

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

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2021 and 2020 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Kwong Lung Enterprise Co., Ltd. and its subsidiaries (collectively referred to as the "Group") as of September 30, 2021 and 2020, the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Note 13 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September 30, 2021 and 2020, the combined total assets of these non-significant subsidiaries were NT\$2,446,314 thousand and NT\$2,380,568 thousand, respectively, representing 28% and 31%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$305,434 thousand and NT\$662,325 thousand, respectively, representing 8% and 25%, respectively, of the consolidated total liabilities; for the three months and nine months ended September 30, 2021 and 2020, the amounts of combined comprehensive income of these non-significant subsidiaries were NT\$13,241 thousand, NT\$(31,330) thousand, NT\$(38,320) thousand and NT\$30,577 thousand, respectively, representing (355%), (34%), (14%) and 13%, respectively, of the consolidated total comprehensive income. In addition, as disclosed in Note 14, the investments accounted for using the equity method, as of September 30, 2021 and 2020, were NT\$100,296 thousand and NT\$200,414 thousand, respectively, and the consolidated equity in these investees' net loss and gain for the three months and nine

months ended September 30, 2021 and 2020 amounted to NT\$(84) thousand, NT\$(1,189) thousand, NT\$(1,095) thousand and NT\$5,444 thousand, respectively, and the related investment amounts as well as additional disclosures are based on these investees' unreviewed financial statements for the same reporting periods as those of the Group.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and other investees accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2021 and 2020, its consolidated financial performance for the three months and nine months ended September 30, 2021 and 2020, and its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 5, 2021

Notice to Readers

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

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

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2021 (Reviewed)		December 31, 2020 (Audited)		September 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 730,450	8	\$ 1,070,124	14	\$ 997,138	13
Financial assets at fair value through profit or loss - current (Note 7)	7,976	-	22,807	-	9,438	-
Financial assets at amortized cost - current (Notes 9 and 31)	742,516	8	151,552	2	148,590	2
Notes receivable (Note 10)	115,570	1	189,725	3	81,322	1
Trade receivables (Notes 10 and 30)	832,790	10	734,586	10	1,018,033	14
Other receivables (Note 10)	301,131	3	329,129	4	502,898	7
Other receivables from related parties (Note 30)	60,000	1	120,000	2	120,000	2
Inventories (Note 12)	2,550,217	29	1,724,805	23	1,980,782	26
Prepayments	68,102	1	22,901	-	30,423	-
Other current assets (Note 11)	139,736	2	97,124	1	96,504	1
Total current assets	<u>5,548,488</u>	<u>63</u>	<u>4,462,753</u>	<u>59</u>	<u>4,985,128</u>	<u>66</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	226,200	3	266,500	3	188,000	2
Financial assets at amortized cost - non-current (Note 9)	-	-	60,000	1	60,000	1
Investments accounted for using the equity method (Note 14)	327,348	4	207,479	3	200,414	3
Property, plant and equipment (Notes 15 and 31)	1,724,577	20	1,877,009	25	1,517,208	20
Right-of-use assets (Notes 16 and 30)	125,374	1	147,941	2	150,495	2
Investment properties, net (Notes 17 and 30)	578,193	7	324,474	4	311,671	4
Intangible assets (Note 18)	48,453	-	56,289	1	58,291	1
Deferred tax assets	52,540	1	48,013	1	45,657	-
Other non-current assets (Note 11)	113,507	1	62,023	1	64,245	1
Total non-current assets	<u>3,196,192</u>	<u>37</u>	<u>3,049,728</u>	<u>41</u>	<u>2,595,981</u>	<u>34</u>
TOTAL	<u>\$ 8,744,680</u>	<u>100</u>	<u>\$ 7,512,481</u>	<u>100</u>	<u>\$ 7,581,109</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 19 and 31)	\$ 1,197,782	14	\$ 770,591	10	\$ 816,838	11
Short-term bills payable (Note 19)	30,000	1	80,000	1	30,000	-
Financial liabilities at fair value through profit or loss - current (Note 7)	4,042	-	692	-	256	-
Contract liabilities - current	27,455	-	13,867	-	146,655	2
Notes payable	3,955	-	3,463	-	1,207	-
Trade payables	846,578	10	689,856	9	647,274	9
Other payables (Notes 20 and 30)	285,504	3	327,149	5	324,273	4
Current tax liabilities (Note 4)	110,663	1	97,477	1	130,990	2
Lease liabilities - current (Notes 16 and 30)	26,514	-	30,880	1	30,411	-
Other receipts in advance (Note 13)	495,075	6	-	-	-	-
Current portion of long-term liabilities (Notes 19 and 31)	893	-	300,883	4	879	-
Other current liabilities	7,015	-	24,406	-	7,921	-
Total current liabilities	<u>3,035,476</u>	<u>35</u>	<u>2,339,264</u>	<u>31</u>	<u>2,136,704</u>	<u>28</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 19 and 31)	741,042	9	13,043	-	313,265	4
Deferred tax liabilities	117,270	1	143,752	2	143,065	2
Lease liabilities - non-current (Notes 16 and 30)	31,234	-	46,055	1	47,600	1
Net defined benefit liabilities - non-current (Notes 4 and 21)	25,354	-	28,166	-	27,287	-
Other non-current liabilities	5,045	-	4,405	-	3,715	-
Total non-current liabilities	<u>919,945</u>	<u>10</u>	<u>235,421</u>	<u>3</u>	<u>534,932</u>	<u>7</u>
Total liabilities	<u>3,955,421</u>	<u>45</u>	<u>2,574,685</u>	<u>34</u>	<u>2,671,636</u>	<u>35</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 22 and 26)						
Share capital						
Ordinary shares	1,312,738	15	1,310,623	18	1,310,523	17
Preference shares	182,000	2	182,000	2	182,000	3
Advance receipts for ordinary shares	154	-	-	-	-	-
Total share capital	<u>1,494,892</u>	<u>17</u>	<u>1,492,623</u>	<u>20</u>	<u>1,492,523</u>	<u>20</u>
Capital surplus	2,190,360	25	2,336,506	31	2,332,791	31
Retained earnings						
Legal reserve	516,709	6	484,890	7	484,890	6
Special reserve	59,807	1	30,367	1	30,367	1
Unappropriated earnings	626,429	7	630,945	8	620,555	8
Total retained earnings	<u>1,202,945</u>	<u>14</u>	<u>1,146,202</u>	<u>16</u>	<u>1,135,812</u>	<u>15</u>
Other equity interests						
Exchange differences on the translation of the financial statements of foreign operations	(276,736)	(3)	(202,458)	(3)	(178,061)	(3)
Unrealized gain on financial assets at fair value through other comprehensive income	154,362	2	142,651	2	62,499	1
Total other equity interests	<u>(122,374)</u>	<u>(1)</u>	<u>(59,807)</u>	<u>(1)</u>	<u>(115,562)</u>	<u>(2)</u>
Total equity attributable to owners of the Company	<u>4,765,823</u>	<u>55</u>	<u>4,915,524</u>	<u>66</u>	<u>4,845,564</u>	<u>64</u>
NON-CONTROLLING INTERESTS						
Total equity	<u>23,436</u>	<u>-</u>	<u>22,272</u>	<u>-</u>	<u>63,909</u>	<u>1</u>
Total equity	<u>4,789,259</u>	<u>55</u>	<u>4,937,796</u>	<u>66</u>	<u>4,909,473</u>	<u>65</u>
TOTAL	<u>\$ 8,744,680</u>	<u>100</u>	<u>\$ 7,512,481</u>	<u>100</u>	<u>\$ 7,581,109</u>	<u>100</u>

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

(With Deloitte & Touche review report dated November 5, 2021)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 30)								
Sales revenue	\$ 1,796,238	100	\$ 2,423,436	100	\$ 5,882,015	100	\$ 6,660,541	100
OPERATING COSTS (Notes 12, 23 and 30)								
Cost of goods sold	(1,581,617)	(88)	(2,074,181)	(85)	(5,082,002)	(87)	(5,684,761)	(85)
GROSS PROFIT	<u>214,621</u>	<u>12</u>	<u>349,255</u>	<u>15</u>	<u>800,013</u>	<u>13</u>	<u>975,780</u>	<u>15</u>
OPERATING EXPENSES (Notes 23 and 30)								
Selling and marketing expenses	(96,210)	(5)	(99,184)	(4)	(274,593)	(5)	(290,992)	(4)
General and administrative expenses	(73,807)	(4)	(77,225)	(3)	(217,733)	(4)	(222,024)	(3)
Research and development expenses	(11,299)	(1)	(13,049)	(1)	(35,978)	-	(40,008)	(1)
Expected credit loss	-	-	-	-	(75,264)	(1)	-	-
Total operating expenses	<u>(181,316)</u>	<u>(10)</u>	<u>(189,458)</u>	<u>(8)</u>	<u>(603,568)</u>	<u>(10)</u>	<u>(553,024)</u>	<u>(8)</u>
PROFIT FROM OPERATIONS	<u>33,305</u>	<u>2</u>	<u>159,797</u>	<u>7</u>	<u>196,445</u>	<u>3</u>	<u>422,756</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES (Notes 23 and 30)								
Interest income	4,418	-	1,852	-	13,523	-	7,517	-
Other income	6,000	-	10,392	-	6,000	-	10,392	-
Other gains and losses	548	-	4,735	-	(12,869)	-	6,705	-
Finance costs	(3,351)	-	(3,120)	-	(8,665)	-	(11,348)	-
Share of profit of associates accounted for using the equity method	<u>(22,926)</u>	<u>(1)</u>	<u>(1,189)</u>	<u>-</u>	<u>117,831</u>	<u>2</u>	<u>5,444</u>	<u>-</u>
Total non-operating income and expenses	<u>(15,311)</u>	<u>(1)</u>	<u>12,670</u>	<u>-</u>	<u>115,820</u>	<u>2</u>	<u>18,710</u>	<u>-</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	17,994	1	172,467	7	312,265	5	441,466	7
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(6,343)</u>	<u>-</u>	<u>(37,607)</u>	<u>(1)</u>	<u>(66,058)</u>	<u>(1)</u>	<u>(97,611)</u>	<u>(2)</u>
NET PROFIT FOR THE PERIOD	<u>11,651</u>	<u>1</u>	<u>134,860</u>	<u>6</u>	<u>246,207</u>	<u>4</u>	<u>343,855</u>	<u>5</u>

(Continued)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	\$ (18,300)	(1)	\$ (23,419)	(1)	\$ 105,257	2	\$ (49,778)	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	242	-	(938)	-	1,624	-	(388)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on the translation of the financial statements of foreign operations	2,673	-	(18,695)	(1)	(74,706)	(1)	(59,324)	(1)
Other comprehensive income (loss) for the period, net of income tax	(15,385)	(1)	(43,052)	(2)	32,175	1	(109,490)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ (3,734)</u>	<u>-</u>	<u>\$ 91,808</u>	<u>4</u>	<u>\$ 278,382</u>	<u>5</u>	<u>\$ 234,365</u>	<u>4</u>
NET PROFIT								
ATTRIBUTABLE TO:								
Owners of the Company	\$ 11,311	1	\$ 128,172	6	\$ 271,470	5	\$ 331,868	5
Non-controlling interests	340	-	6,688	-	(25,263)	(1)	11,987	-
	<u>\$ 11,651</u>	<u>1</u>	<u>\$ 134,860</u>	<u>6</u>	<u>\$ 246,207</u>	<u>4</u>	<u>\$ 343,855</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Company	\$ (4,017)	-	\$ 84,649	4	\$ 304,073	5	\$ 222,607	4
Non-controlling interests	283	-	7,159	-	(25,691)	-	11,758	-
	<u>\$ (3,734)</u>	<u>-</u>	<u>\$ 91,808</u>	<u>4</u>	<u>\$ 278,382</u>	<u>5</u>	<u>\$ 234,365</u>	<u>4</u>
EARNINGS (LOSS) PER SHARE (Note 25)								
Basic	<u>\$(0.26)</u>		<u>\$0.98</u>		<u>\$1.72</u>		<u>\$2.19</u>	
Diluted	<u>\$(0.26)</u>		<u>\$0.86</u>		<u>\$1.51</u>		<u>\$1.91</u>	

