



KWONG LUNG ENTERPRISE CO., LTD.

**2020 Annual Shareholders' Meeting
Meeting Handbook
(Translation)**

June 22, 2020

Time : 9:00 a.m. on Monday June 22, 2020

Place: B1F, No.92, Sec.2.Anhe Road, Taipei City

Note to Readers:

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 version shall prevail.

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KWONG LUNG ENTERPRISE CO., LTD.
Procedure for the 2020 Annual Meeting of Shareholders

- I. Call the Meeting to Order
- II. Chairman's Address
- III. Report Items
- IV. Approval Items
- V. Questions and Motions
- VI. Adjournment

KWONG LUNG ENTERPRISE CO., LTD.
2020 Annual Shareholders' Meeting Agenda

Time : 9:00 a.m. on Monday, June 22, 2020

Place: B1F, No.92, Sec.2.Anhe Road, Taipei City

- I. Call the Meeting to Order (report on number of shares represented by the shareholders present at the meeting)
- II. Chairman's Address
- III. Report Items
 - (1) To report 2019 Employees' ,Directors' and Supervisors' compensation
 - (2) To report the business of 2019
 - (3) 2019 Supervisor's Review Report
 - (4) Report on the Execution Treasury Stocks
- IV. Approval Items
 - (1) To accept 2019 Business Report and Financial Statements
 - (2) To approve the proposal for Distribution of 2019 Profits
- V. Questions and Motions
- VI. Adjournment

【Report Items】

1. To report 2019 Employees' ,Directors' and Supervisors' compensation

Explanation :

- (1) According to Article 19 of the Articles of Incorporation.
- (2) Board of Directors approved 2019 Employees' , Directors' and Supervisors' compensation on March 27, 2020.
- (3) 2019 Employees' compensation is NT\$17,110,000 , and 2019 Directors' and Supervisors' compensation is NT\$10,550,000 , Total amount is NT\$27,660,000 and is distributed in cash.

2. To report the business of 2019

Explanation : Please refer to Attachment 1 on page 5 ~7 of this handbook.

3. 2019 Supervisor's Review Report

Explanation : Please refer to Attachment 2 on page 8 ~9 of this handbook.

4. Report on the Execution Treasury Stocks

Explanation :

Repurchase session	5th
Date of Board Resolution	2020/3/27
Purpose of buyback	Maintain the Company's credit and shareholders' rights
Type of shares to be repurchased	Common shares
Cap on the amount of repurchasing	NT\$ 3,008,536,000
Scheduled repurchase period	2020/3/30~2020/5/29
Total number of shares planned to be repurchased	2,600,000 shares
Price range of repurchase	NT\$ 32~45 per share When the Company's stock price is lower than the lower price limit in the above range, it will continue to execute the share repurchase.
Types and quantities of shares repurchased	0 (note 1)
The amount of repurchase executed	0 (note 1)
The ratio of shares repurchased to the planned repurchase quantity (%)	0% (note 1)

note 1 : As of the printing day of the meeting handbook (May 22, 2020)

【Approval Items】

1. To accept 2019 Business Report and Financial Statements. (Proposed by the Board of Directors)

Explanation :

- (1) The Company's Financial Statements were audited by the independent auditors, Mr. Chang Ching-Fu and Mr. Chiu Meng-Chieh of Deloitte & Touche. Also Business Report and Financial Statements have been approved by the Board and examined by the supervisors.
- (2) 2019 Business Report, Independent Auditors' Report and the above-mentioned Financial Statements, please refer to Attachment 1 on page 5~7 and Attachment 3 on page 10~29 of this handbook.

Resolution :

2. To approve the proposal for Distribution of 2019 Profits. (Proposed by the Board of Directors)

Explanation :

- (1) The Board has adopted a proposal for Distribution of 2019 Profits and the proposed dividend to shareholders shall be NT\$ 3 per common share.
- (2) Please refer to Attachment 4 on page 30 of this handbook.

Resolution :

【Questions and Motions】

【Adjournment】

KWONG LUNG ENTERPRISE CO., LTD.

2019 Business Report

First of all, let me report to the shareholders that with the efforts of the management team, Kwong Lung's outstanding results in 2019 include:

1. The revenue scale and profitability of the primary business in 2019 both grew and set new historical highs.
2. The garment business had record revenues in seven consecutive years.
3. With a successful optimization strategy of the off-season product mix, we not only successfully broke the tradition of first-quarter loss, but also created a good quarter-to-quarter surplus, relying on the profits from the primary business.

In order to improve the Company's value and achieve the goal of maximizing shareholders' return, Kwong Lung launched an advanced transformation and development plan in 2019, actively developing towards the high-margin ready-to-wear garment business. In 2019, the annual revenue growth of ready-to-wear garments is as high as 20.3%, with the ratio of the revenue to the total revenue amounting to 44% from 38%. Driven by the expansion of revenue scale and the introduction of TPI (Total Productive Innovation) to successfully maximize production capacity, the profitability has been continuously increased and has become Kwong Lung's growth engine.

The net profit after tax in 2019 was NT\$ 490 million, with a net income margin of 4.71%. On the surface, it is seemed that the revenue was 21.08% less than that in 2018, but it was mainly due to a one-time income in 2018 (such as claims income and gain from disposal of asset), totaling NT\$ 310 million. After excluding one-time gains, the net profit after tax in 2019 actually grew by more than 50%, showing that the primary business' profitability has returned to the growth track.

Operating Results for 2019

1. Financial results

The main financial indicators are as follows:

Unit: In thousands of New Taiwan Dollars

Item		2019	2018	Increase (Decrease) Ratio %	
Financial receipts and expenditures	Operating revenue	10,593,869	10,154,312	4.33	
	Gross profit	1,438,417	1,352,210	6.38	
	Net profit for the year	498,477	631,632	(21.08)	
Profitability analysis	Return on assets (%)	7.14	9.75	(26.77)	
	Return on equity (%)	10.74	18.03	(40.43)	
	Ratio of Paid-up capital (%)	Operating Income	40.10	27.18	47.53
		Income before Tax	41.12	56.63	(27.39)
	Net Profit Margin (%)	4.71	6.22	(24.28)	
	Earnings per share after tax(NT\$ dollar)	4.10	5.74	(28.57)	

2. Research and development results:

Unit: In thousands of New Taiwan Dollars

Item	2019
R & D expenses	51,919
R&D expenses as a percentage of revenue	0.49%

R&D results completed are as follow:

- 1). New products:
 - A. Functional down products-Thermobrid® lite Down (new generation thermal storage down), and antibacterial deodorant down.

- B. Innovative feather product-Feather keratin liquid, which has high application value in consumers' chemical and biomedical materials.
 - C. Newly developed environmentally friendly resin cotton series- made from recycled chemical fiber.
- 2). New technologies:
- A. Development of down certification technology-glue down detection-spectral analysis
 - B. Development of new garment production technologies:
 - (1) Seamless elastic band method: It can be used on waist circumference, leg opening, waist line and facing.
 - (2) New collar construction method:Development of a new collar with knitting and plain weave.
 - (3) Newly developed matte elastic facing: It can be used in powder skirts for jackets and pants.
 - (4) Newly developed seamless down construction method: The use of seamless fit in lieu of the sewing thread, making different graphics changes.
 - (5) Newly developed anti-slip waterproof shoe cover: It is ergonomically designed, and easy to be fasten, put on and taken off.
- 3). New material development:
- A. Self-developed waterproof zippers: The value added of the product is increased.
 - B. Triangle fork zipper design: Detachable cuffs of down jackets

Operating Summary for 2020 and Future Development Strategies

1. Future development strategy: In addition to continuing the asset-light strategy as the future operating theme, the Company establishes a high-efficiency operating team and improves the automated process, achieving its goal of stable and continuous profit and growth.
2. Operating guideline for 2020:
 - 1). Continue to expand ready-to-wear garment production capacity to meet the growth momentum of orders.
 - 2). Continue the promotion of Industry 4.0 to improve the automated process for ready-to-wear garment and home textile.
 - 3). Construct and adjust overseas production bases for home textiles and down materials.
 - 4). Adjust human resources structure and inject new blood for our operating team.

