KWONG LUNG ENTERPRISE (8916 TT/TW)

Investor Presentation

September 2022

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KWONG LUNG

"I ALWAYS ENVISIONED KWONG LUNG TO BECOME A WORLD-CLASS OUTDOOR APPAREL COMPANY THAT BRINGS WARMTH TO THE WORLD."

HEBERT CHAN, CHAIRMAN & CEO

KWONG LUNG

Why invest in Kwong lung?

1. We are a global leading vertically-integrated textile producer focusing on making the world's most sophisticated outdoor/sports garment that complies with customers' strict ESG and quality standards which made us partner of the word's most promising outdoor brands.

2. Outdoor apparel is the next spotlight in sportswear, thanks to growing popularity of outdoor activities and consumers demanding higher functional/performance factors. Our diversified offerings made us a perfect fit with emerging outdoor brands around the world, which suggests significant market share and revenue upside.

3. We are committed to grow our garment revenue share from current 50% to 70% in five years, which suggests better margins outlook and higher quality of earnings to continue support decent cash dividend payout.

OUR CORPORATE HISTORY

KWONG LUNG

1966 - 1993

Build the regional foundation

1966 The company was established
1980 The first company in Taiwan to standardize down products
1984 The company's first down factory commenced operation in Taiwan
1988 Vietnam plant was established
1993 Kunshan, China plant was established

1994 - 2012

Expand and accelerate business growth

1994 Kwong Lung Hong Kong was established
1996 Our second plant in Vietnam was established
1999 Publicly listed on Taipei Exchange
2000 Diversified our business and set up garment division
2005 Kwong Lung Japan was established
2009 Down material R&D Center was established
2011 Our third plant in Vietnam was established

2013 - 2021

Expand Garment Business and strengthen corporate governance

2013 Mr. Hebert Chan became the chairman of the company
2014 Our first CSR report published
2015 Revenue of garment division has begun to exceed down division
2016 Ranked as top 20% in Corporate Governance Evaluation
2018 Reached NTD 10 bn annual sales
2019 Ranked as top 5% in Corporate Governance Evaluation