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

(With Deloitte & Touche review report dated November 5, 2021)

(Concluded)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company											Other Equity Interests			Total	Non-controlling Interests	Total Equity		
	Share Capital				Capital Surplus							Legal Reserve	Retained Earnings					Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income
	Ordinary Shares	Preference Shares	Advance Receipts for Ordinary Shares	Subtotal	Additional Paid-in Capital	Additional Paid-in Capital - Bond Conversion	Treasury Share Transactions	Changes in Equity of Investments in Associates Accounted for Using the Equity Method	Employee Share Options	Expired Share Options	Subtotal		Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2020	\$ 1,303,075	\$ 182,000	\$ -	\$ 1,485,075	\$ 1,599,445	\$ 640,431	\$ 29,284	\$ -	\$ 32,277	\$ 10,337	\$ 2,311,774	\$ 435,765	\$ 88,634	\$ 741,128	\$ (118,966)	\$ 88,599	\$ 5,032,009	\$ 60,359	\$ 5,092,368
Appropriation of the 2019 earnings	-	-	-	-	-	-	-	-	-	-	-	49,125	-	(49,125)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	(58,267)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	(392,017)	-	-	(392,017)	-	(392,017)
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	-	(45,500)	-	-	(45,500)	-	(45,500)
Cash dividends of preference shares distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the nine months ended September 30, 2020	-	-	-	-	-	-	-	-	-	-	-	-	-	331,868	-	-	331,868	11,987	343,855
Other comprehensive loss for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(59,095)	(50,166)	(109,261)	(229)	(109,490)
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	-	-	-	-	-	-	-	-	331,868	(59,095)	(50,166)	222,607	11,758	234,365
Issuance of ordinary shares under employee share options	7,448	-	-	7,448	27,627	-	-	-	(6,610)	-	21,017	-	-	-	-	-	28,465	320	28,785
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,528)	(8,528)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	(24,066)	-	24,066	-	-	-
BALANCE AT SEPTEMBER 30, 2020	\$ 1,310,523	\$ 182,000	\$ -	\$ 1,492,523	\$ 1,627,072	\$ 640,431	\$ 29,284	\$ -	\$ 25,667	\$ 10,337	\$ 2,332,791	\$ 484,890	\$ 30,367	\$ 620,555	\$ (178,061)	\$ 62,499	\$ 4,845,564	\$ 63,909	\$ 4,909,473
BALANCE AT JANUARY 1, 2021	\$ 1,310,623	\$ 182,000	\$ -	\$ 1,492,623	\$ 1,628,303	\$ 640,431	\$ 29,284	\$ 2,460	\$ 17,631	\$ 18,397	\$ 2,336,506	\$ 484,890	\$ 30,367	\$ 630,945	\$ (202,458)	\$ 142,651	\$ 4,915,524	\$ 22,272	\$ 4,937,796
Appropriation of the 2020 earnings	-	-	-	-	-	-	-	-	-	-	-	31,819	-	(31,819)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	29,440	(29,440)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	(241,399)	-	-	(241,399)	-	(241,399)
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	-	(45,500)	-	-	(45,500)	-	(45,500)
Cash dividends of preference shares distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of cash dividends from capital surplus	-	-	-	-	(152,187)	-	-	-	-	-	(152,187)	-	-	-	-	-	(152,187)	-	(152,187)
Net profit (loss) for the nine months ended September 30, 2021	-	-	-	-	-	-	-	-	-	-	-	-	-	271,470	-	-	271,470	(25,263)	246,207
Other comprehensive income (loss) for the nine months ended September 30, 2021, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(74,278)	106,881	32,603	(428)	32,175
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	-	-	-	-	-	-	-	-	271,470	(74,278)	106,881	304,073	(25,691)	278,382
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(22,998)	-	-	(22,998)	22,998	-
Issuance of ordinary shares under employee share options	2,115	-	154	2,269	7,453	-	-	-	(1,412)	-	6,041	-	-	-	-	-	8,310	68	8,378
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,789	3,789
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	95,170	-	(95,170)	-	-	-
BALANCE AT SEPTEMBER 30, 2021	\$ 1,312,738	\$ 182,000	\$ 154	\$ 1,494,892	\$ 1,483,569	\$ 640,431	\$ 29,284	\$ 2,460	\$ 16,219	\$ 18,397	\$ 2,190,360	\$ 516,709	\$ 59,807	\$ 626,429	\$ (276,736)	\$ 154,362	\$ 4,765,823	\$ 23,436	\$ 4,789,259

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

(With Deloitte & Touche review report dated November 5, 2021)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 312,265	\$ 441,466
Adjustments for:		
Depreciation expense	123,004	139,934
Amortization expense	10,054	10,242
Expected credit loss	75,264	-
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(3,934)	(9,182)
Finance costs	8,665	11,348
Interest income	(13,523)	(7,517)
Dividend income	(6,000)	(10,392)
Compensation costs of employee share options	1,765	4,251
Share of profit of associates accounted for using the equity method	(117,831)	(5,444)
Gain on disposal of property, plant and equipment	(7)	(71)
Write-downs of inventories	23,432	17,005
Net (gain) loss on foreign currency exchange	(12,218)	6,739
Other (gains) and losses	(264)	(71)
Changes in operating assets and liabilities		
Financial assets mandatorily classified at fair value through profit or loss	22,807	1,772
Notes receivable	74,155	(8,414)
Trade receivables	(91,448)	(271,741)
Other receivables	(42,514)	(247,712)
Inventories	(847,368)	377,298
Prepayments	(45,201)	85,857
Other current assets	(19,778)	2,647
Financial liabilities held for trading	(692)	(2,980)
Contract liabilities	13,588	128,499
Notes payable	492	(6,326)
Trade payables	155,321	114,667
Other payables	(34,759)	(25,637)
Other current liabilities	(17,391)	(7,703)
Net defined benefit liabilities	(2,812)	(4,167)
Cash (used in) generated from operations	(434,928)	734,368
Interest received	12,711	4,012
Interest paid	(8,410)	(11,656)
Income tax paid	(83,881)	(17,113)
Net cash (used in) generated from operating activities	(514,508)	709,611
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	-	(55,204)
Proceeds from disposal of financial assets at fair value through other comprehensive income	145,557	185,266

(Continued)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2021	2020
Acquisition of financial assets at amortized cost	\$ (58,976)	\$ -
Proceeds from disposal of financial assets at amortized cost	20,000	3,207
Acquisition of investments accounted for using the equity method	(6,964)	-
Net cash inflow on disposal of subsidiaries	-	8,565
Acquisition of property, plant and equipment	(228,333)	(102,474)
Proceeds from disposal of property, plant and equipment	12	187
Decrease in other receivables - related parties	60,000	-
Acquisition of intangible assets	(2,219)	(3,768)
Acquisition of investment properties	(90,456)	(115,147)
Increase in other non-current assets	(155)	-
Decrease in other non-current assets	-	4,854
Dividends received	6,000	10,392
Dividends received from associates	<u>7,192</u>	<u>1,810</u>
Net cash used in investing activities	<u>(148,342)</u>	<u>(62,312)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	434,190	515,708
Repayments of short-term bills payable	(50,000)	-
Proceeds from long-term borrowings	728,670	250,000
Repayments of long-term borrowings	(300,661)	(800,647)
Repayments of the principal portion of lease liabilities	(22,312)	(28,842)
Increase in other non-current liabilities	640	-
Decrease in other non-current liabilities	-	(273)
Cash dividends paid	(439,086)	(437,517)
Proceeds from share options exercised	6,545	24,214
Cash dividends paid by subsidiaries	-	(8,528)
Changes in non-controlling interests	<u>3,857</u>	<u>320</u>
Net cash generated from (used in) financing activities	<u>361,843</u>	<u>(485,565)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(38,667)</u>	<u>(45,852)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(339,674)	115,882
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		
	<u>1,070,124</u>	<u>881,256</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 730,450</u>	<u>\$ 997,138</u>

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

(With Deloitte & Touche review report dated November 5, 2021)

(Concluded)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 5, 2021.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

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

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

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

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

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

d. Other significant accounting policies

Other than the following, please refer to the consolidated financial statements for the year ended December 31, 2020.

1) Retirement benefits

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

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

6. CASH AND CASH EQUIVALENTS

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand	\$ 2,815	\$ 2,318	\$ 2,759
Checking accounts and demand deposits	543,180	677,179	764,850
Cash equivalents (investments with original maturities of 3 months or less)			
Time deposits	<u>184,455</u>	<u>390,627</u>	<u>229,529</u>
	<u>\$ 730,450</u>	<u>\$1,070,124</u>	<u>\$ 997,138</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets at FVTPL - current</u>			
Mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 7,976</u>	<u>\$ 22,807</u>	<u>\$ 9,438</u>

(Continued)

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial liabilities at FVTPL - current</u>			
Held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	\$ 4,042	\$ 692	\$ 256 (Concluded)

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>September 30, 2021</u>			
Buy	EUR/NTD	2021.10.8-2022.4.14	EUR1,736/NTD57,475
Buy	EUR/USD	2021.10.29-2022.8.31	EUR1,803/USD2,141
Buy	USD/RMB	2021.10.15-2021.10.18	USD24,673/RMB160,020
Buy	USD/JPY	2021.10.8-2022.2.18	USD4,980/JPY550,072
Buy	EUR/JPY	2022.2.1-2022.3.31	EUR1,181/JPY154,731
Sell	USD/RMB	2021.10.29-2021.12.13	USD3,000/RMB20,069
Sell	JPY/NTD	2021.10.28-2022.1.25	JPY836,500/NTD211,872
<u>December 31, 2020</u>			
Buy	EUR/NTD	2021.3.12	EUR500/NTD16,925
Sell	USD/RMB	2021.1.29-2021.11.9	USD11,000/RMB77,465
Sell	JPY/NTD	2021.1.12-2021.1.29	JPY300,000/NTD82,279
Sell	RMB/NTD	2021.1.7-2021.2.19	RMB959/NTD4,085
Sell	USD/NTD	2021.1.8-2021.2.10	USD114/NTD3,260
<u>September 30, 2020</u>			
Sell	USD/RMB	2020.10.30-2021.9.30	USD12,000/RMB84,915
Sell	JPY/NTD	2020.10.19	JPY100,000/NTD27,719

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Non-current</u>			
Domestic investments			
Listed shares	\$ 226,200	\$ 266,500	\$ 188,000

9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Current</u>			
Domestic investments			
Restricted assets - bank balance	\$ 501,051	\$ -	\$ -
Time deposits with original maturities of more than 3 months	181,465	151,552	148,590
Private corporate bond with no active market (a)	<u>60,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 742,516</u>	<u>\$ 151,552</u>	<u>\$ 148,590</u>

Non-current

Domestic investments			
Private corporate bond with no active market (a)	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>