Corporate Social Responsibility

Adhering to the contribution spirit of “Taken from Society and Give Back to Society,” the Company has invested NT\$3.22 million in actions of social services and aiding the disadvantaged on an ongoing basis in 2019. The Company fulfilled its corporate value and exerted the influences to the society as an international enterprise:

1. Made donation of NT\$1.97 million to care for the disadvantaged.
2. Continued the donation to provide sponsorship to the Taiwan Association of Cardiovascular Surgery Research to assist in the domestic and overseas research plan and research development for cardiovascular surgery and nurture talents, proactively participating in international exchanges and internationalized development.
3. Assist schools to improve equipment and enhance students' learning environment.

Outlook for 2020

The Toyota-style management currently used by Kwong Lung, which can produce in a small batch and achieve scale benefits quickly, is more flexible than the hanging system used in general garment factories. As international brands continue to invest in med- to high-end outdoor functional apparel and converge the supply chain, orders from medium-sized brand customers will be released one after another, and it will become an opportunity to drive Kwong Lung's business growth.

Kwong Lung will continue to focus on the development of ready-to-wear garments. Looking forward to 2020, with the steady growth of major customers and injection of new customers, the garment business is expected to continue to climb to the top, and the ratio of its revenue contribution is expected to be further increased to 45-50%. The Group will continue to expand production lines to

meet customer orders. With the increase in the revenue contribution of the high-margin garment business and the improvement of intelligent production efficiency, it is expected to increase the Group's profitability. In addition, Kwong Lung has also continued to optimize its off-season product portfolio and maximize its capacity utilization rate. It is expected that its excellent performance in 2019 will continue in 2020.

As for the home textile business, as customers' adjustment of their inventory come to an end, the scale of orders received in 2020 is expected to come out of the bottom. In addition, the home textile business will also develop more product lines through deeper cooperation with the leading Japanese household items channel to increase revenue and profit.

For the down business, with the Group's transformation strategy, the revenue scale in 2020 will be policy-restricted, and increasing profitability will be the focus of operations. The Company will go deeper into the countries of origin to obtain more special supply sources to increase the profitability of the down business.

Guided by the Group's policy of focusing on the garment industry and profitability, it is expected that the profit growth rate will be better than the revenue growth rate in 2020. Kwong Lung will continue to aim at maximizing the shareholder's return and continue to improve the Group's profitability in order to meet the shareholders' expectations for the Group.

In the end, we hereby present our most sincere appreciation to the shareholders on behalf of all members of Kwong Lung.

Chairman & CEO : Chan Ho-Po

Accounting Officer : Ma Tien-Li

KWONG LUNG ENTERPRISE CO., LTD.
2019 Supervisor's Review Report

The Board reports the financial statements and have been audited by Mr. Chang Ching-Fu and Mr. Chiu Meng-Chieh of Deloitte & Touche Accounting Firm. The financial statements, business report, and earnings distribution proposal have been audited by us as Supervisors of the Company. We deem no inappropriateness on these documents. Pursuant to Article 219 of the Company Act, we hereby present the review report. Please review.

Submitted to
Shareholders' Meeting of KWONG LUNG ENTERPRISE CO., LTD.

Supervisor
Chung Lu Investment Co.,Ltd.
Representative : Lee Chao-Fu
March 27, 2020

KWONG LUNG ENTERPRISE CO., LTD.

2019 Supervisor's Review Report

The Board reports the financial statements and have been audited by Mr. Chang Ching-Fu and Mr. Chiu Meng-Chieh of Deloitte & Touche Accounting Firm. The financial statements, business report, and earnings distribution proposal have been audited by us as Supervisors of the Company. We deem no inappropriateness on these documents. Pursuant to Article 219 of the Company Act, we hereby present the review report. Please review.

Submitted to

Shareholders' Meeting of KWONG LUNG ENTERPRISE CO., LTD.

Supervisor

Huang Lu Investment Co.,Ltd.

Representative : Chan Chi-Che

March 27, 2020

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Kwong Lung Enterprise Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Income Occurrence

Refer to Note 4 (o) to the accompanying consolidated financial statements for disclosures regarding the accounting policies and detailed information on income.

The Group's revenue mainly comes from the production and sale of ready-made garments, down materials and home textile products. Sales revenue is one of the evaluating criteria to measure the operating performance of the Group's segment, and the main significant risk of the Group is the occurrence of sales revenue. Therefore, we identified occurrence of revenue as a key audit matter. In response to this key audit matter, we performed the following audit procedures:

1. We understood and evaluated the appropriateness of the accounting policies on revenue recognition.
2. We understood and evaluated the effectiveness of its internal control on revenue recognition to confirm the occurrence of sales.
3. We sample-tested sales transactions of the current year and checked the relevant internal and external vouchers to support the facts of the shipment; we checked the sales target and the recipient of the payment and the post-receipt collection for any major abnormalities; we checked the general ledger of sales revenue for any significant debit amount; and we checked the sales returns and allowances ledger for any significant sales return and discounts to confirm that sales revenue transactions did occur.

Other Matter

We have also audited the parent company only financial statements of Kwong Lung Enterprise Co., Ltd. as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance, including supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 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 audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 881,256	12	\$ 794,215	12
Financial assets at fair value through profit or loss - current (Note 7)	1,772	-	2,034	-
Financial assets at amortized cost - current (Notes 9 and 31)	158,530	2	3,002	-
Notes receivable (Note 10)	204,405	3	132,444	2
Trade receivables (Notes 10 and 30)	776,821	10	915,574	13
Other receivables (Note 10)	130,228	2	123,443	2
Other receivables from related parties (Note 30)	120,000	2	-	-
Inventories (Note 11)	2,373,358	31	2,618,775	37
Prepayments	117,747	1	138,944	2
Other current assets	<u>99,151</u>	<u>1</u>	<u>89,469</u>	<u>1</u>
Total current assets	<u>4,863,268</u>	<u>64</u>	<u>4,817,900</u>	<u>69</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	367,840	5	100,700	2
Financial assets at amortized cost - non-current (Notes 9 and 30)	60,000	1	60,000	1
Investments accounted for using the equity method (Note 13)	199,656	3	156,970	2
Property, plant and equipment (Notes 14, 30 and 31)	1,505,271	20	1,573,527	22
Right-of-use assets (Notes 15 and 30)	164,493	2	-	-
Investment properties, net (Note 16)	197,708	2	96,680	1
Other intangible assets (Note 17)	64,867	1	66,081	1
Deferred tax assets (Note 24)	49,754	1	50,088	1
Long-term prepayments for leases	-	-	79,455	1
Other non-current assets	<u>98,221</u>	<u>1</u>	<u>29,924</u>	<u>-</u>
Total non-current assets	<u>2,707,810</u>	<u>36</u>	<u>2,213,425</u>	<u>31</u>
TOTAL	<u>\$ 7,571,078</u>	<u>100</u>	<u>\$ 7,031,325</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	\$ 327,286	4	\$ 380,855	5
Short-term bills payable (Note 18)	30,000	-	-	-
Financial liabilities at fair value through profit or loss - current (Note 7)	2,980	-	10,289	-
Notes payable	7,533	-	5,267	-
Trade payables	540,132	7	782,705	11
Other payables (Notes 20 and 30)	351,642	5	469,308	7
Current tax liabilities (Note 24)	60,277	1	59,474	1
Lease liabilities - current (Note 15)	33,443	-	-	-
Current portion of long-term liabilities (Notes 18, 19 and 31)	860	-	790,871	11
Other current liabilities	<u>33,780</u>	<u>1</u>	<u>44,072</u>	<u>1</u>
Total current liabilities	<u>1,387,933</u>	<u>18</u>	<u>2,542,841</u>	<u>36</u>
NON-CURRENT LIABILITIES				
Bonds payable (Note 19)	-	-	-	-
Long-term borrowings (Notes 18 and 31)	863,931	11	214,720	3
Deferred tax liabilities (Note 24)	138,204	2	129,400	2
Lease liabilities - non-current (Note 15)	53,200	1	-	-
Net defined benefit liabilities - non-current (Note 21)	31,454	1	42,409	1
Other non-current liabilities	<u>3,988</u>	<u>-</u>	<u>1,999</u>	<u>-</u>
Total non-current liabilities	<u>1,090,777</u>	<u>15</u>	<u>388,528</u>	<u>6</u>
Total liabilities	<u>2,478,710</u>	<u>33</u>	<u>2,931,369</u>	<u>42</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 22 and 26)				
Share capital				
Ordinary shares	1,303,075	17	1,103,540	16
Preference shares	<u>182,000</u>	<u>3</u>	<u>182,000</u>	<u>2</u>
Total share capital	<u>1,485,075</u>	<u>20</u>	<u>1,285,540</u>	<u>18</u>
Capital surplus	<u>2,311,774</u>	<u>30</u>	<u>1,687,841</u>	<u>24</u>
Retained earnings				
Legal reserve	435,765	6	373,931	5
Special reserve	88,634	1	80,889	1
Unappropriated earnings	<u>741,128</u>	<u>10</u>	<u>707,906</u>	<u>10</u>
Total retained earnings	<u>1,265,527</u>	<u>17</u>	<u>1,162,726</u>	<u>16</u>
Other equity interests				
Exchange differences on translating the financial statements of foreign operations	(118,966)	(2)	(106,120)	(1)
Unrealized gain on financial assets at fair value through other comprehensive income	<u>88,599</u>	<u>1</u>	<u>17,486</u>	<u>-</u>
Total other equity interests	<u>(30,367)</u>	<u>(1)</u>	<u>(88,634)</u>	<u>(1)</u>
Total equity attributable to owners of the Company	5,032,009	66	4,047,473	57
NON-CONTROLLING INTERESTS				
Total equity	<u>60,359</u>	<u>1</u>	<u>52,483</u>	<u>1</u>
Total equity	<u>5,092,368</u>	<u>67</u>	<u>4,099,956</u>	<u>58</u>
TOTAL	<u>\$ 7,571,078</u>	<u>100</u>	<u>\$ 7,031,325</u>	<u>100</u>

