6
		Kwong Lung Japan Co., Ltd.	a	Other receivables	15,225	-	-
			a	Sales revenue	457,703	No significant difference	7
			a	Trade receivables	290,031	No significant difference	4
			Snowdown Merchandise (Suzhou) Co., Ltd.	a	Sales revenue	15,676	No significant difference
		a		Cost of goods sold	282,309	No significant difference	4
		a		Trade payables	102,602	No significant difference	1
		a		Other receivables	7,270	-	-
		Toptex Garment Co., Ltd.	a	Cost of goods sold	371,958	No significant difference	6
			a	Trade payables	17,940	No significant difference	-
			a	Other receivables	56,264	-	1
			Bo Hsing Enterprise Co., Ltd.	a	Sales revenue	10,288	No significant difference
		a		Cost of goods sold	1,447,474	No significant difference	22
a	Trade payables	683,023		No significant difference	9		
a	Other receivables	336,929		-	4		
1	Manumech Corporation	Intime Tech Co., Ltd.	c	Sales revenue	29,037	No significant difference	-
			c	Trade receivables	11,847	No significant difference	-
			c	Other receivables	10,673	-	-
2	Huai An Guang Long He Yu Home Textile Co., Ltd.	Snowdown Merchandise (Suzhou) Co., Ltd.	c	Sales revenue	9,214	No significant difference	-
3	Kwong Lung Meko Co., Ltd.	Snowdown Merchandise (Suzhou) Co., Ltd. Bo Hsing Enterprise Co., Ltd.	c	Sales revenue	86,768	No significant difference	1
			c	Processing income	30,080	No significant difference	-
4	Kwong Long-Omon Co., Ltd.	Kwong Lung Meko Co., Ltd. Bo Hsing Enterprise Co., Ltd.	c	Processing income	23,372	No significant difference	-
			c	Trade receivables	10,365	No significant difference	-
			c	Processing income	63,188	No significant difference	1
5	Toptex Garment Co., Ltd.	Bo Hsing Enterprise Co., Ltd.	c	Trade receivables	6,362	No significant difference	-
			c	Processing income	42,204	No significant difference	1

(Continued)

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

- a. The Parent Company is coded "0".
- b. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of relationship is as follows:

- a. From the Parent Company to its subsidiary.
- b. From a subsidiary to its Parent Company.
- c. Between subsidiaries.

Note 3: The percentage calculation is based on the consolidated total operating revenues or total assets. For balance sheet items, each item's period-end balance is shown as a percentage to consolidated total assets as of September 30, 2020. For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenues for the nine months ended September 30, 2020.

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

(Concluded)

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

INFORMATION ON INVESTEEES  
FOR NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2020	December 31, 2019	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	\$ 691,210	24,613	100.00	\$ 724,451	\$ (58,965)	\$ (57,439)	Subsidiary
	Kwong Lung Meko Co., Ltd.	Vietnam	Manufacturing and selling of down and bedding	198,399	198,399	-	100.00	1,148,037	126,387	126,801	Subsidiary
	Kwong Lung Japan Co., Ltd.	Japan	Manufacturing and selling of down and bedding	280,977	280,977	11	100.00	312,323	6,520	6,522	Subsidiary
	Bo Hsing Enterprise Co., Ltd.	Vietnam	Manufacturing and selling of apparel	386,911	386,911	-	100.00	842,917	87,123	87,123	Subsidiary
	Toptex Garment Co., Ltd.	Vietnam	Manufacturing and selling of apparel	191,809	191,809	-	100.00	41,848	1,016	1,016	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	256,473	18,779	15,513	Subsidiary
	Kwong Lung-Omon Company Limited	Vietnam	Various selling of down and bedding	69,799	69,799	-	100.00	82,818	9,280	7,243	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	110,965	31,576	2,473	Associate
	Kwong Lung Europe SP.Z O.O.	Poland	Various selling of down and bedding	7,102	7,102	17	100.00	3,322	(816)	(671)	Subsidiary
	BBL Premium Co., Ltd.	Taiwan	Wholesale and retail sale	14,000	14,000	1,400	46.67	13,243	(3,697)	(1,725)	Associate
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	58,196	(2,642)	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	86,045	(2,642)	NA	Subsidiary
Kwong Lung Feather (B.V.I.) Limited	JBV HI-TECH Ltd.	Republic of Seychelles	Overseas reinvested holding company	44,017	44,017	1,350	30.00	18,984	(4,533)	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	41,110	16,888	NA	Associate of subsidiary
	Daquan Hanshi Co., Ltd.	Taiwan	Food service activities	6,927	6,927	588	49.00	9,406	6,785	NA	Associate of subsidiary
	Manumech Corporation	Taiwan	Wholesale	20,000	20,000	3,060	51.00	47,980	24,254	NA	Subsidiary
Manumech Corporation	Windsun Industry Co., Ltd.	Taiwan	Wholesale	-	10,000	-	-	-	817	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	6,706	(1,310)	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 NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars and Foreign Currency)