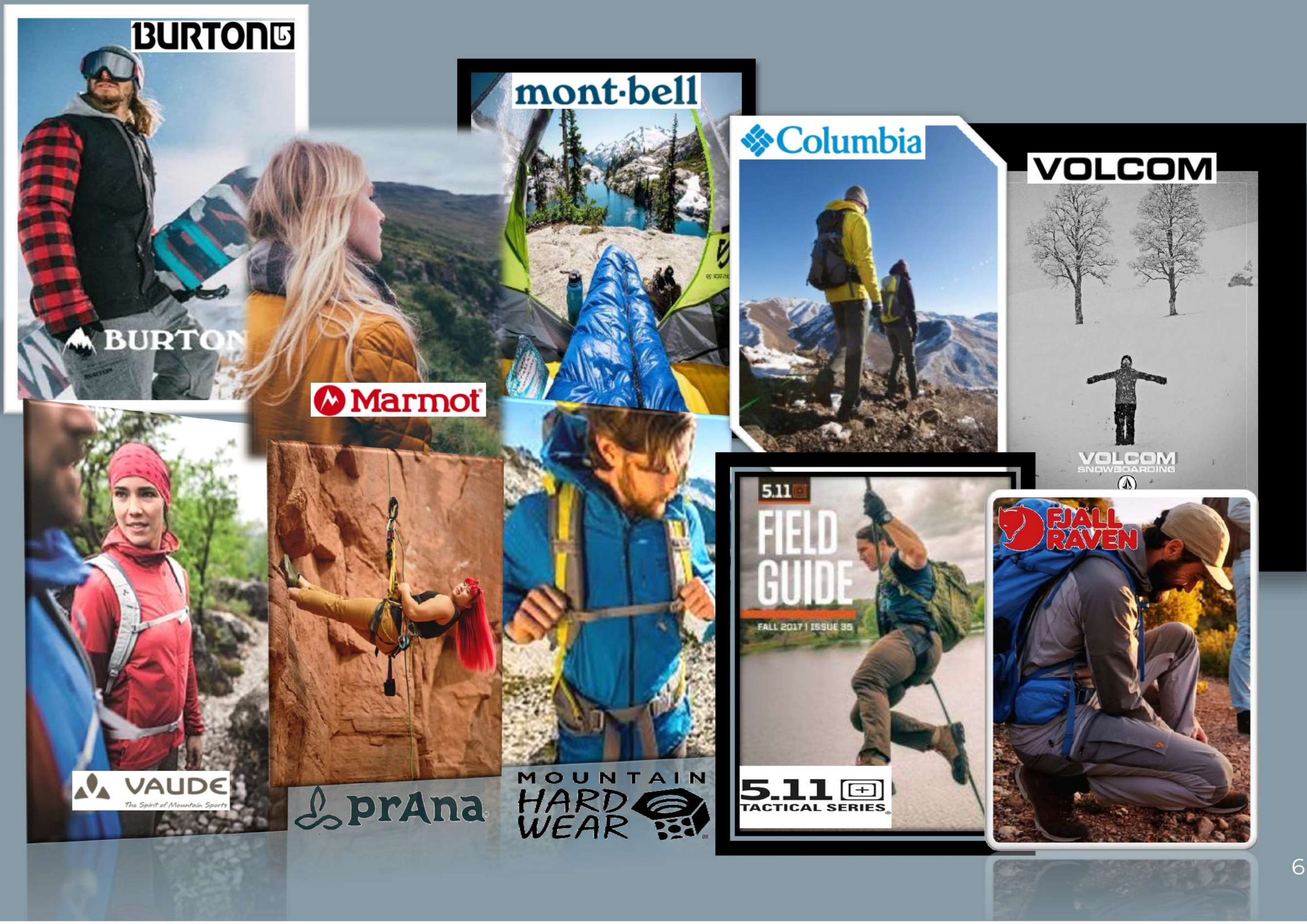
2022 – Future

To become the global leading manufacturer in functional outerwear

2022 Keep on improving productivity to meet our clients' demand
2022 Continue to look for new opportunities in outdoor functional outerwear segment

Our Clients Portfolio

We work with leading outerwear brands in the world by fulfilling their utmost functionality and sustainability requirements.



OUR PRODUCTS PORTFOLIO

KWONG LUNG

PROVIDE ONE-STOP SERVICES FOR ALL RANGE OF FUNCTIONAL OUTERWEAR

FUNCTIONAL OUTERWEAR

GORETEX OUTERWEAR | **SEAM-SEALED GARMENTS** | **DOWN JACKETS** | **SYNTHETIC INSULATION** | **CASUAL WEAR** | **SLEEPING BAGS**

EXTREME	ENDURING	FUNDAMENTAL	VERSATILE	LIGHTWEIGHT
-30°C & Below	-15°C / -25°C	-10°C / -20°C	0°C / -15°C	5°C / -5°C
-25°F & Below	5°F / -15°F	15°F / -5°F	30°F / 5°F	40°F / 25°F

57% OF CONSOLIDATED REVENUE; 86% OF OPERATING PROFIT IN 1H22

GROSS MARGIN: 17% ~ 25%

OTHER CATEGORIES

DOWN MATERIALS | **HOME TEXTILE**

LEGACY BUSINESSES

Down materials are our legacy business while home textile are fillers of capacities during low season