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

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Note 30)				
Sales revenue	\$ 10,593,869	100	\$ 10,154,312	100
OPERATING COSTS (Notes 11, 23 and 30)				
Cost of goods sold	<u>(9,155,452)</u>	<u>(86)</u>	<u>(8,802,102)</u>	<u>(87)</u>
GROSS PROFIT	<u>1,438,417</u>	<u>14</u>	<u>1,352,210</u>	<u>13</u>
OPERATING EXPENSES (Notes 23 and 30)				
Selling and marketing expenses	(501,733)	(5)	(637,533)	(6)
General and administrative expenses	(289,237)	(3)	(286,291)	(3)
Research and development expenses	(51,919)	-	(79,945)	(1)
Gains on reversal of expected credit loss	<u>-</u>	<u>-</u>	<u>997</u>	<u>-</u>
Total operating expenses	<u>(842,889)</u>	<u>(8)</u>	<u>(1,002,772)</u>	<u>(10)</u>
PROFIT FROM OPERATIONS	<u>595,528</u>	<u>6</u>	<u>349,438</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES (Notes 23 and 30)				
Other income	21,687	-	17,812	-
Other gains and losses	15,155	-	390,163	4
Finance costs	(28,281)	-	(38,410)	-
Share of profit of associates and joint ventures	<u>6,513</u>	<u>-</u>	<u>8,937</u>	<u>-</u>
Total non-operating income and expenses	<u>15,074</u>	<u>-</u>	<u>378,502</u>	<u>4</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	610,602	6	727,940	7
INCOME TAX EXPENSE (Note 24)	<u>(112,125)</u>	<u>(1)</u>	<u>(96,308)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>498,477</u>	<u>5</u>	<u>631,632</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)

	For the Years Ended December 31			
	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 2,834	-	\$ 2,893	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	60,284	-	(45,593)	-
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	12,227	-	2,021	-
Income tax relating to items that will not be reclassified subsequently to loss or profit	<u>(567)</u>	<u>-</u>	<u>(191)</u>	<u>-</u>
	<u>74,778</u>	<u>-</u>	<u>(40,870)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(13,736)</u>	<u>-</u>	<u>35,482</u>	<u>-</u>
	<u>(13,736)</u>	<u>-</u>	<u>35,482</u>	<u>-</u>
Other comprehensive gain (loss) for the year, net of income tax	<u>61,042</u>	<u>-</u>	<u>(5,388)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 559,519</u>	<u>5</u>	<u>\$ 626,244</u>	<u>6</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 487,589	5	\$ 618,337	6
Non-controlling interests	<u>10,888</u>	<u>-</u>	<u>13,295</u>	<u>-</u>
	<u>\$ 498,477</u>	<u>5</u>	<u>\$ 631,632</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 549,521	5	\$ 613,294	6
Non-controlling interests	<u>9,998</u>	<u>-</u>	<u>12,950</u>	<u>-</u>
	<u>\$ 559,519</u>	<u>5</u>	<u>\$ 626,244</u>	<u>6</u>
EARNINGS PER SHARE (Note 25)				
From continuing operations				
Basic	<u>\$4.10</u>		<u>\$5.74</u>	
Diluted	<u>\$3.76</u>		<u>\$4.95</u>	

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

(Concluded)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent 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				Unrealized Gain (Loss) on Available-for-sale Financial Assets
	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, 2018	\$ 1,090,130	\$ -	\$ 1,090,130	\$ 923,606	\$ -	\$ 29,284	\$ 54,557	\$ 34,657	\$ 1,493	\$ 1,043,597	\$ 373,931	\$ -	\$ 386,167	\$ (141,947)	\$ -	\$ 61,058	\$ 2,812,936	\$ 44,100	\$ 2,857,036
Effect of retrospective application	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61,058	(61,058)	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,090,130	-	1,090,130	923,606	-	29,284	54,557	34,657	1,493	1,043,597	373,931	-	386,167	(141,947)	61,058	-	2,812,936	44,100	2,857,036
Appropriation of 2017 earnings																			
Special reserve	-	-	-	-	-	-	-	-	-	-	-	80,889	(80,889)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	(218,411)	-	-	-	(218,411)	-	(218,411)
Cash dividends from capital surplus	-	-	-	(109,205)	-	-	-	-	-	(109,205)	-	-	-	-	-	-	(109,205)	-	(109,205)
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-	618,337	-	-	-	618,337	13,295	631,632
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	-	-	-	-	2,702	35,827	(43,572)	-	-	(5,043)	(345)	(5,388)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	621,039	35,827	(43,572)	-	-	613,294	12,950	626,244
Issuance of preference shares	-	182,000	182,000	728,000	-	-	-	-	-	728,000	-	-	-	-	-	-	910,000	-	910,000
Issuance of ordinary shares under employee share options	13,410	-	13,410	34,996	-	-	(9,601)	-	54	25,449	-	-	-	-	-	-	38,859	-	38,859
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,567)	(4,567)
BALANCE AT DECEMBER 31, 2018	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 2018 earnings																			
Legal reserve	-	-	-	-	-	-	-	-	-	-	61,834	-	(61,834)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	-	7,745	(7,745)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	(386,957)	-	-	-	(386,957)	-	(386,957)
Preference share dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	(1,496)	-	-	-	(1,496)	-	(1,496)
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-	487,589	-	-	-	487,589	10,888	498,477
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	-	-	-	-	-	2,267	(12,846)	72,511	-	-	61,932	(890)	61,042
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	489,856	(12,846)	72,511	-	-	549,521	9,998	559,519
Expiration of convertible bonds	-	-	-	-	-	-	-	-	30	30	-	-	-	-	-	-	30	-	30
Convertible bonds converted to ordinary shares	192,058	-	192,058	-	640,431	-	-	(34,657)	-	605,774	-	-	-	-	-	-	797,832	-	797,832
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	1,398	-	(1,398)	-	-	-	-
Issuance of ordinary shares under employee share options	7,477	-	7,477	22,048	-	-	(12,679)	-	8,760	18,129	-	-	-	-	-	-	25,606	-	25,606
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,122)	(2,122)
BALANCE AT DECEMBER 31, 2019	\$ 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