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 September 30, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2020	Accumulated Repatriation of Investment Income as of September 30, 2020
					Outward	Inward						
Snowdown Merchandise (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding	US\$ 20,000	b.	\$ 598,186	\$ -	\$ -	\$ 598,186	\$ (54,916)	100	\$ (54,916) b. 2)	\$ 693,686	\$ -
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)	-	-	-	-	(3,022)	100	(3,022) b. 3)	16,173	-
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)	-	-	-	-	209	51	107 b. 3)	18,538	-
Intime Tech Co., Ltd.	Wholesale	RMB 1,200	c. 2)	10,635	-	-	10,635	3,320	100	3,320 b. 3)	18,165	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of September 30, 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)	\$ 2,907,338 (Note 3)
Manumech Corporation	10,635	10,635 (US\$ 350)	52,038 (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 (Kwong Lung Feather (B.V.I.) Limited).
- c. Other types:
  - 1) Direct investment from Snowdown Merchandise (Suzhou) Co., Ltd.
  - 2) Direct investment from Manumech Corporation.

Note 2: Recognition of gains or losses was based on the percentage of holding shares from unreviewed financial statements.

- 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.

(Continued)

Note 3: The maximum allowable limit on investment was 60% of the consolidated net asset value of the Company \$4,845,564 (net worth) x 60% = \$2,907,338

Note 4: Calculated based on 60% of Manumech Corporation's net worth \$86,730 (net worth) x 60% = \$52,038.

(Concluded)

## 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 NINE MONTHS ENDED SEPTEMBER 30, 2020  
(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.	Purchase	\$ 282,309	5	Normal	Prepayment or T/T 30-180 days	No significant difference	Trade payables	\$ 102,602	7	\$ 1,176
	Sale	15,676	-	Normal	Sales revenue received in advance or T/T 30-180 days	No significant difference	Trade receivables	1,430	-	
Intime Tech Co., Ltd.	Sale	29,037	9	Normal	Open account 120 days	No significant difference	Trade receivables	11,847	17	-

Note 1: As of September 30, 2020, the Company had transactions with Snowdown Merchandise (Suzhou) Co., Ltd. for processing of materials and purchase of materials amounted to \$7,270 thousand of the Company's other receivables.

Note 2: As of September 30, 2020, it is the significant transaction between the investor company Manumech Corporation and the investee companies in Mainland China Intime Tech Co., Ltd.

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

**KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
SEPTEMBER 30, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Kai Sheng Investment Co., Ltd.	14,873,422	9.96
Ou Li Investment Co., Ltd.	12,689,840	8.50

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

Note 2: If the shareholders transfers the shareholding the Trust, the trustee will open the trust account to separate the account. As for shareholders who handle the declaration of insiders equity holdings 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.