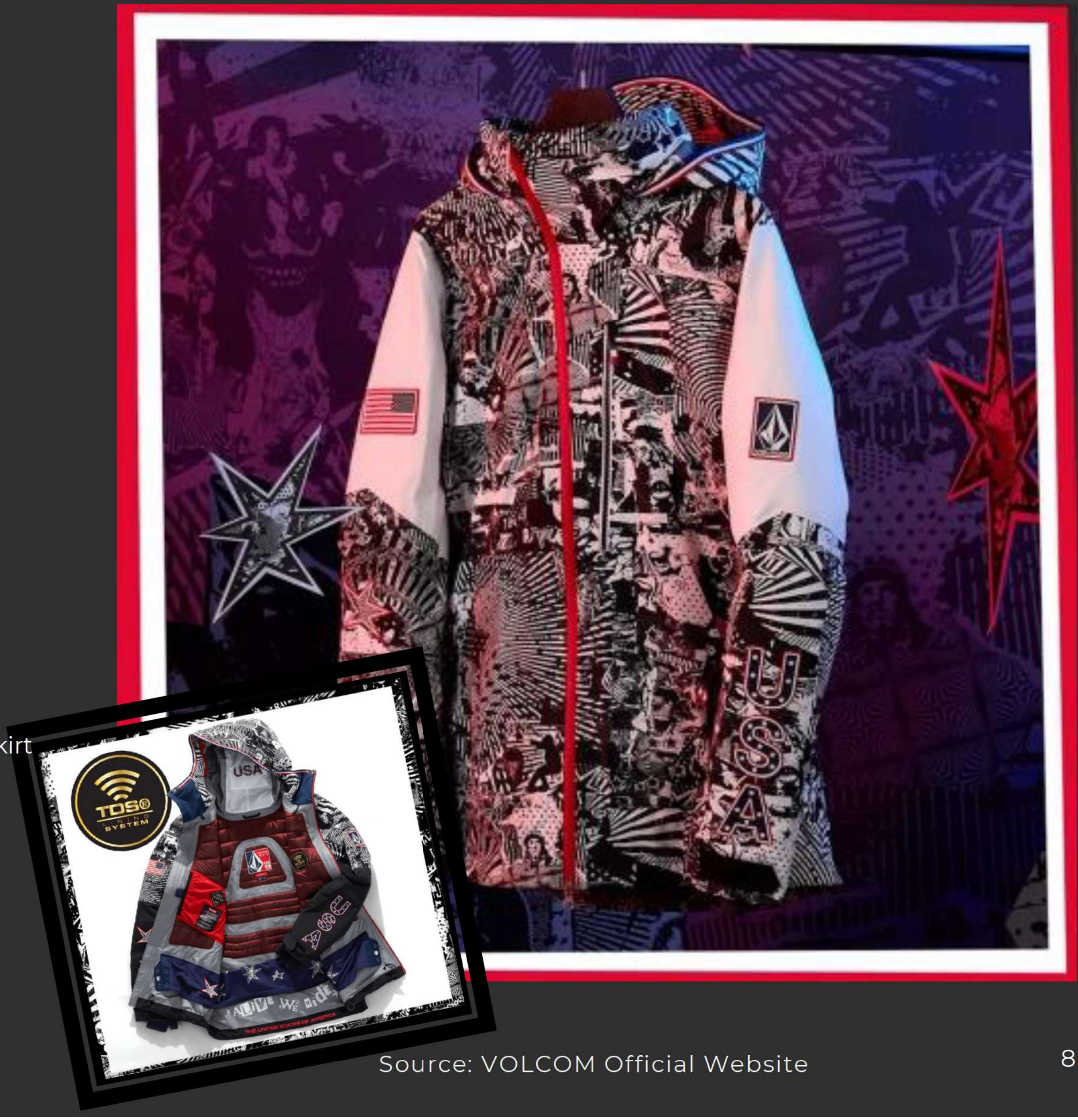
GROSS MARGIN: 8% ~ 13%

OFFICIAL UNIFORMS OF THE U.S. SNOWBOARD TEAM IN OLYMPIC WINTER GAMES 2022

BY VOLCOM

It weaves together cutting edge, patented proprietary technologies, and bio-based sustainable materials into designs meant to function for peak performance

- Waterproof/Breathability Rating: GORE-TEX Guaranteed to Keep You Dry™
- GORE-TEX 3-Layer C-KNIT™
- V-Science TDS® INFRARED 3-Layer Lining System
- 80/20 RDS Duck Down
- 600+ Fill Power
- Fully Taped Seams
- Drop Tail Fit
- Zip Tech® Jacket to Pant Interface
- Face Tech™
- Recco® Advanced Rescue Technology
- YKK® AquaGuard® Water Repellent Zipper
- Hidden Toggle Cinch Hood
- Peripheral Hood Adjustment
- Goggle Clips
- Super Suede Chin Guard
- Mesh Lined Zippered Vents
- Stretch Adjustable Powder Skirt
- V-Science 2 Way Cuff System
- Insulated Lycra Hand Gaiters
- Tricot Lined Hand Pockets
- Pocket Access Hem Cinch
- Goggle Pocket
- Noise Pocket
- Specialty Ticket Ring
- Whistle Zipper Pull



Source: VOLCOM Official Website

Seasonality complimented by products

KWONG LUNG

Historical seasonality impact are now mitigated by our expansion into spring/summer collection as well as new customers from the Southern Hemisphere