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

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 610,602	\$ 727,940
Adjustments for:		
Depreciation expenses	194,017	136,408
Amortization expenses	13,349	11,469
Expected credit loss reversed on trade receivables	-	(997)
Net loss on fair value changes of financial assets and liabilities designated as at fair value through profit or loss	1,208	8,255
Finance costs	28,281	38,410
Interest income	(11,095)	(7,042)
Dividend income	(10,592)	(10,770)
Gain on disposal of investments	-	(10,487)
Write-downs of inventories	25,221	9,774
Compensation costs of employee share options	5,647	5,298
Share of profit of associates and joint ventures	(6,513)	(8,937)
Loss (gain) on disposal of property, plant and equipment	1,697	(30,401)
Net (gain) loss on foreign currency exchange	(3,716)	5,636
Other gains	(28)	-
Changes in operating assets and liabilities		
Financial assets mandatorily measured at fair value through profit or loss	2,034	1,594
Notes receivable	(71,961)	(19,837)
Trade receivables	135,636	18,412
Other receivables	(8,310)	139,020
Inventories	219,030	(375,727)
Prepayments	21,197	(90,791)
Other current assets	(13,525)	(7,325)
Financial liabilities held for trading	(10,289)	(78)
Notes payable	2,266	2,200
Trade payables	(239,881)	(13,365)
Other payables	(106,084)	77,907
Other current liabilities	(10,292)	(5,484)
Net defined benefit liabilities	(8,121)	(2,427)
Cash generated from operations	759,778	598,655
Interest received	11,095	7,042
Interest paid	(19,493)	(25,714)
Income tax paid	(102,751)	(61,862)
Net cash generated from operating activities	648,629	518,121
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(206,856)	-
Purchase of financial assets at amortized cost	(155,528)	(10,000)

(Continued)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2019	2018
Proceeds from disposal of financial assets at amortized cost	\$ -	\$ 69,401
Acquisition of investment accounted for using the equity method	(22,470)	-
Net cash inflow on acquisition of subsidiaries (Note 27)	-	16,202
Net cash inflow on disposal of subsidiaries	-	36
Payments for property, plant and equipment	(139,795)	(264,601)
Proceeds from disposal of property, plant and equipment	4,202	217,854
Increase in other receivables - related parties	(120,000)	-
Decrease in other receivables - related parties	-	90,000
Payments for intangible assets	(12,137)	(8,609)
Payments for investment properties	(102,824)	-
Increase in other non-current assets	(32,034)	(7,888)
Dividends received	<u>10,592</u>	<u>10,770</u>
Net cash (used in) generated from investing activities	<u>(776,850)</u>	<u>113,165</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(47,880)	(248,273)
Proceeds from short-term bills payables	30,000	-
Repayments of bond payables	(700)	-
Proceeds from long-term borrowings	1,550,000	950,000
Repayments of long-term borrowings	(900,914)	(1,675,760)
Repayment of the principal portion of lease liabilities	(40,196)	-
Increase in other non-current liabilities	1,989	109
Cash dividends paid	(388,453)	(327,616)
Proceeds from issuing preference shares	-	910,000
Proceeds from share options exercised	19,959	33,561
Cash dividends paid by subsidiary	(2,536)	(4,851)
Changes in non-controlling interests	<u>414</u>	<u>(103)</u>
Net cash generated from (used in) financing activities	<u>221,683</u>	<u>(362,933)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(6,421)</u>	<u>16,154</u>
NET INCREASE IN CASH	87,041	284,507
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>794,215</u>	<u>509,708</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 881,256</u>	<u>\$ 794,215</u>

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

(Concluded)

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Kwong Lung Enterprise Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements for the year ended December 31, 2019 are stated as follows:

Income Occurrence

Refer to Note 4 (1) to the accompanying financial statements for disclosures regarding the accounting policies and detailed information on income.

The Company's revenue mainly comes from the production and sale of ready-made garments, down materials and home textile products. Sales revenue is one of the evaluating criteria to measure the operating performance of the Company's segment, and the main significant risk of the Company is the occurrence of sales revenue. Therefore, we identified occurrence of revenue as a key audit matter.

In response to this key audit matter, we performed the following audit procedures:

1. We understood and evaluated the appropriateness of the accounting policies on revenue recognition.
2. We understood and evaluated the effectiveness of its internal control on revenue recognition to confirm the occurrence of sales.
3. We sample-tested sales transactions of the current year and checked the relevant internal and external vouchers to support the facts of the shipment; we checked the sales target and the recipient of the payment and the post-receipt collection for any major abnormalities; we checked the general ledger of sales revenue for any significant debit amount; and we checked the sales returns and allowances ledger for any significant sales return and discounts to confirm that sales revenue transactions did occur.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including supervisors, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2020

Notice to Readers

The accompanying financial statements are intended only to present the 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 audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying 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' report and financial statements shall prevail.

KWONG LUNG ENTERPRISE CO., LTD.

BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 166,597	2	\$ 156,569	2
Financial assets at fair value through profit or loss - current (Note 7)	1,772	-	2,034	-
Trade receivables (Note 10)	550,529	7	593,531	9
Trade receivables from related parties (Notes 10 and 28)	225,851	3	415,385	6
Other receivables (Note 10)	97,304	1	37,786	1
Other receivables from related parties (Note 28)	746,208	10	869,452	12
Inventories (Note 11)	929,181	12	871,762	12
Prepayments (Note 16)	102,371	2	74,811	1
Other current assets	5,402	-	7,001	-
Total current assets	<u>2,825,215</u>	<u>37</u>	<u>3,028,331</u>	<u>43</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	367,840	5	100,700	1
Financial assets at amortized cost - non-current (Note 9)	50,000	1	50,000	1
Investments accounted for using the equity method (Note 12)	3,406,418	44	3,184,374	45
Property, plant and equipment (Notes 13 and 28)	841,123	11	583,893	8
Right-of-use assets (Notes 14 and 28)	54,837	1	-	-
Other intangible assets (Note 15)	36,934	-	36,110	1
Deferred tax assets (Note 23)	49,402	-	49,541	1
Other non-current assets	54,140	1	24,081	-
Total non-current assets	<u>4,860,694</u>	<u>63</u>	<u>4,028,699</u>	<u>57</u>
TOTAL	<u>\$ 7,685,909</u>	<u>100</u>	<u>\$ 7,057,030</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	\$ 74,142	1	\$ 267,181	4
Financial liabilities at fair value through profit or loss - current (Note 7)	2,980	-	10,289	-
Notes payable	7,408	-	3,660	-
Trade payables	252,813	3	216,604	3
Trade payables from related parties (Note 28)	975,690	13	1,119,312	16
Other payables (Notes 19 and 28)	191,561	3	239,866	3
Current tax liabilities (Note 23)	49,267	1	53,872	1
Lease liabilities - current (Note 14)	18,340	-	-	-
Current portion of long-term borrowings (Notes 17 and 18)	-	-	789,886	11
Other current liabilities	26,169	-	37,081	1
Total current liabilities	<u>1,598,370</u>	<u>21</u>	<u>2,737,751</u>	<u>39</u>
NON-CURRENT LIABILITIES				
Bonds payable (Note 18)	-	-	-	-
Long-term borrowings (Note 17)	850,000	11	100,000	1
Deferred tax liabilities (Note 23)	137,255	2	129,397	2
Lease liabilities - non-current (Note 14)	36,821	1	-	-
Net defined benefit liabilities - non-current (Note 20)	31,454	-	42,409	1
Total non-current liabilities	<u>1,055,530</u>	<u>14</u>	<u>271,806</u>	<u>4</u>
Total liabilities	<u>2,653,900</u>	<u>35</u>	<u>3,009,557</u>	<u>43</u>
EQUITY (Notes 21 and 25)				
Share capital				
Ordinary shares	1,303,075	17	1,103,540	16
Preference shares	182,000	2	182,000	2
Total share capital	<u>1,485,075</u>	<u>19</u>	<u>1,285,540</u>	<u>18</u>
Capital surplus	2,311,774	30	1,687,841	24
Retained earnings				
Legal reserve	435,765	6	373,931	5
Special reserve	88,634	1	80,889	1
Unappropriated earnings	741,128	9	707,906	10
Total retained earnings	<u>1,265,527</u>	<u>16</u>	<u>1,162,726</u>	<u>16</u>
Other equity interests				
Exchange differences on translating the financial statements of foreign operations	(118,966)	(1)	(106,120)	(1)
Unrealized gain on financial assets at fair value through other comprehensive income	88,599	1	17,486	-
Total other equity interests	<u>(30,367)</u>	<u>-</u>	<u>(88,634)</u>	<u>(1)</u>
Total equity	<u>5,032,009</u>	<u>65</u>	<u>4,047,473</u>	<u>57</u>
TOTAL	<u>\$ 7,685,909</u>	<u>100</u>	<u>\$ 7,057,030</u>	<u>100</u>