- a. The Group held six units of unsecured five-year corporate bonds issued by Snowdown Merchandise Corporation with a coupon rate of 2.75% as of September 30, 2021, December 31, 2020 and September 30, 2020.
- b. Refer to Note 31 for information related to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ 115,570	\$ 189,725	\$ 81,322
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 115,570</u>	<u>\$ 189,725</u>	<u>\$ 81,322</u>
<u>Trade receivables (including related parties)</u>			
At amortized cost			
Gross carrying amount	\$ 832,871	\$ 734,667	\$ 1,018,114
Less: Allowance for impairment loss	<u>(81)</u>	<u>(81)</u>	<u>(81)</u>
	<u>\$ 832,790</u>	<u>\$ 734,586</u>	<u>\$ 1,018,033</u>

(Continued)

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Other receivables</u>			
Sale of raw materials	\$ 409,993	\$ 368,573	\$ 467,279
Tax refund receivable	30,208	26,027	24,240
Others	3,450	8,102	11,379
Less: Allowance for impairment loss	<u>(142,520)</u>	<u>(73,573)</u>	<u>-</u>
	<u>\$ 301,131</u>	<u>\$ 329,129</u>	<u>\$ 502,898</u> (Concluded)

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

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

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

The aging of receivables was as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Less than 30 days	\$ 660,202	\$ 449,210	\$ 722,051
31-60 days	92,403	202,563	186,477
61-120 days	80,266	10,401	106,079
More than 120 days	<u>-</u>	<u>72,493</u>	<u>3,507</u>
	<u>\$ 832,871</u>	<u>\$ 734,667</u>	<u>\$ 1,018,114</u>

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

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

	For the Nine Months Ended September 30	
	2021	2020
Balance at January 1	\$ 81	\$ 81
Add: Net remeasurement of loss allowance	-	-
Foreign exchange gains and losses	<u>-</u>	<u>-</u>
Balance at September 30	<u>\$ 81</u>	<u>\$ 81</u>

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

	For the Nine Months Ended September 30	
	2021	2020
Balance at January 1	\$ 73,573	\$ -
Add: Net remeasurement of loss allowance*	68,947	-
Foreign exchange gains and losses	<u>-</u>	<u>-</u>
Balance at September 30	<u>\$ 142,520</u>	<u>\$ -</u>

The Group reviews the recoverable amount of other receivables on an individual basis and evaluates whether there has been a significant increase in credit risk. An adequate allowance for expected credit loss is recognized when forward-looking information of irrecoverable amounts exists.

* As of September 30, 2021, some of the Group's customers continued to delay making payments due to the COVID-19 pandemic, resulting in a significant increase in credit risk. The Group requested for a writ of execution with promissory note, which had been signed by the debtor and joint guarantors. The writ of execution was completed and issued on July 30, 2021 by the court. Therefore, the Group assessed that credit impairment has occurred and recognized a loss allowance of \$68,947 thousand.

11. FINANCE LEASE RECEIVABLES

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Undiscounted lease payments</u>			
Year 1	\$ 31,413	\$ -	\$ -
Year 2	20,273	-	-
Year 3	20,273	-	-
Year 4	20,273	-	-
Year 5	<u>5,098</u>	<u>-</u>	<u>-</u>
	97,330	-	-
Less: Unearned finance income	(16,095)	-	-
Less: Allowance for impairment loss	<u>(6,317)</u>	<u>-</u>	<u>-</u>
Net investment in leases presented as finance lease receivables	<u>\$ 74,918</u>	<u>\$ -</u>	<u>\$ -</u>

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

The implied interest rates inherent in the leases are fixed for the entire term of the lease after the contract date is determined. The range of implied interest rates inherent in the finance leases was 9.44%-10.44% per annum as of September 30, 2021.

The Group measures the loss allowance for finance lease receivables at an amount equal to lifetime ECLs. The respective leased equipment served as collateral for the finance lease receivables. As of September 30, 2021, part of the finance lease receivables were past due. The Group has recognized a loss allowance of \$6,317 thousand for finance lease receivables after taking into consideration the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collateral held over these finance lease receivables.

12. INVENTORIES

	September 30, 2021	December 31, 2020	September 30, 2020
Merchandise	\$ 275,646	\$ 196,281	\$ 256,839
Finished goods	155,279	208,013	195,218
Work in progress	1,166,959	841,664	1,027,580
Raw materials and supplies	831,744	306,721	349,816
Goods to subcontractor	5,541	4,506	3,229
Inventory in transit	<u>115,048</u>	<u>167,620</u>	<u>148,100</u>
	<u>\$ 2,550,217</u>	<u>\$ 1,724,805</u>	<u>\$ 1,980,782</u>

The cost of inventories recognized as cost of goods sold for the three months and nine months ended September 30, 2021 and 2020 included inventory write-downs of \$8,532 thousand, \$4,619 thousand, \$23,432 thousand and \$17,005 thousand, respectively.

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2021	December 31, 2020	September 30, 2020	
The Company	Kwong Lung (B.V.I.) Ltd.	Overseas reinvested holding company.	100	-	-	1) and 5)
	Kwong Lung Feather (B.V.I.) Limited	Overseas reinvested holding company.	-	100	100	Major subsidiary
	Kwong Lung Meko Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	100	Major subsidiary
	Kwong Lung Japan Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	100	2)
	Bo Hsing Enterprise Co., Ltd.	Manufacturing and selling of apparel.	100	100	100	1)
	Toptex Garment Co., Ltd.	Manufacturing and selling of apparel.	100	100	100	1)

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2021	December 31, 2020	September 30, 2020	
	P&B Collection Co., Ltd.	Outerwear knitting mills; apparel, clothing accessories and other textile product manufacturing; other textile products manufacturing; cleaning products manufacturing; wholesale and retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, articles for daily use, cleaning preparations and other textile products; wholesale of pottery, porcelain and glassware; international trade.	100	100	100	1)
	Kwong Lung Europe SP. Z O.O.	Various selling of down and bedding	100	100	100	1)
	Kwong Lung-O Mon Company Limited	Manufacturing and selling of apparel.	100	100	100	1)
	Manumech Corporation	Wholesale	94.59	-	-	1) and 8)
Kwong Lung (B.V.I.) Ltd.	Kwong Lung Feather (B.V.I.) Limited	Overseas reinvested holding company.	100	-	-	3) and 5)
	Kwong Lung (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding.	100	-	-	2) and 6)
Kwong Lung Japan Co., Ltd.	Rising Living Co., Ltd.	Manufacturing and selling of down and bedding.	51	-	-	1) and 7)
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	Overseas reinvested holding company.	40	40	40	1)
Kwong Lung Meko Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	Overseas reinvested holding company	60	60	60	1)
Kwong Lung Feather (B.V.I.) Limited	Snowdown Merchandise (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	100	1) and 9)
	Kwong Lung (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding.	-	100	100	4)
Snowdown Merchandise (Suzhou) Co., Ltd.	Kunshan Fulong Trade Co., Ltd.	Wholesale of outdoor supplies, household wares, clothing, and related packaging materials; food; Import and export of goods and technology	-	-	100	1) and 4)
	Huai An Guang Long He Yu Home Textile Co., Ltd	Home textile products; textile and apparel production and sales; feather acquisition; down processing, down products production and sales; self-support and agents of various types of goods and technology import and export business.	-	-	51	1) and 4)
Kwong Lung (Suzhou) Co., Ltd.	Kunshan Fulong Trade Co., Ltd.	Wholesale of outdoor supplies, household wares, clothing, and related packaging materials; food; Import and export of goods and technology	100	100	-	1) and 4)
	Huai An Guang Long He Yu Home Textile Co., Ltd	Home textile products; textile and apparel production and sales; feather acquisition; down processing, down products production and sales; self-support and agents of various types of goods and technology import and export business.	51	51	-	1) and 4)
P&B Collection Co., Ltd.	Manumech Corporation	Wholesale	2.76	51	51	1) and 8)
Manumech Corporation	Intime Tech Co., Ltd.	Wholesale	100	100	100	1)

(Concluded)

- 1) It is an immaterial subsidiary; its financial statements have not been reviewed as of September 30, 2021 and September 30, 2020.
- 2) It is an immaterial subsidiary; its financial statements have been reviewed as of September 30, 2021.
- 3) It is an immaterial subsidiary since January 1, 2021; its financial statements have not been reviewed as of September 30, 2021.

- 4) In 2020, the Company divided Snowdown Merchandise (Suzhou) Co., Ltd. into Snowdown Merchandise (Suzhou) Co., Ltd. and Kwong Lung (Suzhou) Co., Ltd. and both entities are held by Kwong Lung Feather (B.V.I.) after the spin-off. The base date of the spin-off was on October 1, 2020. In addition, Snowdown Merchandise (Suzhou) Co., Ltd. also transferred the shares of Kunshan Fulong Trade Co., Ltd., and Huai An Guang Long He Yu Home Textile Co., Ltd., to Kwong Lung (Suzhou) Co., Ltd. in the spin-off.
- 5) In 2021, the Group acquired Kwong Lung (B.V.I.) Ltd. through the transfer of shares. After the transfer, Kwong Lung (B.V.I.) Ltd. holds 100% ownership of Kwong Lung Feather (B.V.I.) Limited. The base date of the transfer was January 1, 2021.
- 6) In 2021, Kwong Lung Feather (B.V.I.) Limited reduced its capital by transferring the shares of Kwong Lung (Suzhou) Co., Ltd to Kwong Lung Feather (B.V.I.) Ltd. The base date of the capital reduction was March 19, 2021.
- 7) In March 2021, Kwong Lung Japan Co., Ltd. acquired 51% shares of Rising Living Co., Ltd. with the original investment amount of JPY15,300 thousand.
- 8) In 2021, the Company participated in Manumech Corporation's capital increase in cash for \$100,000 thousand and acquired 94.59% interest in Manumech Corporation. The subscription base date was June 1, 2021. After the subscription, P&B Collection Co., Ltd. reduced its continuing interest in Manumech Corporation to 2.76%.
- 9) The board of directors approved the Plan of Activating the Assets Located in the People's Republic of China on August 14, 2019. The Group's sale of its interest in its subsidiary Snowdown Merchandise (Suzhou) Co., Ltd. ("Snowdown Merchandise Suzhou") to a third party for future business expansion funds had been approved by the board of directors.

On September 7, 2021, the Group entered into a contract with Suzhou Longhou Machinery Co., Ltd. ("Suzhou Longhou Machinery"), the terms were set as follows:

a) Transfer of interests in Snowdown Merchandise Suzhou:

Suzhou Longhou Machinery plans to acquire the land use rights and buildings (referred to as "reserved assets") through the acquisition of 100% interest in Snowdown Merchandise Suzhou. The purchase price is RMB115,000 thousand (based on reserved assets) plus the bank deposits after stripping off non-reserved assets.

b) Settlement date:

The Group and Suzhou Longhou Machinery agree that the settlement date is on the second business day after the foreign exchange transaction of RMB115,000 thousand is completed. The Group must transfer the entire equity interest of Snowdown Merchandise Suzhou to Suzhou Longhou Machinery within 60 days once Suzhou Longhou Machinery obtains its new business license

c) Payment terms:

Suzhou Longhou Machinery is committed to make two-time payments within 3 business days and 15 business days following the effective day of the agreement to the joint account registered with the name of Kwong Lung (Suzhou) Co., Ltd. ("Kwong Lung Suzhou"). In the meantime, a performance bond for RMB10,000 thousand is issued by Kwong Lung Suzhou to provide guarantee of the Group's obligations and the debts of Snowdown Merchandise Suzhou before the settlement date. The expiry date is within one year from the settlement date.

The Group received the two-time payments of RMB47,500 thousand and RMB67,500 thousand on September 13, 2021 and September 26, 2021, respectively. Snowdown Merchandise Suzhou completed its share transfer registration and obtained its new business license on September 18, 2021.