SLEEPING BAGS

Linear production and sell-through throughout the year

SPRING/SUMMER COLLECTION

SELL-THORUGH ***Customers***

Low sales | **Peak sales volume** | **Low sales volume** | **Peak sales**

< Order book fulfilled > < Order book placed > < Inventory peaks >

PRODUCTION ***Kwong Lung***

Peak shipment volume | **Low shipment volume** | **Peak shipment volume**

< Contracts negotiation for next year's orders > *< Contracts negotiation for next*

FALL/WINTER COLLECTION

SELL-THORUGH ***Customers***

Peak sales | **Low sales volume** | **Peak sales volume** | **Low sales**

< Order book placed > < Inventory peaks > < Order book fulfilled > < Order book placed>

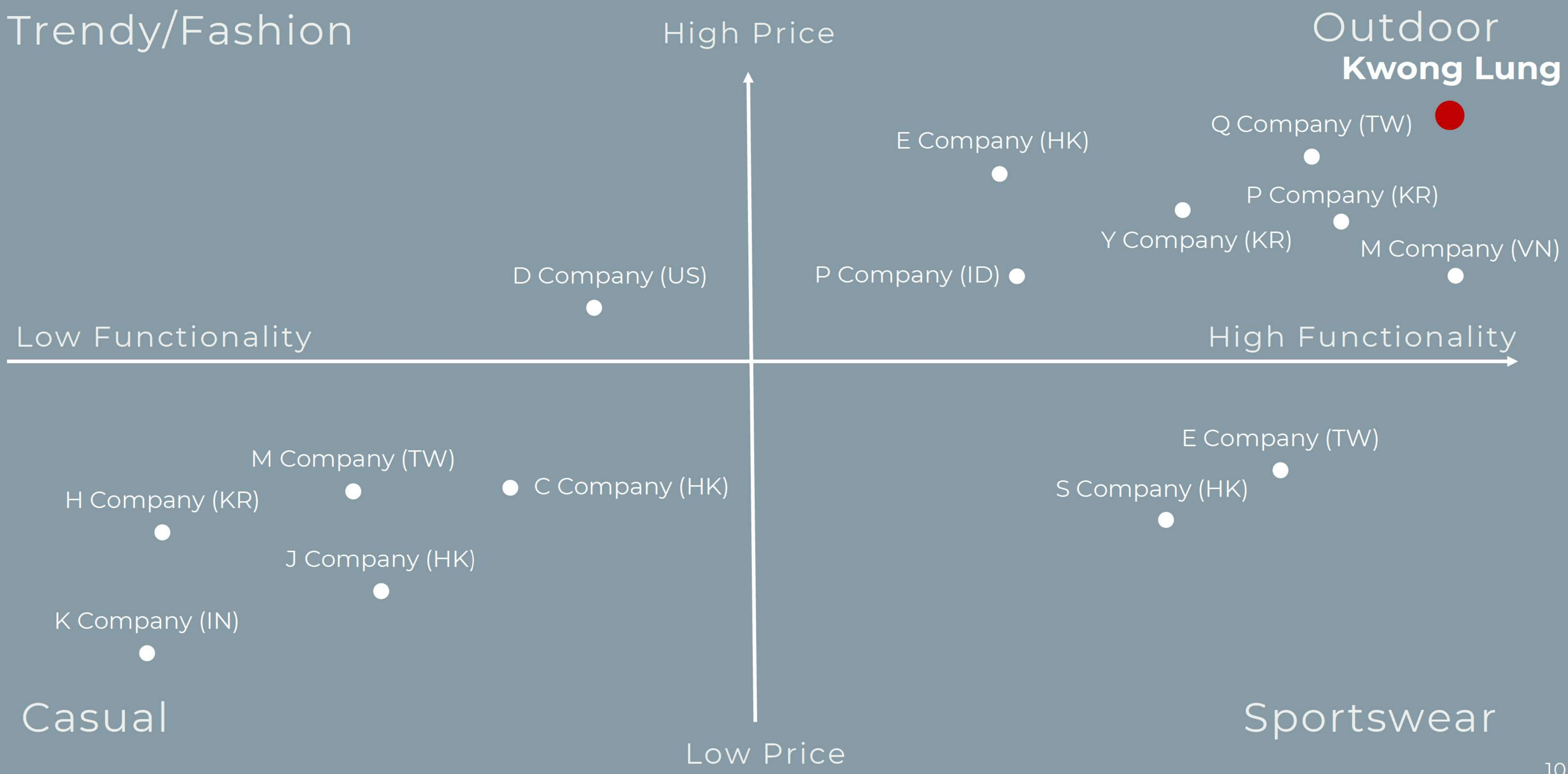
PRODUCTION ***Kwong Lung***

Low shipment volume | **Peak shipment volume** | **Low shipment volume**

< Contracts negotiation for next year's orders >

4Q	1Q	2Q	3Q	4Q	1Q

WE HAVE A NICHE MARKET POSITION IN GARMENT ODM