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

KWONG LUNG ENTERPRISE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Note 28)				
Sales revenue	\$ 8,338,754	100	\$ 8,373,364	100
OPERATING COSTS (Notes 11, 22 and 28)				
Cost of goods sold	<u>(7,495,439)</u>	<u>(90)</u>	<u>(7,549,299)</u>	<u>(90)</u>
GROSS PROFIT	843,315	10	824,065	10
UNREALIZED GAIN ON THE TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	(13,214)	-	(10,847)	-
REALIZED GAIN ON THE TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	<u>10,847</u>	<u>-</u>	<u>12,832</u>	<u>-</u>
GROSS PROFIT, NET	<u>840,948</u>	<u>10</u>	<u>826,050</u>	<u>10</u>
OPERATING EXPENSES (Notes 22 and 28)				
Selling and marketing expenses	(239,608)	(3)	(276,359)	(3)
General and administrative expenses	(198,384)	(2)	(189,473)	(2)
Research and development expenses	(50,269)	(1)	(48,164)	(1)
Expected credit loss	<u>-</u>	<u>-</u>	<u>(23)</u>	<u>-</u>
Total operating expenses	<u>(488,261)</u>	<u>(6)</u>	<u>(514,019)</u>	<u>(6)</u>
PROFIT FROM OPERATIONS	<u>352,687</u>	<u>4</u>	<u>312,031</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES (Notes 22 and 28)				
Other income	14,367	-	13,659	-
Other gains and losses	13,116	-	109,230	1
Finance costs	(23,346)	-	(32,711)	-
Share of profit of associates and joint ventures	<u>220,750</u>	<u>3</u>	<u>296,544</u>	<u>3</u>
Total non-operating income and expenses	<u>224,887</u>	<u>3</u>	<u>386,722</u>	<u>4</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	577,574	7	698,753	8
INCOME TAX EXPENSE (Note 23)	<u>(89,985)</u>	<u>(1)</u>	<u>(80,416)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>487,589</u>	<u>6</u>	<u>618,337</u>	<u>7</u>

(Continued)

KWONG LUNG ENTERPRISE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 2,834	-	\$ 2,893	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	60,284	1	(45,593)	-
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	12,227	-	2,021	-
Income tax relating to items that will not be reclassified subsequently to loss or profit	<u>(567)</u>	<u>-</u>	<u>(191)</u>	<u>-</u>
	<u>74,778</u>	<u>1</u>	<u>(40,870)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(12,846)</u>	<u>-</u>	<u>35,827</u>	<u>-</u>
	<u>(12,846)</u>	<u>-</u>	<u>35,827</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>61,932</u>	<u>1</u>	<u>(5,043)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 549,521</u>	<u>7</u>	<u>\$ 613,294</u>	<u>7</u>
EARNINGS PER SHARE (Note 24)				
From continuing operations				
Basic	<u>\$ 4.10</u>		<u>\$ 5.74</u>	
Diluted	<u>\$ 3.76</u>		<u>\$ 4.95</u>	

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

(Concluded)

KWONG LUNG ENTERPRISE CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Share Capital			Capital Surplus							Retained Earnings			Other Equity Interests			Total Equity
				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, 2018	\$ 1,090,130	\$ -	\$ 1,090,130	\$ 923,606	\$ -	\$ 29,284	\$ 54,557	\$ 34,657	\$ 1,493	\$ 1,043,597	\$ 373,931	\$ -	\$ 386,167	\$ (141,947)	\$ -	\$ 61,058	\$ 2,812,936
Effect of retrospective application	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61,058	(61,058)	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,090,130	-	1,090,130	923,606	-	29,284	54,557	34,657	1,493	1,043,597	373,931	-	386,167	(141,947)	61,058	-	2,812,936
Appropriation of the 2017 earnings																	
Special reserve	-	-	-	-	-	-	-	-	-	-	-	80,889	(80,889)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	(109,205)	-	-	-	-	-	(109,205)	-	-	(218,411)	-	-	-	(327,616)
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-	618,337	-	-	-	618,337
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	2,702	35,827	(43,572)	-	(5,043)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-	621,039	35,827	(43,572)	-	613,294
Issuance of preference shares	-	182,000	182,000	728,000	-	-	-	-	-	728,000	-	-	-	-	-	-	910,000
Issuance of ordinary shares under employee share options	13,410	-	13,410	34,996	-	-	(9,601)	-	54	25,449	-	-	-	-	-	-	38,859
BALANCE AT DECEMBER 31, 2018	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
Appropriation of the 2018 earnings																	
Legal reserve	-	-	-	-	-	-	-	-	-	-	61,834	-	(61,834)	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	-	7,745	(7,745)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	(386,957)	-	-	-	(386,957)
Preference dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	(1,496)	-	-	-	(1,496)
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-	487,589	-	-	-	487,589
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	2,267	(12,846)	72,511	-	61,932
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-	489,856	(12,846)	72,511	-	549,521
Expiration of convertible bonds	-	-	-	-	-	-	-	-	30	30	-	-	-	-	-	-	30
Convertible bonds converted to ordinary shares	192,058	-	192,058	-	640,431	-	-	(34,657)	-	605,774	-	-	-	-	-	-	797,832
Disposal of investments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	1,398	-	(1,398)	-	-
Issuance of ordinary shares under employee share options	7,477	-	7,477	22,048	-	-	(12,679)	-	8,760	18,129	-	-	-	-	-	-	25,606
BALANCE AT DECEMBER 31, 2019	\$ 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

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

KWONG LUNG ENTERPRISE CO., LTD.

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 577,574	\$ 698,753
Adjustments for:		
Depreciation expenses	46,218	16,956
Amortization expenses	11,132	8,851
Expected credit loss recognized on trade receivables	-	23
Net loss on fair value changes of financial assets and liabilities designated as at fair value through profit or loss	1,208	8,255
Finance costs	23,346	32,711
Interest income	(3,775)	(2,889)
Dividend income	(10,592)	(10,770)
Compensation costs of employee share options	5,206	4,514
Share of profit of subsidiaries, associates and joint ventures	(220,750)	(296,544)
Loss (gain) on disposal of property, plant and equipment	141	(30,461)
Gain on disposal of investments	-	(10,487)
Unrealized loss (gain) on the transactions with subsidiaries, associates and joint ventures	2,367	(1,985)
Net gain on foreign currency exchange	(714)	(8,387)
Changes in operating assets and liabilities		
Financial assets mandatorily measured at fair value through profit or loss	2,034	1,594
Trade receivables	35,732	79,699
Trade receivables from related parties	184,605	(130,564)
Other receivables	(60,669)	17,085
Other receivables from related parties	225,983	(238,173)
Inventories	(57,419)	(79,046)
Prepayments	(27,560)	(28,653)
Other current assets	1,599	1,100
Financial liabilities held for trading	(10,289)	(78)
Notes payable	3,748	643
Trade payables	38,788	(88,708)
Trade payables from related parties	(121,897)	165,156
Other payables	(35,168)	59,471
Other current liabilities	(10,912)	(7,867)
Net defined benefit liabilities	(8,121)	(2,427)
Cash generated from operations	591,815	157,772
Interest received	3,468	2,889
Interest paid	(14,462)	(19,769)
Income tax paid	(87,160)	(44,294)
Net cash generated from operating activities	<u>493,661</u>	<u>96,598</u>

(Continued)

KWONG LUNG ENTERPRISE CO., LTD.