According to the contract signed with Suzhou Longhou Machinery, the Group should strip non-reserved assets and complete the settlement procedure. As of September 30, 2021, the Group has not completed the transfer of significant risks and rewards of the related reserved assets and thus recognized the share transfer price received of RMB115,000 thousand as other advances received.

Since Snowdown Merchandise Suzhou has completed the registration of share transfer and legal ownership has registered as Suzhou Longhou Machinery, the Group retains the company seals and other significant documents such as the business license as an asset preservation measure, which are to be transferred on the settlement date.

b. Subsidiaries excluded from the consolidated financial statements: None.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates

	September 30, 2021	December 31, 2020	September 30, 2020
Material associate			
Snowdown Merchandise Corporation	\$ 227,052	\$ -	\$ -
Associates that are not individually material	<u>100,296</u>	<u>207,479</u>	<u>200,414</u>
	<u>\$ 327,348</u>	<u>\$ 207,479</u>	<u>\$ 200,414</u>

Material associates

Name of Associate	<u>Proportion of Ownership and Voting Rights</u>		
	September 30, 2021	December 31, 2020	September 30, 2020
Snowdown Merchandise Corporation	39.5%	39.5%	39.5%

For the nine months ended September 30, 2021, the proportionate amount of the net profit and other comprehensive income of Snowdown Merchandise Corporation recognized by the Group was 43% of the total consolidated comprehensive income; thus, the Group included Snowdown Merchandise Corporation as a material associate.

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

Except for Snowdown Merchandise Corporation, whose financial statements for the nine months ended September 30, 2021 have been reviewed, investments accounted for using the equity method and the Group's share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have not been reviewed. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements which have not been reviewed.

On May 7, 2021, the Company's board of directors resolved to pay US\$250 thousand in cash to participate in the capital increase of JBV Hi-Tech Ltd. The subscription base date was May 27, 2021. After the subscription, the Group still holds 25% interest in JBV Hi-Tech Ltd.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Property under Construction	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 473,619	\$ 1,392,170	\$ 829,646	\$ 46,237	\$ 290,600	\$ 27,792	\$ 3,060,064
Additions	-	22,645	7,169	2,157	1,098	64,632	97,701
Disposals	-	-	(11,543)	(1,883)	(5,552)	-	(18,978)
Disposal of subsidiaries (Note 27)	-	-	-	-	(356)	-	(356)
Reclassification	-	15,000	1,740	-	-	16,469	33,209
Effect of foreign currency exchange differences	-	(16,248)	(15,851)	(1,018)	(2,153)	(530)	(35,800)
Balance at September 30, 2020	<u>\$ 473,619</u>	<u>\$ 1,413,567</u>	<u>\$ 811,161</u>	<u>\$ 45,493</u>	<u>\$ 283,637</u>	<u>\$ 108,363</u>	<u>\$ 3,135,840</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ -	\$ 615,275	\$ 655,223	\$ 36,469	\$ 247,826	\$ -	\$ 1,554,793
Disposals	-	-	(11,475)	(1,845)	(5,542)	-	(18,862)
Disposals of subsidiaries (Note 27)	-	-	-	-	(48)	-	(48)
Depreciation expense	-	53,494	39,610	2,373	10,878	-	106,355
Effect of foreign currency exchange differences	-	(8,523)	(12,456)	(739)	(1,888)	-	(23,606)
Balance at September 30, 2020	<u>\$ -</u>	<u>\$ 660,246</u>	<u>\$ 670,902</u>	<u>\$ 36,258</u>	<u>\$ 251,226</u>	<u>\$ -</u>	<u>\$ 1,618,632</u>
Carrying amounts at January 1, 2020	<u>\$ 473,619</u>	<u>\$ 776,895</u>	<u>\$ 174,423</u>	<u>\$ 9,768</u>	<u>\$ 42,774</u>	<u>\$ 27,792</u>	<u>\$ 1,505,271</u>
Carrying amounts at September 30, 2020	<u>\$ 473,619</u>	<u>\$ 753,321</u>	<u>\$ 140,259</u>	<u>\$ 9,235</u>	<u>\$ 32,411</u>	<u>\$ 108,363</u>	<u>\$ 1,517,208</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 715,950	\$ 1,427,432	\$ 894,045	\$ 45,185	\$ 282,279	\$ 159,169	\$ 3,524,060
Additions	109,221	6,284	11,112	37	9,943	84,240	220,837
Disposals	-	-	(10,251)	-	(343)	-	(10,594)
Reclassification	(74,563)	76,282	(82,567)	-	(5,332)	(190,214)	(276,394)
Effect of foreign currency exchange differences	-	(15,335)	(11,906)	(755)	(2,648)	(790)	(31,434)
Balance at September 30, 2021	<u>\$ 750,608</u>	<u>\$ 1,494,663</u>	<u>\$ 800,433</u>	<u>\$ 44,467</u>	<u>\$ 283,899</u>	<u>\$ 52,405</u>	<u>\$ 3,426,475</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ -	\$ 677,916	\$ 681,330	\$ 36,804	\$ 251,001	\$ -	\$ 1,647,051
Disposals	-	-	(10,251)	-	(338)	-	(10,589)
Reclassification	-	-	(8,503)	-	-	-	(8,503)
Depreciation expense	-	53,480	31,099	1,936	8,437	-	94,952
Effect of foreign currency exchange differences	-	(8,255)	(9,735)	(613)	(2,410)	-	(21,013)
Balance at September 30, 2021	<u>\$ -</u>	<u>\$ 723,141</u>	<u>\$ 683,940</u>	<u>\$ 38,127</u>	<u>\$ 256,690</u>	<u>\$ -</u>	<u>\$ 1,701,898</u>
Carrying amounts at January 1, 2021	<u>\$ 715,950</u>	<u>\$ 749,516</u>	<u>\$ 212,715</u>	<u>\$ 8,381</u>	<u>\$ 31,278</u>	<u>\$ 159,169</u>	<u>\$ 1,877,009</u>
Carrying amounts at September 30, 2021	<u>\$ 750,608</u>	<u>\$ 771,522</u>	<u>\$ 116,493</u>	<u>\$ 6,340</u>	<u>\$ 27,209</u>	<u>\$ 52,405</u>	<u>\$ 1,724,577</u>

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

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

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 31.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2021	December 31, 2020	September 30, 2020	
<u>Carrying amounts</u>				
Land	\$ 73,668	\$ 77,846	\$ 79,305	
Buildings	38,530	60,772	62,618	
Machinery	1,101	1,766	1,999	
Transportation equipment	<u>12,075</u>	<u>7,557</u>	<u>6,573</u>	
	<u>\$ 125,374</u>	<u>\$ 147,941</u>	<u>\$ 150,495</u>	
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Additions to right-of-use assets	<u>\$ 1,993</u>	<u>\$ 8,454</u>	<u>\$ 10,632</u>	<u>\$ 28,022</u>
Depreciation charge for right-of-use assets				
Land	\$ 936	\$ 1,073	\$ 2,807	\$ 3,080
Buildings	4,752	7,976	16,614	23,961
Machinery	220	225	662	678
Transportation equipment	<u>1,598</u>	<u>1,667</u>	<u>4,823</u>	<u>4,958</u>
	<u>\$ 7,506</u>	<u>\$ 10,941</u>	<u>\$ 24,906</u>	<u>\$ 32,677</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2021 and 2020.

b. Lease liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Carrying amounts</u>			
Current	<u>\$ 26,514</u>	<u>\$ 30,880</u>	<u>\$ 30,411</u>
Non-current	<u>\$ 31,234</u>	<u>\$ 46,055</u>	<u>\$ 47,600</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Land	1.28%	1.28%	1.28%
Buildings	0.52%-1.28%	1.03%-5%	1.18%-1.28%
Machinery	1.03%-1.28%	1.03%-1.28%	1.03%-1.28%
Transportation equipment	0.52%-1.28%	1.03%-1.28%	1.03%-1.28%

c. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Expenses relating to short-term leases	<u>\$ 4,470</u>	<u>\$ 1,182</u>	<u>\$ 10,804</u>	<u>\$ 15,225</u>
Expenses relating to low-value asset leases	<u>\$ 245</u>	<u>\$ 148</u>	<u>\$ 842</u>	<u>\$ 561</u>
Total cash outflow for leases	<u>\$ (11,303)</u>	<u>\$ (10,780)</u>	<u>\$ (34,394)</u>	<u>\$ (45,405)</u>

Some of the Group's leases qualified as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

17. INVESTMENT PROPERTIES

Except for the addition of \$282,692 thousand (including the amount of \$188,443 thousand transferred from property, plant and equipment) and \$115,147 thousand of investment properties for the nine months ended September 30, 2021 and 2020, respectively, and the recognition of depreciation expenses, there were no significant disposals or impairment of investment properties held by the Group for the nine months ended September 30, 2021 and 2020. The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings 10-50 years

	September 30, 2021	December 31, 2020	September 30, 2021
Fair value	<u>\$ 610,045</u>	<u>\$ 328,765</u>	<u>\$ 199,861</u>

Management of the Group had assessed and determined that there were no significant changes in the fair value of investment properties as of September 30, 2021 and 2020, as compared to that as of December 31, 2020 and 2019.

18. INTANGIBLE ASSETS

	September 30, 2021	December 31, 2020	September 30, 2020
Goodwill	\$ 22,022	\$ 22,022	\$ 22,022
Cost of computer software	24,124	30,577	32,117
Others	<u>2,307</u>	<u>3,690</u>	<u>4,152</u>
	<u>\$ 48,453</u>	<u>\$ 56,289</u>	<u>\$ 58,291</u>

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

19. BORROWINGS

a. Short-term borrowings

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>\$ 1,197,782</u>	<u>\$ 770,591</u>	<u>\$ 816,838</u>
Range of interest rates	<u>0.28%-4.82%</u>	<u>0.29%-1.60%</u>	<u>0.29%-4.82%</u>

b. Short-term bills payable

	September 30, 2021	December 31, 2020	September 30, 2020
Commercial paper	\$ 30,000	\$ 80,000	\$ 30,000
Less: Unamortized discount on bills payable	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 30,000</u>	<u>\$ 80,000</u>	<u>\$ 30,000</u>

c. Current portion of long-term liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
Current portion of long-term borrowings	<u>\$ 893</u>	<u>\$300,883</u>	<u>\$ 879</u>

d. Long-term borrowings

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Secured borrowings</u>			
Bank loans*	\$ 41,935	\$ 13,926	\$ 14,144
<u>Unsecured borrowings</u>			
Credit borrowings	<u>700,000</u>	<u>300,000</u>	<u>300,000</u>
	741,935	313,926	314,144
Less: Current portions	<u>(893)</u>	<u>(300,883)</u>	<u>(879)</u>
Long-term borrowings	<u>\$ 741,042</u>	<u>\$ 13,043</u>	<u>\$ 313,265</u>
Range of interest rates	0.62%-1.70%	0.62%-1.70%	0.62%-1.70%

* The bank borrowings are secured by the Group's freehold land and buildings (see Note 31).