OUR COMPETITIVE ADVANTAGES

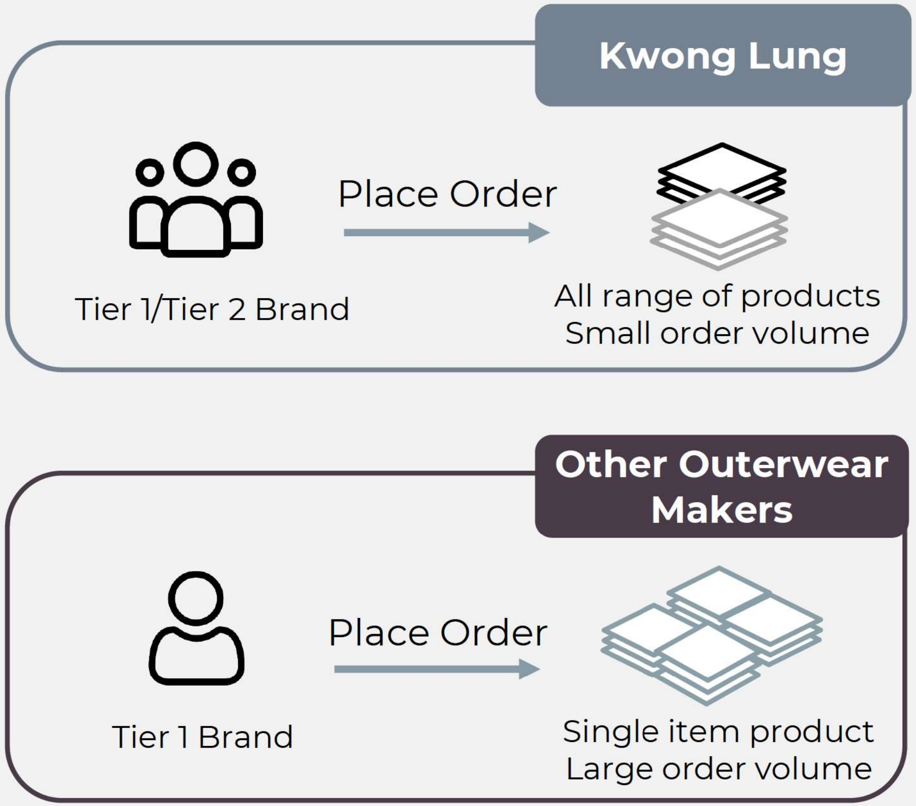
Our production model has the flexibility to take on smaller order vs. most other outerwear manufacturers while keeping profitability intact

	KWONG LUNG	**OTHER OUTERWEAR MAKERS**
PRODUCTION MODEL	Toyota Production System *U-shaped production line*	Hanger System
ADVANTAGE	With more production flexibility *Able to reach economies of scale even with small order volume (1,600-1,800 pcs)*	With less production flexibility *Requires higher order volume to reach economies of scale*
PRODUCTS	All range of products *Down jackets, snowboard jackets, sleeping bags, seamless taped jackets (mainly for outdoor)*	Mostly single item product
TARGET CUSTOMERS	Focus on high-end, high-performance outdoor brands	Focus on the largest brands of customers
BUSINESS MODEL	Multiple items/ Smaller batch volume	Single item / large batch volume