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (206,856)	\$ -
Acquisition of investments accounted for using the equity method	(14,000)	-
Proceeds from disposal of investments accounted for using the equity method	-	36
Payments for property, plant and equipment	(296,585)	(95,286)
Proceeds from disposal of property, plant and equipment	-	175,986
Increase in other receivables - related parties	(120,000)	-
Decrease in other receivables - related parties	-	90,000
Payments for intangible assets	(11,956)	(8,609)
Increase in other non-current assets	(30,059)	(6,869)
Dividends received	<u>10,592</u>	<u>10,770</u>
Net cash (used in) generated from investing activities	<u>(668,864)</u>	<u>166,028</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(187,159)	(111,331)
Proceeds from long-term borrowings	1,550,000	950,000
Repayments of long-term borrowings	(800,000)	(1,675,000)
Repayments of bond payables	(700)	-
Cash dividends paid	(388,453)	(327,616)
Proceeds from issuing preference shares	-	910,000
Proceeds from share options exercised	19,959	33,561
Repayment of the principal portion of lease liabilities	(18,577)	-
Disposal of subsidiaries	<u>10,161</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>185,231</u>	<u>(220,386)</u>
NET INCREASE IN CASH	10,028	42,240
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>156,569</u>	<u>114,329</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 166,597</u>	<u>\$ 156,569</u>

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

(Concluded)

KWONG LUNG ENTERPRISE CO., LTD.

2019 Profit Distribution Table

(Unit: NT \$)

Item	Amount	Remarks
Unappropriated retained earnings of prior years	249,874,516	
Adjustments on equity method investments	1,397,475	
Actuarial gains and losses recognized as retained earnings	2,267,504	
Add: Net Profit after Tax	487,588,375	
Undistributed earnings in the current year	491,253,354	
Less: 10% Legal Reserve	(49,125,335)	Note 6
Add: Reversal of Special Reserve	58,266,460	
Distributable Net Profit	750,268,995	
Distributable items:		
Dividends on Preferred Shares A	(45,500,000)	(NT\$2.5 per share)
Cash Dividends on Common Shares	(392,016,741)	(NT\$3 per share)
Unappropriated Retained Earnings	312,752,254	

- Note 1. The company issued 18,200,000 Preferred Share A, at subscription price of NT\$50. The annual dividend rate for preferred shares is 5%, resulting in a total dividend distribution of NT\$45,500,000.
- Note 2. As of February 29, 2020, the number of common shares issued by the Company which is eligible to receive cash distribution is 130,672,247 shares.
- Note 3. The cash dividends of Preferred Share and Common Share allocated to individual shareholders are distributed up to the decimal point (decimals are not taken into account), and fractional amounts less than NT\$1 will be totaled and listed in other incomes of the Company.
- Note 4. Chairman is authorized to set the ex-dividend date and the payment date for distribution after the proposal for cash dividends allocation approved by the shareholders' meeting.
- Note 5. In the event that share buy-back, treasury stocks transferring or nullifying, convertible bonds conversion or exercise of employee stock option, etc., impact the number of outstanding shares, leading to any fluctuation in proportion of profit paid to shareholders, it is proposed that the Chairman be authorized to make relevant adjustments, if any, based on the total number of shares outstanding on the ex-dividend date.
- Note 6. According to the Ministry of Economic Affairs letter No. 10802432410

KWONG LUNG ENTERPRISE CO.,LTD.

Rules of Procedures for Shareholders' meetings

- Article 1 To establish a strong governance system and sound supervisory capabilities for the Company's shareholders' meetings, and to strengthen management capabilities, these Rules are adopted pursuant to the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies. The rules of procedures for the Company's shareholders' meetings, except as otherwise provided by law, regulation, or Articles of Incorporation, shall be as provided in these Rules.
- Article 2 Unless otherwise provided by law or regulation, the Company's shareholders' meetings shall be convened by the Board of Directors.
- The Company shall prepare electronic versions of the shareholders' meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders' meeting or before 15 days before the date of a special shareholders' meeting. The Company shall prepare electronic versions of the shareholders' meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders' meeting or before 15 days before the date of the special shareholders' meeting. In addition, before 15 days before the date of the shareholders' meeting, the Company shall also have prepared the shareholders' meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.
- The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.
- Election or dismissal of directors or supervisors, amendments to the Articles of Incorporation, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary motion.
- A shareholder holding 1 percent or more of the total number of issued shares may submit to the Company a written proposal for discussion at a regular shareholders' meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda.
- Prior to the date on which share transfer registration before a regular shareholders' meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.
- Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders' meeting and take part in discussion of the proposal.
- Prior to the date for issuance of notice of a shareholders' meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders' meeting the Board of Directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.
- Article 3 For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.
- A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Company before 5 days before the date of the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.
- After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company before 2 business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.
- Any matters not provided in the rules shall be subject to the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies.
- Article 4 The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and

- no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.
- Article 5 The Company shall specify in its shareholders' meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.
- The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.
- Shareholders and their proxies (collectively, "shareholders") shall hand in a sign-in card in lieu of signing in.
- Shareholders shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.
- The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished.
- When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.
- Article 6 If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman. When the Chairman is on leave or for any reason unable to exercise the powers of the Chairman, the vice chairman shall act in place of the Chairman; if there is no vice chairman or the vice chairman also is on leave or for any reason unable to exercise the powers of the vice chairman, the Chairman shall appoint one of the directors to act as chair. Where the Chairman does not make such a designation, the directors shall select from among themselves one person to serve as chair.
- When a director serves as chair, as referred to in the preceding paragraph, the director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair. If a shareholders' meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.
- The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.
- Article 7 Proceedings of the shareholders' meeting shall be recorded in audio and video, and the recording materials shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.
- Article 8 Attendance at shareholders' meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.
- The Chairman shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the Chairman may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the Chairman shall declare the meeting adjourned.
- If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act. The implementation of the tentative resolution shall be governed by the relevant provisions of the Company Law.
- When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the Chairman may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.
- Article 9 If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.
- The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.
- The Chairman may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. If the Chairman declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in

electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The Chairman shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the Chairman is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the Chairman may announce the discussion closed and call for a vote.

Article 10 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the Chairman.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the Chairman, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the Chairman may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the Chairman and the shareholder that has the floor; the Chairman shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the Chairman may respond in person or direct relevant personnel to respond.

Article 11 Voting at a shareholders' meeting shall be calculated based the number of shares.

With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

Article 12 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

When the Company holds a shareholders' meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before 2 days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders' meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before 2 business days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the Chairman or a person designated by the Chairman shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

When there is an amendment or an alternative to a proposal, the Chairman shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the Chairman, provided that all monitoring personnel shall be shareholders of the Company.

Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

Article 13 The election of directors or supervisors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company and the voting results shall be announced on-site immediately, including the names of those elected as directors and supervisors and the numbers of votes with which they were elected.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 14 Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the Chairman of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.

The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the Chairman's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.

Article 15 On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders' meeting.