20. OTHER PAYABLES

	September 30, 2021	December 31, 2020	September 30, 2020
Payables for payroll and employee benefits	\$ 127,821	\$ 180,953	\$ 174,124
Payables for compensation of employees	15,667	25,933	15,933
Payables for remuneration of directors and supervisors	12,363	10,550	7,913
Payables for fabrication expense	13,761	5,320	8,583
Payables for purchase of equipment	6,286	13,911	475
Payables for VAT	1,588	568	10,703
Others	<u>108,018</u>	<u>89,914</u>	<u>106,542</u>
	<u>\$ 285,504</u>	<u>\$ 327,149</u>	<u>\$ 324,273</u>

21. RETIREMENT BENEFIT PLANS

Employee benefit expenses for the three months and nine months ended September 30, 2021 and 2020 in respect of the Company and its subsidiaries' defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2020 and 2019. The Group recognized pension amounts of \$70 thousand, \$103 thousand, \$208 thousand and \$310 thousand for the three months and nine months ended September 30, 2021 and 2020, respectively.

22. EQUITY

a. Share capital

Ordinary shares

	September 30, 2021	December 31, 2020	September 30, 2020
Number of shares authorized (in thousands)	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>
Shares authorized	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
Number of shares issued and fully paid (in thousands)	<u>131,274</u>	<u>131,062</u>	<u>131,052</u>
Shares issued	<u>\$ 1,312,738</u>	<u>\$ 1,310,623</u>	<u>\$ 1,310,523</u>
Advance receipts for ordinary shares	<u>\$ 154</u>	<u>\$ -</u>	<u>\$ -</u>

The change in the Company's share capital is mainly due to the exercise of employee share options. Since the delivery of shares has not been settled at the end of the reporting period, advances received from the exercise of employee share options were recognized as advance receipts for ordinary shares.

Preference shares

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

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

- 1) The preference shares are perpetual.
- 2) The dividends of preference shares A is capped at 5% per annum on the issue price. The dividend rate will be set as 5-year IRS + (fixed rate). The fixed rate will be reset after one business day when 5-year is due.
- 3) The fiscal year-end earnings of the Company shall be applied to the following in order: Payments of taxes, adjustments per financial and accounting principle, making-up of deficit, legal reserve, special reserve by law or reversal, and the remaining shall be paid to holders of preference shares as the current year's dividends. The Company has discretion over the dividend distribution of preference shares A. The Company may decide not to distribute dividends of preference shares in the following circumstances: (a) there are no earnings in a fiscal year, and (b) the earnings are insufficient to distribute dividends of preference shares. The cancellation of dividend payment should not constitute an event of default. The preference shares are noncumulative, and the preference shareholders do not have the right to claim any of the unpaid or omitted dividends in the future. Preference shares dividend will be paid in cash every year after the annual general meeting has approved on the audited financial reports. The board will decide on a payment record date for distributing the dividend. Preference shares dividend on the issued year and redeemed year will be calculated based on actual number of days issued.
- 4) Preference shareholders are not entitled to receive ordinary shares' cash or share dividends derived from earnings or capital reserve.

- 5) Preference shares may be redeemed in whole or in part at issue price anytime after five years of issuance at the original issued price. Unredeemed preference shares shall continue to have the rights and obligations of issuance terms prescribed in this Article. Preference shares dividend on the redeemed year will be calculated based on actual number of days issued.
- 6) The order of claim for distribution of property is prior to ordinary shares. The claim of all series of preference shareholders is equal, but subordinate to the holders of debts. The repayment shall be capped at the respective issue amount of preference shares upon liquidation.
- 7) Preference shareholders do not have voting rights or suffrage. However, they have voting rights with respect to agendas related to the rights and obligations of preference shares in shareholders' meetings.
- 8) Preference shares cannot be converted to ordinary shares within one year after the preference share issuance. The actual conversion period will be subjected to the terms approved by the chairman. Preference shareholders A then can convert partially or wholly into ordinary shares based on the approved conversion terms and period. (conversion ratio 1:1) Once Preference shareholders A are converted to ordinary shares, it has the same rights as ordinary shareholders. The preference shares dividend will be distributed based on the actual number of days issued. Preference shareholders A are not entitled to preferred dividend if the preference shares are converted to ordinary share prior to the ex-dividend record date, but are entitled to ordinary shares dividend derived from earnings and capital reserve.
- 9) Preference shareholders have the same pre-emptive rights as ordinary shareholders for newly issued shares.

b. Capital surplus

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

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

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

c. Retained earnings and dividends policy

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

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

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

The appropriations of earnings for 2020 and 2019 that had been resolved by the shareholders in their meetings on July 30, 2021 and June 22, 2020, respectively, were as follows:

	For the Year Ended December 31	
	2020	2019
Legal reserve	<u>\$ 31,819</u>	<u>\$ 49,125</u>
Special reserve	<u>\$ 29,440</u>	<u>\$ (58,267)</u>
Ordinary share dividends	<u>\$ 241,399</u>	<u>\$ 392,017</u>
Preference share dividends	<u>\$ 45,500</u>	<u>\$ 45,500</u>
Ordinary share dividends per share (NT\$)	\$ 1.84	\$ 3
Preference share dividends per share (NT\$)	\$ 2.5	\$ 2.5

The Company's shareholders also resolved in the shareholders' meeting on July 30, 2021 to issue cash dividends of \$152,187 thousand from the capital surplus at \$1.16 per share.

23. COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

a. Interest income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Bank deposits	\$ 1,918	\$ 1,080	\$ 6,127	\$ 4,980
Financial assets at amortized cost	346	346	1,152	1,152
Net investments in leases	1,792	-	4,954	-
Others	<u>362</u>	<u>426</u>	<u>1,290</u>	<u>1,385</u>
	<u>\$ 4,418</u>	<u>\$ 1,852</u>	<u>\$ 13,523</u>	<u>\$ 7,517</u>

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Foreign exchange gains	\$ 85,833	\$ 62,463	\$ 167,283	\$ 122,167
Foreign exchange losses	(88,626)	(77,915)	(188,772)	(146,515)
Net gain (loss) on financial assets and liabilities designated as at FVTPL	(20)	13,720	7,091	13,708
Gain (loss) on disposal of property, plant and equipment	(4)	108	7	71
Others	<u>3,365</u>	<u>6,359</u>	<u>1,522</u>	<u>17,274</u>
	<u>\$ 548</u>	<u>\$ 4,735</u>	<u>\$ (12,869)</u>	<u>\$ 6,705</u>

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Interest on bank loans	\$ 3,225	\$ 2,823	\$ 8,229	\$ 10,571
Interest on lease liabilities	<u>126</u>	<u>297</u>	<u>436</u>	<u>777</u>
	<u>\$ 3,351</u>	<u>\$ 3,120</u>	<u>\$ 8,665</u>	<u>\$ 11,348</u>

d. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
An analysis of depreciation by function				
Operating costs	\$ 24,908	\$ 30,338	\$ 78,725	\$ 94,715
Operating expenses	<u>14,793</u>	<u>15,391</u>	<u>44,279</u>	<u>45,219</u>
	<u>\$ 39,701</u>	<u>\$ 45,729</u>	<u>\$ 123,004</u>	<u>\$ 139,934</u>
An analysis of amortization by function				
Operating costs	\$ 466	\$ 466	\$ 1,399	\$ 1,399
Operating expenses	<u>2,946</u>	<u>2,883</u>	<u>8,655</u>	<u>8,843</u>
	<u>\$ 3,412</u>	<u>\$ 3,349</u>	<u>\$ 10,054</u>	<u>\$ 10,242</u>

e. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Post-employment benefits				
Defined contribution plans	\$ 3,851	\$ 2,725	\$ 11,505	\$ 8,589
Defined benefit plans	<u>70</u>	<u>103</u>	<u>208</u>	<u>310</u>
	3,921	2,828	11,713	8,899
Share-based payments				
Equity-settled	609	1,417	1,765	4,251
Other employee benefits	<u>199,838</u>	<u>291,168</u>	<u>740,437</u>	<u>878,266</u>
Total employee benefits expense	<u>\$ 204,368</u>	<u>\$ 295,413</u>	<u>\$ 753,915</u>	<u>\$ 891,416</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 110,980	\$ 195,350	\$ 477,355	\$ 598,514
Operating expenses	<u>93,388</u>	<u>100,063</u>	<u>276,560</u>	<u>292,902</u>
	<u>\$ 204,368</u>	<u>\$ 295,413</u>	<u>\$ 753,915</u>	<u>\$ 891,416</u>

f. Compensation of employees and remuneration of directors and supervisors

According to the Company's Articles, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 1% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the three months and nine months ended September 30, 2021 and 2020, the compensation of employees and remuneration of directors and supervisors are as follows:

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
	Cash	Cash	Cash	Cash
Compensation of employees	\$ -	\$ 10,000	\$ 15,667	\$ 15,933
Remuneration of directors and supervisors	\$ 5,308	\$ 2,638	\$ 12,363	\$ 7,913

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

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

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

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

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

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Current tax				
In respect of the current period	\$ 30,253	\$ 26,827	\$ 94,750	\$ 82,365
Income tax on unappropriated earnings	-	-	-	3,144
Adjustments for prior year	<u>2,317</u>	<u>3,155</u>	<u>2,317</u>	<u>3,155</u>
	<u>32,570</u>	<u>29,982</u>	<u>97,067</u>	<u>88,664</u>
Deferred tax				
In respect of the current period	<u>(26,227)</u>	<u>7,625</u>	<u>(31,009)</u>	<u>8,947</u>
Income tax expense recognized in profit or loss	<u>\$ 6,343</u>	<u>\$ 37,607</u>	<u>\$ 66,058</u>	<u>\$ 97,611</u>

b. Income tax assessments

The tax returns through 2019 have been assessed by the tax authorities, and the Group agrees with the assessment.

25. EARNINGS (LOSS) PER SHARE

Net Profit

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Profit for the period attributable to owners of the Company	\$ 11,311	\$ 128,172	\$ 271,470	\$ 331,868
Less: Dividends on preference shares	<u>(45,500)</u>	<u>-</u>	<u>(45,500)</u>	<u>(45,500)</u>
Earnings (loss) used in the computation of diluted earnings (loss) per share	<u>\$ (34,189)</u>	<u>\$ 128,172</u>	<u>\$ 225,970</u>	<u>\$ 286,368</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings per share	131,255	131,026	131,210	130,847
Effect of potentially dilutive ordinary shares:				
Employee share options	-	89	62	128
Compensation of employees	-	396	550	535
Convertible preference shares	-	18,200	18,200	18,200
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>131,255</u>	<u>149,711</u>	<u>150,022</u>	<u>149,710</u>

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

Since the employee share options, compensation of employees and preference shares are anti-dilutive, they are excluded from the computation of diluted loss per share for the three months ended September 30, 2021.

26. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

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

	For the Nine Months Ended September 30							
	2021				2020			
	Granted 2014		Granted 2013		Granted 2014		Granted 2013	
Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	
Balance at January 1	-	\$ -	-	\$ -	42	\$ 30.80	-	\$ -
Options exercised	-	-	-	-	(26)	30.80	-	-
Options expired	-	-	-	-	(16)	-	-	-
Balance at September 30	<u>-</u>	-	<u>-</u>	-	<u>-</u>	-	<u>-</u>	-
Options exercisable, end of period	<u>-</u>	-	<u>-</u>	-	<u>-</u>	-	<u>-</u>	-

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

	For the Nine Months Ended September 30							
	2021				2020			
	Granted 2015		Granted 2014		Granted 2015		Granted 2014	
Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	
Balance at January 1	245	\$ 27.60	-	\$ -	505	\$ 29.70	901	\$ 34.20
Options exercised	(165)	27.60	-	-	(250)	29.49	(467)	34.20
Options forfeited	(80)	27.60	-	-	-	-	-	-
Options expired	-	-	-	-	-	-	(434)	-
Balance at September 30	<u>-</u>	-	<u>-</u>	-	<u>255</u>	27.60	<u>-</u>	-
Options exercisable, end of period	<u>-</u>	-	<u>-</u>	-	<u>255</u>	-	<u>-</u>	-

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

	For the Nine Months Ended September 30							
	2021				2020			
	Granted 2019		Granted 2018		Granted 2019		Granted 2018	
Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	
Balance at January 1	521	\$ 41.20	1,091	\$ 40.10	562	\$ 44.3	1,183	\$ 43.10
Options exercised	(35)	39.20	(16)	39.90	-	-	(1)	40.10
Options forfeited	(26)	40.90	(15)	39.40	-	-	(77)	42.80
Balance at September 30	<u>460</u>	38.40	<u>1,060</u>	37.40	<u>562</u>	41.2	<u>1,105</u>	40.10
Options exercisable, end of period	<u>213</u>	-	<u>1,060</u>	-	<u>-</u>	-	<u>553</u>	-

Compensation costs recognized were \$609 thousand, \$1,417 thousand, \$1,765 thousand and \$4,251 thousand for the three months and nine months ended September 30, 2021 and 2020, respectively.