Kwong Lung to benefit from change of order placing patterns

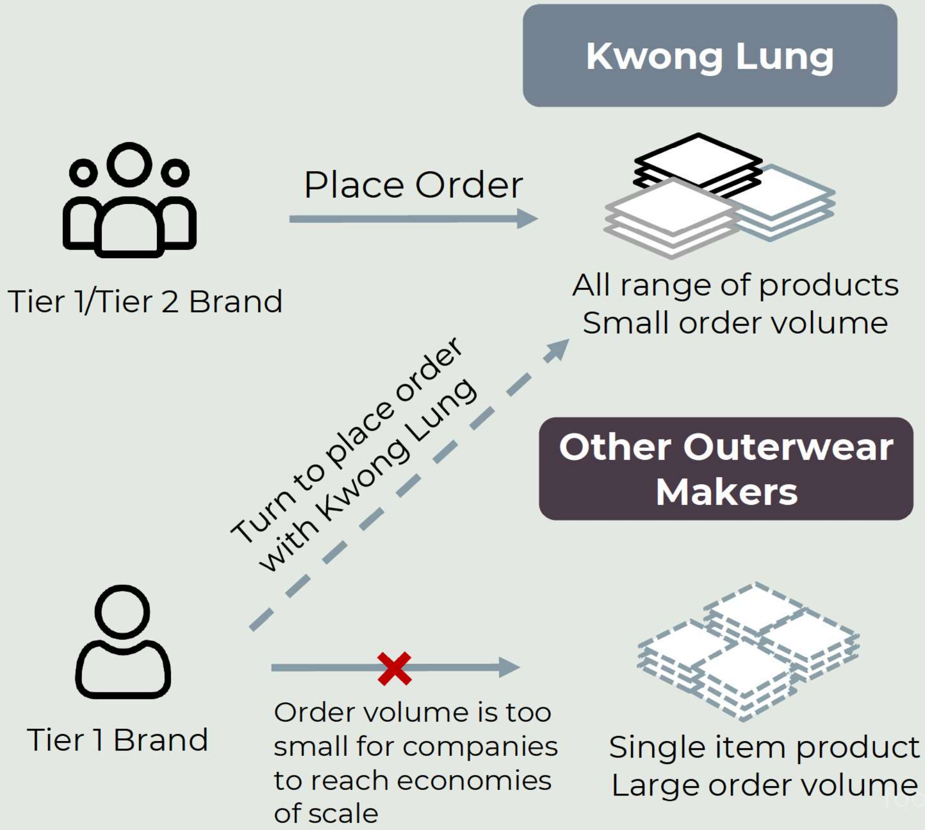
KWONG LUNG

Normal



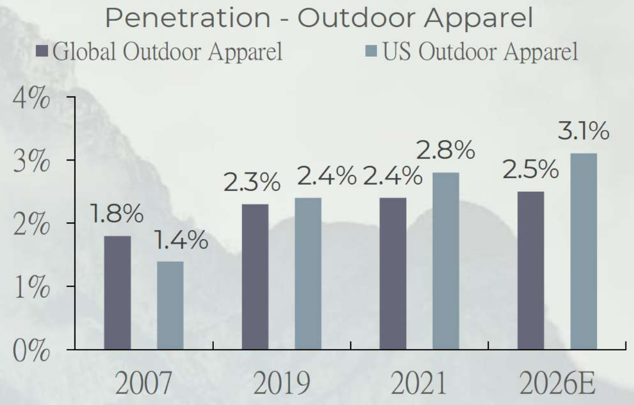
Lower End Market Demand

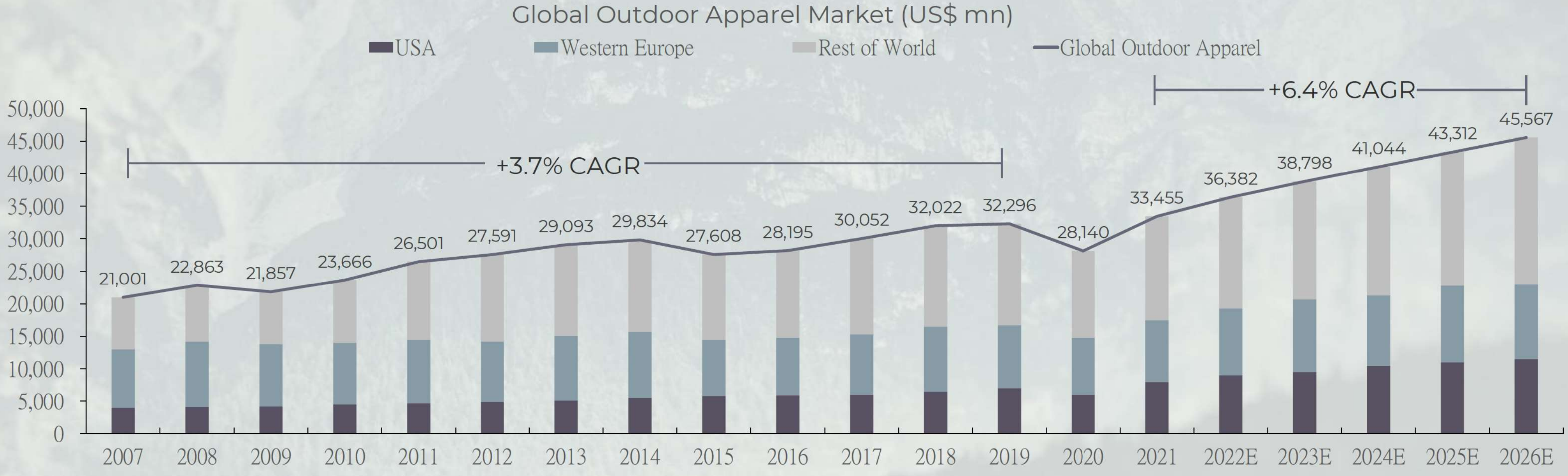
Declining purchase power cause brands to place smaller order volume each time