If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 16 The Chairman may direct the proctors or security personnel to help maintain order at the meeting place. At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the Chairman may prevent the shareholder from so doing.

When a shareholder violates the rules of procedure and defies the Chairman's correction, obstructing the proceedings and refusing to heed calls to stop, the Chairman may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 17 When a meeting is in progress, the Chairman may announce a break based on time considerations. If a force majeure event occurs, the Chairman may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 18 These Rules and any amendments hereto shall be implemented after adoption by shareholders' meetings. These Rules was set on June 20, 2013.

The 1st amendment was made on June 22, 2018

KWONG LUNG ENTERPRISE CO., LTD.

Articles of Incorporation

Chapter 1. General Provisions

- Article 1 The Company is duly incorporated under the provisions set forth in the Company Law, and its name shall be 光隆實業股份有限公司 in the Chinese language, and Kwong Lung Enterprise Company Limited in the English language.
- Article 2 The Company operates the following Businesses :
1. All Kinds of Feathers and Feather Garment Processing Refining Business
 2. All kinds of Feathers and Feather Processing of Refined Leather Accessories Business
 3. Sales of All kinds of Feather Pattern Bedding Sewing Products Processing
 4. CJ01010 Hat Manufacturing
 5. C306010 Outerwear Knitting Mills
 6. F401030 Manufacture Export
 7. F104040 Wholesale of Luggage and Bag
 8. F104060 Wholesale of Bedding
 9. F204040 Retail Sale of Luggage and Bag
 10. F204060 Retail Sale of Bedding
 11. ZZ99999 the Company may, other than those businesses subject to special permission (franchise), engage in all businesses except those banned or restricted by the laws.
- Article 2-1 The Company may provide guarantee to other companies to meet in business needs.
- Article 2-2 The total amount of the Company's investments in other companies may exceed forty percent of the Company's paid-up capital.
- Article 3 The head office of the Company shall be in Taipei, when deemed necessary, the Company may set branch offices within or outside the Republic of China by resolutions of the Board of Directors.
- Article 4 (Deleted)

Chapter 2. Shares

- Article 5 The total authorized capital of the Company shall be NT\$1.8 billion, divided into 180 million shares with a par value of NT\$10 each. The Board is authorized to issue common shares and preferred shares by installments
- A total of 20,000,000 shares among the above total capital stock should be reserved for issuing employee stock option certificates, preferred shares with warrants or corporate bond with warrant, and the Board is authorized to issue such shares by installments subject to practical need.
- Article 6 The rights and other important issuance terms of the Company's preferred shares are as follows:
1. The Company shall pay the taxes first, and recover prior years' losses, then contribute to legal reserve, or to special reserve by the Articles of Incorporation when there are positive earnings. The remaining, if any, may be distributed first to preferred shares as the current year's dividend.
 2. The preferred shares yield is capped at 8% on the issue price each year. Annual dividend could be paid by cash once a year. When the Audited Financial Reports have been approved by the shareholders meeting, the Board will arrange the date to distribute the payable preferred share dividends for the previous year. In the year of issuance and redemption, the actual number of payable dividends shall be calculated based on the days that the preferred shares remained outstanding in that year.
 3. The Company has sole discretion on the distribution of preferred share dividends. If there is no earning or insufficient earning for distributing dividends of preferred shares after audited, the Company may decide not to distribute dividends to preferred shares. Preferred shareholders shall not have objection. If the preferred shares are issued as non-cumulative type, the undistributed or insufficient payment in dividends distribution shall not be cumulated to the years afterwards.
 4. Except for the dividend prescribed in subparagraph 2 of this Article 6, the non-participating preferred shares holders, are not entitled to participate in the distribution of cash or stock dividends with regard of the common shares derived from earnings or capital surplus.
 5. When the Company issues new shares for capital raising, preferred shareholders shall be entitled equivalent preemptive rights on common shareholders.
 6. The distribution priority of preferred shareholders on right of claim the residual property of the Company is higher than the right of common shareholders. All kinds of preferred shareholders have the same priority to claim the compensation which is lower than the priority of general creditors. However, the distribution shall not exceed the amount of outstanding preferred shares which is calculated by the issuance price.
 7. The preferred shareholders have no rights to vote for motions and for election of directors and supervisors but are capable to be elected as directors or supervisors. Preferred shareholders have mandatory rights to vote for the motions that are about preferred shareholders rights and obligations or vote in Preferred Shareholders' meetings and in Shareholders' meetings.
 8. The convertible preferred shares issued by the Company are forbidden to converted within 1 year

after the date of issuance. The Board is authorized to arrange the convertible period in the actual issuance terms. Holders of convertible preferred shares may, pursuant to the issuance terms, apply for conversion of its shareholding (in whole or in part) to common shares pursuant to the conversion ratio set out in the issuance terms (ratio is 1:1). Upon conversion, the converted shares shall have the same rights and obligations as common shares. Dividend distribution at the year of conversion shall be calculated based on the ratio between the actual issuance days and total days of the conversion year, provided, however, that when the shares are converted prior to the ex-dividend date of any given year, the shareholder may not participate in the preferred share dividend distribution of that year and the dividend distribution of the year after, but such shareholder may participate in the distribution of profit and capital surplus to holders of common shares.

9. Preferred shares have no maturity, holders of preferred shares have no right to request redemption of their shares by the Company. But the Company may pursuant to the relevant issuance terms, redeem the shares by issuance price at any time after the next day after five years in cash or compulsorily convert such shares into newly issued shares, or redeem all or partial such shares in other manners permissible by law. Unredeemed preferred shares shall continue to enjoy the rights and obligations of issuance terms prescribed in this Article. In the year of redeeming preferred shares, the dividends payable should be distributed in accordance with the actual issuance days of that year until the redemption date if the shareholders' meeting of the Company decides to distribute dividends.
10. The Board is authorized to deal with the TPEX-listed matters of the preferred shares and converted common shares based on the situations of the company and the market.

The Board is authorized to determine the name, the issuance date, terms and other related matters of the preferred shares in accordance with market conditions and investors' expectation, according to the Articles of Incorporation and applicable laws and regulations.

Article 7 The share certificates of the Company shall all be name-bearing share certificates and signed or sealed by no less than three directors. The share certificates shall be issued after being certified by authority concerned or its approved certificate organizations. The Company may not print share certificates. Registers of share certificates shall contact the share certificates' depository and clearing organizations.

Article 8 Registration for transfer of shares shall be suspended sixty (60) days before the date of regular meeting of shareholders, and thirty (30) days before the date of any special meeting of shareholders, or within five (5) days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Company.

Chapter 3. Shareholders' Meetings

Article 9 Shareholders' meetings are of two types as regular meetings and special meetings. Regular meetings shall be convened by the Board of Directors within six (6) months after the close of each fiscal year. Special meetings shall be convened in accordance with the relevant laws and regulations. The Preferred Shareholders' meeting may be convened in accordance with applicable laws and regulations if necessary.

Article 10 A shareholder who is unavailable to attend a shareholders' meeting may duly issue a power of attorney expressly bearing the scope of the authorized power to appoint a proxy to attend the meeting on behalf.

Article 11 Unless otherwise specified in laws and regulations, each share of stock shall be entitled to one vote.

Article 12 Except as provided in the Company Act, resolution of shareholders' meeting shall be adopted by more than one half of the total attended shareholders at a meeting with the concurrence of more than one half of the votes held by shareholders presenting at the meeting. Shareholders may also vote via an electronic voting system, and those who do so shall be regarded as attending the shareholders' meeting in person; electronic voting shall be conducted in accordance with the relevant laws and regulations.

Chapter 4. Directors and Supervisors

Article 13 The Company shall have five (5) to nine (9) directors and two (2) or three (3) supervisors whose term of office are all three years. The directors and the supervisors are elected by the shareholders' meeting from among the members with legal capacity, and are eligible for re-election. The Company may, for directors and supervisors during the term of office within the scope of business, take out liability insurance in terms of the responsibility they should bear according to the law. Total registered shares owned by all directors shall not be less than the regulated percentage of the total issued shares based on the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies.