27. DISPOSAL OF SUBSIDIARIES

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

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

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

- b. Gain on disposals of subsidiaries

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

- c. Net cash inflow on disposals of subsidiaries

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

28. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On June 1, 2021, the Group subscribed for additional new shares of Manumech Corporation at a percentage different from its existing ownership percentage, and increased its continuing interest from 51% to 97.35%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	Manumech Corporation
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	\$ 23,085
Reattribution of other equity from non-controlling interests	
Exchange differences on translating the financial statements of foreign operations	_____ (87)
Differences recognized from equity transactions	<u>\$ 22,998</u>
	Manumech Corporation
<u>Line items adjusted for equity transactions</u>	
Retained earnings	<u>\$ (22,998)</u>

29. FINANCIAL INSTRUMENTS

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

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

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

- 1) Fair value hierarchy

September 30, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares and emerging market shares	<u>\$ 226,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,200</u>
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 7,976</u>	<u>\$ -</u>	<u>\$ 7,976</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 4,042</u>	<u>\$ -</u>	<u>\$ 4,042</u>

December 31, 2020

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

September 30, 2020

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

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

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

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

c. Categories of financial instruments

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 7,976	\$ 22,807	\$ 9,438
Financial assets at amortized cost (1)	2,752,249	2,629,089	2,903,741
Financial assets at FVTOCI	226,200	266,500	188,000
<u>Financial liabilities</u>			
FVTPL			
Held for trading	4,042	692	256
Amortized cost (2)	2,949,904	1,967,549	1,935,766

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, trade receivables and other receivables.
- 2) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, notes payable, trade payables and other payables.

d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 35.

	September 30, 2021	December 31, 2020	September 30, 2020
<u>Assets</u>			
JPY	\$ 3,461	\$ -	\$ 156
EUR	-	618	-
USD	4,515	22,189	9,282
<u>Liabilities</u>			
JPY	-	606	-
EUR	2,592	-	-
USD	1,450	-	256
RMB	-	86	-

Sensitivity analysis

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

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

	<u>VND Impact</u>		<u>JPY Impact</u>	
	<u>For the Nine Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Profit or loss*	\$ (1,377)	\$ (2,867)	\$ 770	\$ 8,737
	<u>EUR Impact</u>		<u>USD Impact</u>	
	<u>For the Nine Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Profit or loss*	\$ (858)	\$ (1,707)	\$ 8,754	\$ 68,972

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

b) Interest rate risk

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

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

	September 30, 2021	December 31, 2020	September 30, 2020
Fair value interest rate risk			
Financial assets	\$ 536,832	\$ 599,178	\$ 558,119
Financial liabilities	453,496	540,230	546,434
Cash flow interest rate risk			
Financial assets	1,037,141	780,620	744,876
Financial liabilities	1,573,969	701,222	692,559

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2021 and 2020 would have increased/decreased by \$2,013 thousand and \$196 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 10% higher/lower, the pre-tax other comprehensive income for the nine months ended September 30, 2021 and 2020 would have increased/decreased by \$22,620 thousand and \$18,800 thousand, respectively, as a result of the changes in the fair value of financial assets at FVTOCI.

2) Credit risk

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

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

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group had available unutilized bank loan facilities in the amounts of \$4,349,200 thousand, \$6,154,686 thousand and \$5,519,204 thousand, respectively.

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

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

September 30, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	\$ 641,700	\$ 285,702	\$ 206,318	\$ 2,317	\$ -
Lease liabilities	2,430	4,860	19,532	26,852	4,100
Borrowings	<u>351,715</u>	<u>322,241</u>	<u>562,720</u>	<u>720,394</u>	<u>31,603</u>
	<u>\$ 995,845</u>	<u>\$ 612,803</u>	<u>\$ 788,570</u>	<u>\$ 749,563</u>	<u>\$ 35,703</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 26,822</u>	<u>\$ 26,852</u>	<u>\$ 1,597</u>	<u>\$ 2,503</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020

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

Additional information about the maturity analysis for lease liabilities

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

September 30, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing Undiscounted lease liabilities	\$ 471,201 3,276	\$ 255,500 6,553	\$ 246,053 23,620	\$ - 49,415	\$ - 4,134
Borrowings	<u>304,461</u>	<u>122,737</u>	<u>425,179</u>	<u>304,560</u>	<u>10,383</u>
	<u>\$ 778,938</u>	<u>\$ 384,790</u>	<u>\$ 694,852</u>	<u>\$ 353,975</u>	<u>\$ 14,517</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 33,449</u>	<u>\$ 49,415</u>	<u>\$ 1,676</u>	<u>\$ 1,676</u>	<u>\$ 782</u>	<u>\$ -</u>

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

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

September 30, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Gross settled - outflows</u>			
Foreign exchange forward contracts	<u>\$ 789,195</u>	<u>\$ 235,869</u>	<u>\$ 248,645</u>

December 31, 2020

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

September 30, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Gross settled - outflows</u>			
Foreign exchange forward contracts	<u>\$ 56,711</u>	<u>\$ 58,397</u>	<u>\$ 265,928</u>

30. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties and relationships

<u>Related Party</u>	<u>Relationships with the Group</u>
Snowdown Merchandise Corporation	Associate
Koutou Co., Ltd.	Associate
BBL Premium Co., Ltd.	Associate
Daquan Hanshi Co., Ltd.	Associate of subsidiary
Gong Tong Zu Lin Co., Ltd.	Associate of subsidiary
Kai Sheng Investment Co., Ltd.	Substantive related party
Ou Li Investment Co., Ltd.	Substantive related party
Cave & Wine Co., Ltd.	Substantive related party
Huang Lu Investment Co., Ltd.	Substantive related party
Fortune Phoenix Insurance Brokerage Service Corporation	Substantive related party
Da Fu Investment Co., Ltd.	Substantive related party
Han Jin Industrial Co., Ltd.	Substantive related party
Bisugi Corporation	Substantive related party

b. Sales of goods

<u>Related Party</u>	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2021	2020	2021	2020
Daquan Hanshi Co., Ltd.	\$ 104	\$ 231	\$ 565	\$ 513
BBL Premium Co., Ltd.	<u>1,109</u>	<u>3,133</u>	<u>6,354</u>	<u>13,314</u>
	<u>\$ 1,213</u>	<u>\$ 3,364</u>	<u>\$ 6,919</u>	<u>\$ 13,827</u>

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

c. Purchases of goods

<u>Related Party</u>	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2021	2020	2021	2020
Bisugi Corporation	<u>\$ -</u>	<u>\$ 88,850</u>	<u>\$ -</u>	<u>\$ 88,850</u>

d. Receivables from related parties

<u>Related Party</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Daquan Hanshi Co., Ltd.	\$ -	\$ -	\$ 130
BBL Premium Co., Ltd.	<u>1,379</u>	<u>12,293</u>	<u>4,497</u>
	<u>\$ 1,379</u>	<u>\$ 12,293</u>	<u>\$ 4,627</u>

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

The outstanding trade receivables from related parties are unsecured. For the nine months ended September 30, 2021 and 2020, no impairment loss was recognized for trade receivables from related parties.

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

Related Party	September 30, 2021	December 31, 2020	September 30, 2020
<u>Other payables</u>			
Associates	\$ <u>4,932</u>	\$ <u>2,323</u>	\$ <u>-</u>

f. Lease arrangements

Related Party	For the Nine Months Ended September 30	
	2021	2020
<u>Acquisition of right-of-use assets</u>		
Gong Tong Zu Lin Co., Ltd.	\$ <u>8,732</u>	\$ <u>4,203</u>

Account	Related Party	September 30, 2021	December 31, 2020	September 30, 2020
Lease liabilities	Gong Tong Zu Lin Co., Ltd.	\$ <u>11,192</u>	\$ <u>6,428</u>	\$ <u>4,638</u>

Related Party	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
<u>Interest expense</u>				
Gong Tong Zu Lin Co., Ltd.	\$ <u>19</u>	\$ <u>21</u>	\$ <u>55</u>	\$ <u>40</u>

g. Acquisition of investment properties

Related Party	Purchase Price			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Koutou Co., Ltd.	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,412</u>	\$ <u>114,745</u>

h. Loans to related parties

Related Party	September 30, 2021	December 31, 2020	September 30, 2020
<u>Other receivables</u>			
Snowdown Merchandise Corporation	<u>\$ 60,000</u>	<u>\$ 120,000</u>	<u>\$ 120,000</u>

Related Party	For the Three Months Ended September 30		For the Nine Months Ended September 30	
Related Party	2021	2020	2021	2020

Interest income

Snowdown Merchandise Corporation	<u>\$ 362</u>	<u>\$ 427</u>	<u>\$ 1,157</u>	<u>\$ 1,296</u>
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i. Expenses

Related Party	For the Three Months Ended September 30		For the Nine Months Ended September 30	
Related Party	2021	2020	2021	2020
Substantive related parties	\$ 467	\$ 771	\$ 1,477	\$ 2,352
Associates	<u>4,224</u>	<u>1,857</u>	<u>9,566</u>	<u>5,103</u>
	<u>\$ 4,691</u>	<u>\$ 2,628</u>	<u>\$ 11,043</u>	<u>\$ 7,455</u>

The expenses included rents, other expenses, etc.

j. Rental income

Related Party	For the Three Months Ended September 30		For the Nine Months Ended September 30	
Related Party	2021	2020	2021	2020
Substantive related parties	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ 58</u>	<u>\$ -</u>

k. Other transactions

The subsidiary Manumech Corporation is engaged in the trading of industrial materials, including raw materials for plastics. For the three months and nine months ended September 30, 2021 and 2020, Manumech Corporation purchased raw materials for plastics in the amounts of \$0, \$28,515 thousand, \$0 and \$223,111 thousand, respectively, from the related party Han Jin Industrial Co., Ltd., and in the amounts of \$0, \$44,546 thousand, \$0 and \$44,546 thousand, respectively, from the related party Bisugi Corporation. The purchase terms with related parties are prepayments and there were no significant differences in transaction terms between related parties and third parties. In the aforementioned transaction, Manumech Corporation served as an agent, and thus recognized revenue at the net amount of operating revenue less operating costs.