OUTERWEAR THE NEXT SPOTLIGHT IN APPAREL

The 5 year CAGR (2021-26e) of the global outdoor wear market, at 6.4%, is expected to outpace the pre-Covid 12 year CAGR (2007-19) of global outdoor wear market, at 3.7%.



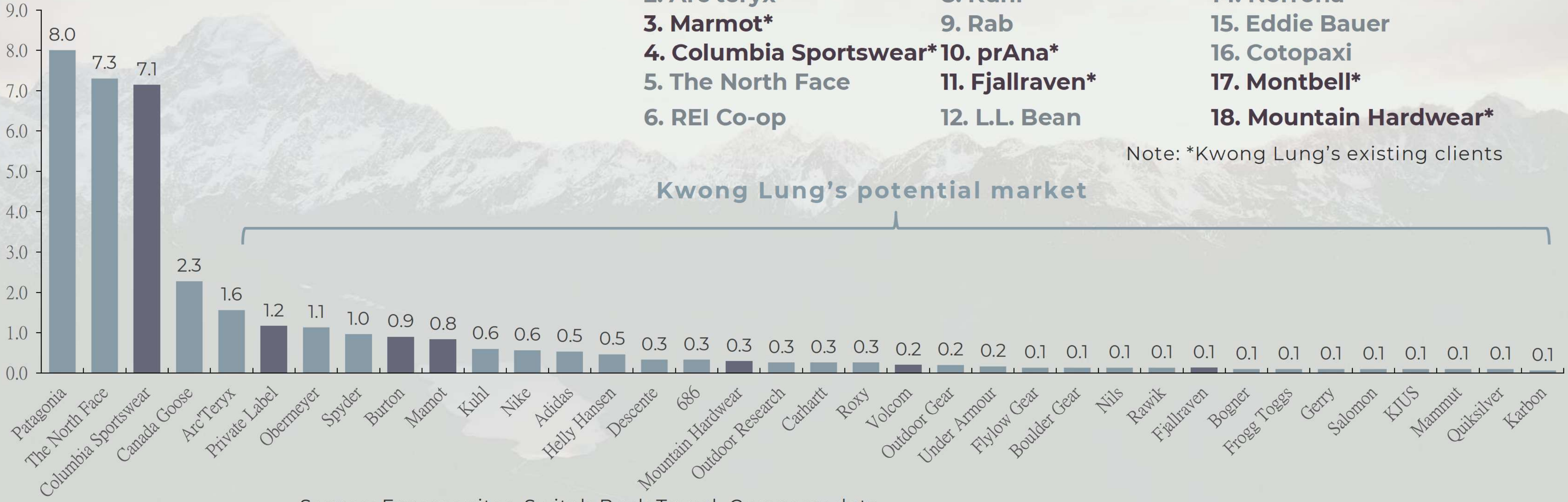


Source: Euromonitor

Kwong Lung's perfect fit with smaller brands

The long tail theory applies to the functional outerwear industry as newly emerged or boutique brands tend to have higher growth

GLOBAL OUTERWEAR BRANDS MARKET SHARE 2021 (%)