Article 13-1 Directors prescribed in Article 13 hereof, the number of independent directors wherein shall not be less than 2 and not less than one fifth of directors. A candidate's nomination system is adopted for independent directors elected by the Shareholders' meeting from among the candidates. Relevant qualification requirements, shareholding, concurrent serving restrictions, means of nomination and election and other matters to be complied shall be handled in accordance with the provisions of the securities regulatory authority.

Article 14 The Board of Directors shall be organized by Directors, and shall elect a chairman of the Board of Directors from among the directors by a majority vote at a meeting attended by over two-thirds of the directors. And may also elect in the same manner a vice chairman of the board. The chairman shall represent the company. In calling a meeting of the Board of Directors, a notice setting forth therein the subject(s) to be discussed at the meeting shall be given to each director and supervisor no later than 7 days prior to the scheduled meeting date. However, in the case of emergency, the meeting may be convened at any time.

- The notices to a board of directors meeting may be served in writing, by FAX or e-mail.
- Article 15 The meeting of the Board of Directors shall be presided over by the Chairman. In case the Chairman of the Board of Directors is on leave or absent or cannot exercise his authority for any reasons, the Chairman shall designate one of the directors to act on his behalf. In the absence of such a designation, the directors shall select a person among themselves to act for the Chairman of the Board of Directors. All matters not otherwise provided for herein shall be subject to the related provisions of Article 208 of the Company Act. The case that a Director appoints another director to attend a meeting of the Board of Directors on his/her behalf shall be handled in accordance with provisions of Article 205 of the Company Act.
- Article 16 In the case that the Directors and the Supervisors of the Company perform duties, regardless of the Company's operating profit or loss, the Company shall authorize the Board of Directors to pay remuneration according to their degree of participation in the Company's operations and the value of their contribution, and which shall not exceed the salary standard of the highest rank based on the Company's Regulations for Compensation.
- Chapter 5. Managerial Officers
- Article 17 The Company may create a certain number of management positions by the resolution of the Board of Directors, the procedures of appointment and discharge and the package of compensation will be conducted in accordance with Article 29 of the Company Act.
- Chapter 6. Accounting
- Article 18 At the close of the Company's each fiscal year, the Board of Directors shall prepare the following reports: (1) the Business Report (2) the Financial Statements (3) Proposals of Surplus Earning Distribution for appropriation of profit or covering of Loss, etc., and shall submit to the regular meeting of shareholders for an admission.
- Article 19 If the Company has profits in a fiscal year, the Company shall set aside not less than 1% of the profits as employee bonuses and not more than 5% of the profits as director and supervisor compensation. However, that the Company shall have reserved a sufficient amount to offset its accumulated losses. Employee's, director's and supervisor's compensation and the employee's compensation in the form of stocks or cash shall be resolved by a majority vote at a Board of Directors meeting attended by two-thirds of the total number of directors and shall be reported to the shareholders' meeting. Qualification requirements of employees for distributing employees to compensation, issuing restricted stock for employees, issuing employee stock option certificates, issuing new shares, and the shares bought back by the issuing company transferred to its employees, including the employees of parents or subsidiaries of the company meeting certain specific requirements, entitled to receive compensation.
- Article 20 The Company shall, after the year-end closing and its losses have been covered and all taxes and dues have been paid pursuant to laws and at the time of allocating surplus profits, first set aside ten percent of such profits as a legal reserve. However when the legal reserve amounts to the authorized capital, this shall not apply. The residual earnings, if any, may be distributed first to preferred shares holders as current year's dividend. The remainder shall be appropriated or reversed as a special reserve pursuant to laws and regulations; in case of any surplus, together with the accumulated unappropriated surplus shall be proposed by the board of directors to the shareholders' meeting and allocated by its resolution. Shareholders' dividends of which the cash dividend shall not be less than 20 percent, and stock dividend distribution should be adjusted depending on the actual financial structure. Surplus distribution ratio and dividend payout ratio may be adjusted in accordance with the shareholders' meeting resolution depending on the year's actual annual profit and financial situation. The company's dividend policy is based on the Company's capital expenditure and working capital needs, supported by the retained earnings preliminarily and transferred to the capital, then allocated to shareholders, in case of remainder of the surplus, the Company may, based on the year's actual operating conditions and considerations of next following year's capital budget planning to determine the most appropriate dividend policy.
- Chapter 7. Endnote
- Article 21 All matters not otherwise provided for herein shall be subject to the related provisions of the Company Act.
- Article 22 The Articles of Incorporation was set on February 17, 1966.
The 1st amendment was made on July 7, 1967.
The 2nd amendment was made on October 1, 1969.
The 3rd amendment was made on October 12, 1973.
The 4th amendment was made on December 20, 1973.
The 5th amendment was made on November 1, 1979.
The 6th amendment was made on October 21, 1981.
The 7th amendment was made on October 30, 1982.
The 8th amendment was made on April 14, 1983.
The 9th amendment was made on May 12, 1983.
The 10th amendment was made on June 2, 1983.
The 11th amendment was made on June 20, 1983.
The 12th amendment was made on December 2, 1983.

The 13th amendment was made on September 20, 1984.
The 14th amendment was made on June 11, 1985.
The 15th amendment was made on November 10, 1991.
The 16th amendment was made on July 25, 1995.
The 17th amendment was made on August 14, 1995.
The 18th amendment was made on January 10, 1996.
The 19th amendment was made on May 8, 1996.
The 20th amendment was made on June 20, 1996.
The 21st amendment was made on June 15, 1997.
The 22nd amendment was made on June 6, 1998.
The 23rd amendment was made on June 16, 1999.
The 24th amendment was made on April 15, 2000.
The 25th amendment was made on May 17, 2001.
The 26th amendment was made on May 17, 2002.
The 27th amendment was made on June 27, 2003.
The 28th amendment was made on June 11, 2004.
The 29th amendment was made on June 24, 2005.
The 30th amendment was made on June 23, 2006.
The 31st amendment was made on June 15, 2007.
The 32nd amendment was made on May 30, 2008.
The 33rd amendment was made on June 19, 2009.
The 34th amendment was made on June 11, 2010.
The 35th amendment was made on June 28, 2012.
The 36th amendment was made on June 20, 2013.
The 37th amendment was made on June 17, 2014.
The 38th amendment was made on June 9, 2015.
The 39th amendment was made on June 21, 2016.
The 40th amendment was made on June 22, 2018.
The 41th amendment was made on May 30, 2019.

Appendix 3

The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate : The Company did not allot stock dividend this year, it does not apply.

Appendix 4

Shareholding of Directors and Supervisors

Base Day : April 24, 2020

Position	Name	Shareholdings in the shareholders roster within the share transfer prohibition period
Chairman	Chan Ho-Po	1,350,000
Director	Evertrust Investment Co.,Ltd. Representative : Lee Yung-Chien	8,040,176
Director	Ou Li Investment Co.,Ltd. Representative : Chen Chung-Hsiung	12,689,840
Director	Yueh Sheng Investment Co.,Ltd Representative : Chan Fu-Ju	4,018,000
Director	Whalen's Company Representative : Chang Chen-Yun	10,000
Independent Director	Tsai Hsun-Hsiung	424,577
Independent Director	Chen Hsien-Yeh	0
Total for Directors'		26,532,593
Supervisor	Chung Lu Investment Co.,Ltd. Representative : Lee Chao-Fu	1,752,771
Supervisor	Huang Lu Investment Co.,Ltd. Representative : Chan Chi-Che	2,869,000
Total for Supervisors'		4,621,771

Note 1: The minimum required combined shareholding of all directors by law: 8,952,980 shares; As of April 24, 2020, the total shareholding of all directors was 26,108,016 shares. (not including the shareholding of Independent Director)

Note 2: The minimum required combined shareholding of all supervisors by law: 895,298 shares; As of April 24, 2020, the total shareholding of all supervisors was 4,624,771 shares.