1. Remuneration of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 17,953	\$ 17,944	\$ 49,004	\$ 48,887
Post-employment benefits	158	295	484	877
Share-based payments	<u>122</u>	<u>177</u>	<u>369</u>	<u>755</u>
	<u>\$ 18,233</u>	<u>\$ 18,416</u>	<u>\$ 49,857</u>	<u>\$ 50,519</u>

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

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	September 30, 2021	December 31, 2020	September 30, 2020
Pledged deposits	\$ 501,051	\$ -	\$ -
Land	63,001	21,240	21,240
Buildings, net	<u>6,415</u>	<u>2,096</u>	<u>2,108</u>
	<u>\$ 570,467</u>	<u>\$ 23,336</u>	<u>\$ 23,348</u>

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of September 30, 2021 and 2020 were as follows:

Significant Commitments

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

	September 30, 2021	December 31, 2020	September 30, 2020
USD	<u>\$ 3,297</u>	<u>\$ 5,851</u>	<u>\$ 3,361</u>
EUR	<u>\$ 909</u>	<u>\$ 444</u>	<u>\$ 389</u>
NTD	<u>\$ 24,133</u>	<u>\$ 41,881</u>	<u>\$ 29,034</u>

b. As of September 30, 2021, December 31, 2020 and September 30, 2020, guarantees issued by financial institutions for purchases of raw materials and development of technology amounted to \$36,000 thousand, \$40,000 thousand and \$40,000 thousand, respectively.

c. As of September 30, 2021, December 31, 2020 and September 30, 2020, notes provided as refundable deposits for bank borrowings and purchases of raw materials were \$84,000 thousand, \$354,000 thousand and \$304,000 thousand, respectively.

- d. As of September 30, 2021, December 31, 2020 and September 30, 2020, commitments for purchases of machinery and equipment were as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
Unpaid amounts of the purchases NTD	\$ 75,360	\$ 39,397	\$ 73,527

33. OTHER ITEMS

In the face of the COVID-19 pandemic, the Group has taken relevant measures in accordance with the requirements of the local government. The Group's production lines and operations are currently operating normally, and there is no significant impact on the Group's business and finances.

In response to the risk of uncertainty, the Company will continue to monitor the development of the pandemic, and will actively contact customers and suppliers to arrange shipment schedules, adjust production capacity on a timely basis, and promote cost control measures, to reduce possible adverse effects.

34. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- a. In line with its business plan, the Group sold 100% of its interest in Snowdown Merchandise (Suzhou) Co., Ltd. to a third party (refer to Note 13). As a result, the Group negotiated with the employees of Snowdown Merchandise (Suzhou) Co., Ltd. to terminate the labor contract based on the Labor Contract Law of the People's Republic of China. The Group recognized the severance pay of RMB11,510 thousand in October 2021, which was fully paid on October 19, 2021.
- b. On October 14, 2021, the Group's board of directors resolved the asset purchase of Nanjing E. Rd., and the estimated purchase price is \$200,175 thousand.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

September 30, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 32,479	27.85 (USD:NTD)	\$ 904,540
USD	249	6.4692 (USD: RMB)	6,935
USD	1,316	22,828 (USD:VND)	36,651
JPY	103,054	0.2490 (JPY:NTD)	25,660
VND	13,274,562	0.000044 (VND:USD)	16,195
EUR	15	32.32 (EUR:NTD)	485
EUR	27	4.64 (EUR:PLN)	873
RMB	29,497	4.305 (RMB:NTD)	126,985
Non-monetary items			
Investments in associates accounted for using the equity method			
USD	864	27.85 (USD:NTD)	24,070
CAD	245	21.91 (CAD:NTD)	5,361
<u>Financial liabilities</u>			
Monetary items			
USD	23,308	27.85 (USD:NTD)	649,128
USD	3	6.4692 (USD: RMB)	84
USD	264	22,828 (USD:VND)	7,352
VND	50,897,815	0.000044 (VND:USD)	62,095
EUR	926	32.32 (EUR:NTD)	29,928
EUR	1	1.1605 (EUR:USD)	32

December 31, 2020

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

Financial liabilities

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

September 30, 2020

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

(Continued)

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

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

For the Three Months Ended September 30				
2021			2020	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
VND	0.00122 (VND:NTD)	\$ (2,726)	0.00127 (VND:NTD)	\$ 1,375
NTD	1 (NTD:NTD)	(753)	1 (NTD:NTD)	(12,124)
USD	27.8583 (USD:NTD)	(250)	29.45 (USD:NTD)	789
RMB	4.3053 (RMB:NTD)	115	4.257 (RMB:NTD)	(5,500)
JPY	0.2531 (RMB:NTD)	789	0.2777 (JPY:NTD)	-
PLN	7.2018 (PLN:NTD)	<u>32</u>	7.7552 (PLN:NTD)	<u>8</u>
		<u>\$ (2,793)</u>		<u>\$ (15,452)</u>

For the Nine Months Ended September 30				
2021			2020	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
VND	0.00122 (VND:NTD)	\$ (2,857)	0.00128 (VND:NTD)	\$ 2,172
NTD	1 (NTD:NTD)	(19,940)	1 (NTD:NTD)	(23,097)
USD	28.067 (USD:NTD)	1,635	29.817 (USD:NTD)	1,984
RMB	4.337 (RMB:NTD)	(1,142)	4.2594 (RMB:NTD)	(5,489)
JPY	0.2589 (JPY:NTD)	789	0.2774 (JPY:NTD)	-
PLN	7.3939 (PLN:NTD)	<u>26</u>	7.5932 (PLN:NTD)	<u>82</u>
		<u>\$ (21,489)</u>		<u>\$ (24,348)</u>

36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

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

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

37. SEGMENT INFORMATION

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

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

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

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

Segment Revenues and Results

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

	Segment Revenue		Segment Profit	
	For the Nine Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
Apparel department	\$ 2,656,358	\$ 3,393,673	\$ 168,367	\$ 336,076
Down material department	1,521,185	1,690,873	(2,367)	(17,654)
Home textile department	1,256,936	1,312,671	76,366	89,597
Others	558,988	460,032	(45,921)	14,737
Segment revenue	5,993,467	6,857,249	196,445	422,756
Eliminations	(111,452)	(196,708)	-	-
Segment revenue or segment income	<u>\$ 5,882,015</u>	<u>\$ 6,660,541</u>	196,445	422,756
Interest income			13,523	7,517
Other income			6,000	10,392
Other gains and losses			(12,869)	6,705
Finance costs			(8,665)	(11,348)
Share of profit or loss of associates			117,831	5,444
Profit before tax (continuing operations)			<u>\$ 312,265</u>	<u>\$ 441,466</u>

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

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars or Foreign Currency)

No. (Note 1)	Lender	Borrower	Financial Statement Account (Note 2)	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing (Note 3)	Business Transaction Amount (Note 4)	Reasons for Short-term Financing (Note 5)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 6)	Aggregate Financing Limit (Note 6)	Note
													Item	Value			
0	Kwong Lung Enterprise Co., Ltd.	Snowdown Merchandise Corporation	Other receivables from related parties	Yes	\$ 240,000	\$ 60,000	\$ 60,000	1.25	b.	\$ -	Operating capital	\$ -	Promissory note	\$ 120,000	\$ 1,906,329 (Note 6, a.)	\$ 1,906,329 (Note 6, a.)	
1	Manumech Corporation	Intime Tech Co., Ltd.	Other receivables from related parties	Yes	21,920	15,068	-	-	b.	-	Operating capital	-	-	-	24,558 (Note 6, a.)	24,558 (Note 6, b.)	
2	P&B Collection Co., Ltd.	Gong Tong Zu Lin Co., Ltd.	Other receivables from related parties	Yes	80,000	-	-	-	b.	-	Operating capital	-	-	-	89,943 (Note 6, a.)	89,943 (Note 6, b.)	

Note 1: The numbers denote the following:

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

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

Note 3: Purpose of fund financing for the borrower:

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

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

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

- Note 6: a. Individual loans should not exceed 40% of the lender's net equity of the prior year. For No. 0: $\$4,765,823 \times 40\% = \$1,906,329$; for No. 1: $\$61,396 \times 40\% = \$24,558$; for No. 2: $\$224,858 \times 40\% = \$89,943$.
b. Total loans should not exceed 40% of the lender's net equity of the prior year. For No. 0: $\$4,765,823 \times 40\% = \$1,906,329$; for No. 1: $\$61,396 \times 40\% = \$24,558$; for No. 2: $\$224,858 \times 40\% = \$89,943$.

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorsement/Guarantee Provider	Guaranteed Party		Limited on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
1	Manumech Corporation	Intime Tech Co., Ltd.	2	\$ 24,558 (Note 3, a.)	\$ 23,152	\$ 22,915	\$ 21,525	\$ -	37.32%	\$ 30,698 (Note 3,b.)	Y	N	Y
2	Kwong Lung (Suzhou) Co., Ltd.	Kwong Lung Feather (B.V.I.) Limited	4	173,802 (Note 3, c.)	43,050	43,050	-	-	24.77%	173,802 (Note 3,d.)	N	N	N

Note 1: The numbers denote the following:

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

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

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

Note 3: a. The maximum balance of endorsement/guarantee provided by the Company and to individual company cannot exceed 40% of the parent company's net worth: $\$61,396 \times 40\% = \$24,558$.
b. The maximum balance of endorsement/guarantee provided by the Company cannot exceed 50% of the parent company's net worth: $\$61,396 \times 50\% = \$30,698$.
c. The maximum balance of endorsement/guarantee provided by the Company and to individual company cannot exceed 100% of the parent company's net worth: $\$173,802 \times 100\% = \$173,802$.
d. The maximum balance of endorsement/guarantee provided by the Company cannot exceed 100% of the parent company's net worth: $\$173,802 \times 100\% = \$173,802$.
e. The endorsement/guarantee amount to subsidiaries is not limited by the above-mentioned proportion.

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

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
 SEPTEMBER 30, 2021
 (In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2021				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Kwong Lung Enterprise Co., Ltd.	<u>Ordinary shares</u> Co-Tech Development Corporation	Member of the board of directors	Financial assets at FVTOCI - non-current	3,000	\$ 226,200	1.19	\$ 226,200	
	<u>Private corporate bond</u> Snowdown Merchandise Corporation	Investments in associates	Financial assets at amortized cost - current	-	50,000	-	-	
Manumech Corporation	<u>Private corporate bond</u> Snowdown Merchandise Corporation	Investments in associates (parent company)	Financial assets at amortized cost - current	-	10,000	-	-	

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars or Foreign Currency)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Note/Trade Receivables (Payables)			Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Account	Ending Balance	% of Total	
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Japan Co., Ltd.	Subsidiary	Sale	\$ 435,044	9	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	\$ 287,927	40	
Kwong Lung Japan Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Purchase	435,044	66	T/T 30-180 days	No significant difference	No significant difference	Trade payables	287,927	82	
Kwong Lung Enterprise Co., Ltd.	Bo Hsing Enterprise Co., Ltd.	Subsidiary	Purchase	1,073,478	25	T/T 30-180 days	No significant difference	No significant difference	Trade payables	630,018	50	
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Sale	1,073,478	100	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	630,018	100	
Kwong Lung Enterprise Co., Ltd.	Snowdown Merchandise (Suzhou) Co., Ltd.	Subsidiary	Purchase	321,779	8	Prepayment or T/T 30-180 days	No significant difference	No significant difference	Trade payables	45,675	4	
Snowdown Merchandise (Suzhou) Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Sale	321,779	53	Sales revenue received in advance or T/T 30-180 days	No significant difference	No significant difference	Trade receivables	45,675	46	
Kwong Lung Enterprise Co., Ltd.	Toptex Garment Co., Ltd.	Subsidiary	Purchase	422,180	10	T/T 30-180 days	No significant difference	No significant difference	Trade payables	35,958	3	
Toptex Garment Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Sale	422,180	100	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	35,958	100	
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Meko Co., Ltd.	Subsidiary	Purchase	1,402,535	33	T/T 30-180 days	No significant difference	No significant difference	Trade payables	72,354	6	
Kwong Lung Meko Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Sale	1,402,535	91	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	72,354	64	

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

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

SEPTEMBER 30, 2021

(In Thousands of New Taiwan Dollars or Foreign Currency)

Company Name	Related Party	Relationship	Receivables from Related Parties		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
			Account	Ending Balance		Amount	Actions Taken		
Kwong Lung Enterprise Co., Ltd.	Bo Hsing Enterprise Co., Ltd.	Subsidiary	Other receivables	\$ 417,795	-	\$ -	-	\$ 119,761	\$ -
	Kwong Lung Meko Co., Ltd.	Subsidiary	Other receivables	130,632	-	-	-	34,578	-
	Toptex Garment Co., Ltd.	Subsidiary	Other receivables	139,519	-	-	-	32,311	-
	Kwong Lung Japan Co., Ltd.	Subsidiary	Trade receivables	287,927	2.47	-	-	104,213	-
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Trade receivables	630,018	2.26	-	-	119,189	-

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

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
0	Kwong Lung Enterprise Co., Ltd.	Kwong Lung Meko Co., Ltd.	a	Sales revenue	\$ 57,289	No significant difference	1
			a	Trade receivables	16,062	No significant difference	-
			a	Cost of goods sold	1,402,535	No significant difference	24
			a	Trade payables	72,354	No significant difference	1
			a	Other receivables	130,632	-	1
		Kwong Lung Japan Co., Ltd.	a	Sales revenue	435,044	No significant difference	7
			a	Trade receivables	287,927	No significant difference	3
			a	Other receivables	17,422	-	-
		Snowdown Merchandise (Suzhou) Co., Ltd.	a	Cost of goods sold	321,779	No significant difference	5
			a	Trade payables	45,675	No significant difference	1
		Toptex Garment Co., Ltd.	a	Cost of goods sold	422,180	No significant difference	7
			a	Trade payables	35,958	No significant difference	-
			a	Other receivables	139,519	-	2
		Bo Hsing Enterprise Co., Ltd.	a	Cost of goods sold	1,073,478	No significant difference	18
			a	Trade payables	630,018	No significant difference	7
a	Other receivables		417,795	-	5		
Kwong Lung (Suzhou) Co., Ltd.	a	Trade payables	19,595	No significant difference	-		
	a	Cost of goods sold	19,653	-	-		
1	Manumech Corporation	Intime Tech Co., Ltd.	a	Sales revenue	60,572	No significant difference	1
			a	Trade receivables	52,549	No significant difference	1
2	Kwong Lung Meko Co., Ltd.	Snowdown Merchandise (Suzhou) Co., Ltd.	c	Sales revenue	74,832	No significant difference	1
			c	Trade receivables	36,198	No significant difference	-
		Bo Hsing Enterprise Co., Ltd.	c	Processing income	20,516	No significant difference	-
3	Kwong Lung-O Mon Company Limited	Bo Hsing Enterprise Co., Ltd.	c	Processing income	24,986	No significant difference	-
		Kwong Lung Meko Co., Ltd.	c	Processing income	5,840	No significant difference	-
4	Toptex Garment Co., Ltd.	Bo Hsing Enterprise Co., Ltd.	c	Processing income	12,745	No significant difference	-

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

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

(Continued)

Note 2: Nature of relationship is as follows:

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

Note 3: The percentage calculation is based on the consolidated total operating revenues or total assets. For balance sheet items, each item's period-end balance is shown as a percentage to consolidated total assets as of September 30, 2021. For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenues for the nine months ended September 30, 2021.

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

(Concluded)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2021	December 31, 2020	Number of Shares (In Thousands)	%	Carrying Amount			
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Feather (B.V.I.) Limited	British Virgin Islands	Overseas reinvested holding company	\$ -	\$ 691,210	-	-	\$ -	\$ (16,873)	\$ -	Turn into sub-subsidiary from January 1, 2021
	Kwong Lung (B.V.I.) Ltd.	British Virgin Islands	Overseas reinvested holding company	660,552	-	18	100.00	706,259	(19,258)	(18,939)	Subsidiary
	Kwong Lung Meko Co., Ltd.	Vietnam	Manufacturing and selling of down and bedding	198,399	198,399	-	100.00	1,119,554	31,273	31,408	Subsidiary
	Kwong Lung Japan Co., Ltd.	Japan	Manufacturing and selling of down and bedding	280,977	280,977	11	100.00	298,738	14,682	14,683	Subsidiary
	Bo Hsing Enterprise Co., Ltd.	Vietnam	Manufacturing and selling of apparel	386,911	386,911	-	100.00	899,457	61,014	61,014	Subsidiary
	Toptex Garment Co., Ltd.	Vietnam	Manufacturing and selling of apparel	191,809	191,809	-	100.00	42,767	5,693	5,693	Subsidiary
	P&B Collection Co, Ltd.	Taiwan	Outerwear knitting mills; apparel, clothing accessories and other textile product manufacturing; other textile products manufacturing; cleaning products manufacturing; wholesale and retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, articles for daily use, cleaning preparations and other textile products; wholesale of pottery, porcelain and glassware; international trade	260,00	260,00	26,000	100.00	223,352	(21,491)	(21,491)	Subsidiary
	Manumech Corporation	Taiwan	Wholesale	100,000	-	10,000	94.59	58,229	(46,329)	5,480	Subsidiary
	Kwong Lung-O Mon Company Limited	Vietnam	Various selling of down and bedding	69,799	69,799	-	100.00	55,589	(19,108)	(21,145)	Subsidiary
	Kwong Lung Europe SP.Z O.O.	Poland	Various selling of down and bedding	7,102	7,102	17	100.00	2,095	(519)	(519)	Subsidiary
	Snowdown Merchandise Corporation	Taiwan	Retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories and other textile products; real estate rental and leasing	55,095	55,095	7,702	39.50	227,052	296,870	118,926	Associate
	BBL Premium Co., Ltd.	Taiwan	Wholesale and retail sale	14,000	14,000	1,487	46.67	11,216	(8,002)	(3,734)	Associate
Kwong Lung (B.V.I.) Ltd.	Kwong Lung Feather (B.V.I.) Limited	British Virgin Islands	Overseas reinvested holding company	491,255	-	18,259	100.00	507,839	(16,873)	NA	Subsidiary
Kwong Lung Japan Co., Ltd.	Rising Living Co., Ltd.	Japan	Manufacturing and selling of down and bedding	3,943	-	306	51.00	3,433	(757)	NA	Subsidiary
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	British Virgin Islands	Overseas reinvested holding company	60,180	60,180	2,000	40.00	53,560	(4,066)	NA	Subsidiary
Kwong Lung Meko Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	British Virgin Islands	Overseas reinvested holding company	92,880	92,880	3,000	60.00	78,222	(4,066)	NA	Subsidiary
Kwong Lung (B.V.I.) Ltd.	JBV HI-TECH Ltd.	Republic of Seychelles	Overseas reinvested holding company	50,981	44,017	1,600	25.00	24,070	(12,243)	NA	Associate of subsidiary
P&B Collection Co, Ltd.	Gong Tong Zu Lin Co., Ltd.	Taiwan	Wholesale of machinery and equipment	27,300	27,300	4,243	39.00	47,860	15,452	NA	Associate of subsidiary
	Daquan Hanshi Co., Ltd.	Taiwan	Food service activities	6,927	6,927	588	49.00	11,789	1,889	NA	Associate of subsidiary
	Manumech Corporation	Taiwan	Wholesale	20,000	20,000	291	2.76	1,543	(46,329)	NA	Subsidiary
Kwong Lung Meko (B.V.I.) Ltd.	Lyon Ventures Holdings Ltd.	Canada	Wholesale of household products	8,471	8,471	90	45.00	5,361	(2,790)	NA	Associate of subsidiary

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

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Paid in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2021	Accumulated Repatriation of Investment Income as of September 30, 2021
					Outward	Inward						
Snowdown Merchandise (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding	US\$ 15,000	b. 1)	\$ 448,640	\$ -	\$ -	\$ 448,640	\$ (15,294)	100	\$ (15,294) b. 2)	\$ 497,252	\$ -
Kwong Lung (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding	US\$ 5,000	b. 2)	149,546	-	-	149,546	55	100	55 b. 3)	173,802	-
Kunshan Fulong Trade Co., Ltd.	Wholesale of outdoor supplies, household wares, clothing, and related packaging materials; food; Import and export of goods and technology	RMB 5,000	c. 1)	-	-	-	-	(1,784)	100	(1,784) b. 3)	14,520	-
Huai An Guang Long He Yu Home Textile Co., Ltd.	Home textile products; textile and apparel production and sales; feather acquisition; down processing, down products production and sales; self-support and agents of various types of goods and technology import and export business	RMB 7,000	c. 1)	-	-	-	-	852	51	434 b. 3)	19,266	-
Intime Tech Co., Ltd.	Wholesale	RMB 2,400	c. 2)	10,635	-	-	10,635	9,353	100	9,353 b. 3)	29,805	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
Kwong Lung Enterprise Co., Ltd.	\$ 598,186	\$ 600,875 (US\$ 20,000)	\$ 2,873,555 (Note 3)
Manumech Corporation	10,635	10,635 (US\$ 350)	36,838 (Note 4)

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

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

(Continued)

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

- a. If it is in preparation, there is no investment loss, it should be noted.
- b. Recognition of gains or losses was based on the following three information:
 - 1) Financial statements which were reviewed by an international accounting firm with a cooperative relationship with an ROC accounting firm.
 - 2) Financial statements which were reviewed by the Parent Company's accounting firm.
 - 3) Financial statements which were not reviewed.

Note 3: The maximum allowable limit on investment was 60% of the consolidated net asset value of the Company \$4,789,259 (consolidated net worth) x 60% = \$2,873,555.

Note 4: Calculated based on 60% of Manumech Corporation's net worth \$61,396 (net worth) x 60% = \$36,838.

(Concluded)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In Thousands of New Taiwan Dollars)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Note/Trade Receivables (Payables)			Unrealized Gain
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Snowdown Merchandise (Suzhou) Co., Ltd. (Note 1)	Purchase	\$ 321,779	8	Normal	Prepayment or T/T 30-180 days	No significant difference	Trade payables	\$ 45,675	4	\$ 585
Snowdown Merchandise (Suzhou) Co., Ltd. (Note 1)	Sale	1,205	-	Normal	Sales revenue received in advance or T/T 30-180 days	No significant difference	Trade receivables	-	-	28
Kwong Lung (Suzhou) Co., Ltd. (Note 2)	Purchase	19,653	-	Normal	Prepayment or T/T 30-180 days	No significant difference	Trade payables	19,595	2	-
Intime Tech Co., Ltd. (Note 3)	Sale	60,572	18	Normal	Open account 120 days	No significant difference	Trade receivables	52,549	44	-
Intime Tech Co., Ltd. (Note 3)	Purchase	2,589	1	Normal	Open account 120 days	No significant difference	Trade payables	83	-	-

Note 1: As of September 30, 2021, the Company had transactions with Snowdown Merchandise (Suzhou) Co., Ltd. for processing of materials and purchase of materials amounted to \$2,677 thousand of the Company's other receivables.

Note 2: As of September 30, 2021, it is the significant transaction between the investor company Kwong Lung Enterprise Co., Ltd. and the investee companies in Mainland China Kwong Lung (Suzhou) Co., Ltd.

Note 3: As of September 30, 2021, it is the significant transaction between the investor company Manumech Corporation and the investee companies in Mainland China Intime Tech Co., Ltd.

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

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Kai Sheng Investment Co., Ltd.	14,873,422	9.95
Ou Li Investment Co., Ltd.	12,689,840	8.48

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

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