BEST OUTDOOR CLOTHING BRANDS OF 2022

1. Patagonia
2. Arc'teryx
3. **Marmot***
4. **Columbia Sportswear***
5. The North Face
6. REI Co-op
7. Outdoor Research
8. Kuhl
9. Rab
10. **prAna***
11. **Fjallraven***
12. L.L. Bean
13. Black Diamond Equipment
14. Norrona
15. Eddie Bauer
16. Cotopaxi
17. **Montbell***
18. **Mountain Hardwear***

Note: *Kwong Lung's existing clients

Source: Euromonitor, Switch Back Travel, Company data
Note: Dark grey color are Kwong Lung's existing clients

OUR UPSIDE IS LIMITLESS

KWONG LUNG

Outdoor apparel ODM market remains fragmented, hence even a one percent growth of our market share suggests doubling our current revenue size

KWONG LUNG'S GLOBAL MARKET SHARE IN OUTDOOR APPAREL ODM (2021)

GLOBAL OUTDOOR APPAREL MARKET (US$MN)	33,455
GLOBAL OUTDOOR APPAREL ODM MARKET (US$MN)	7,434
KWONG LUNG GARMENT ODM REVENUE (US$MN) (US$1 : NT$30)	123
KWONG LUNG GLOBAL MARKET SHARE	1.7%

Source: Euromonitor, Company data

KWONG LUNG'S GLOBAL MARKET SHARE SENSITIVITY ANALYSIS

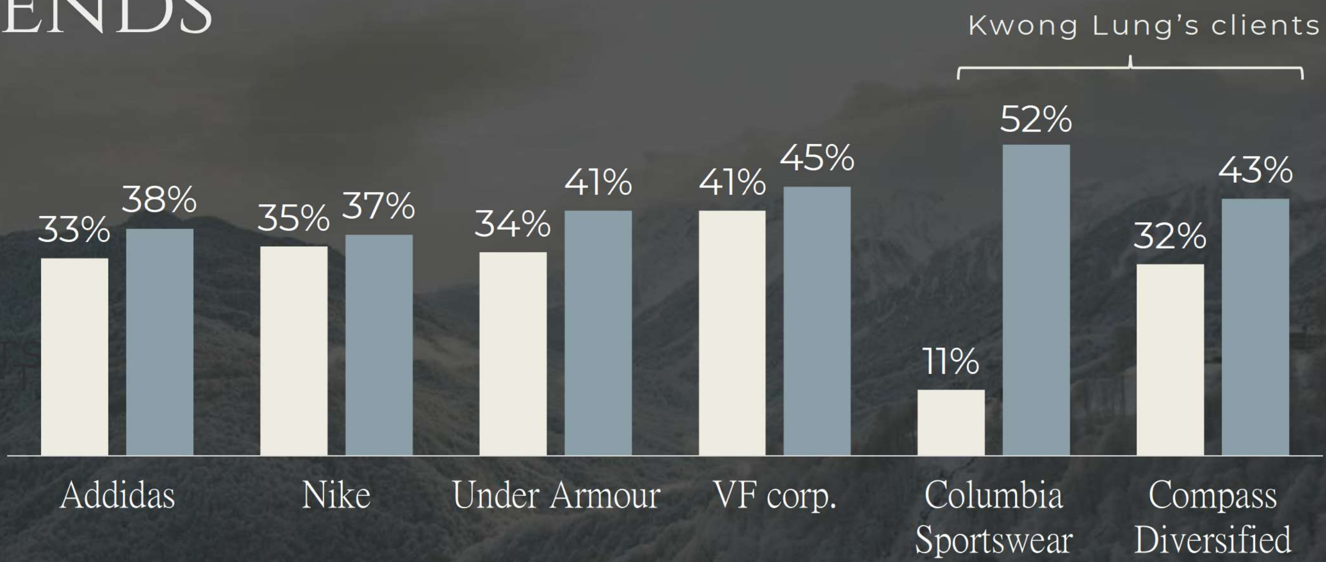
MARKET SHARE (%)	2%	2.5%	3%	3.5%	4%	4.5%	5%
SUGGESTED ODM REVENUE (US$MN)	149	186	223	260	297	335	372
UPSIDE TO KWONG LUNG'S GARMENT REVENUE	21%	51%	81%	112%	142%	172%	202%

Note: Calculation based on 2021 market size

Kwong Lung also benefit from brands' DTC trends

KWONG LUNG

DTC has become a major growth driver for apparel brands in the past couple years as brands continue to offer differentiated products



DTC's impact on Kwong Lung

Product's uniqueness and functionality will be more emphasized.

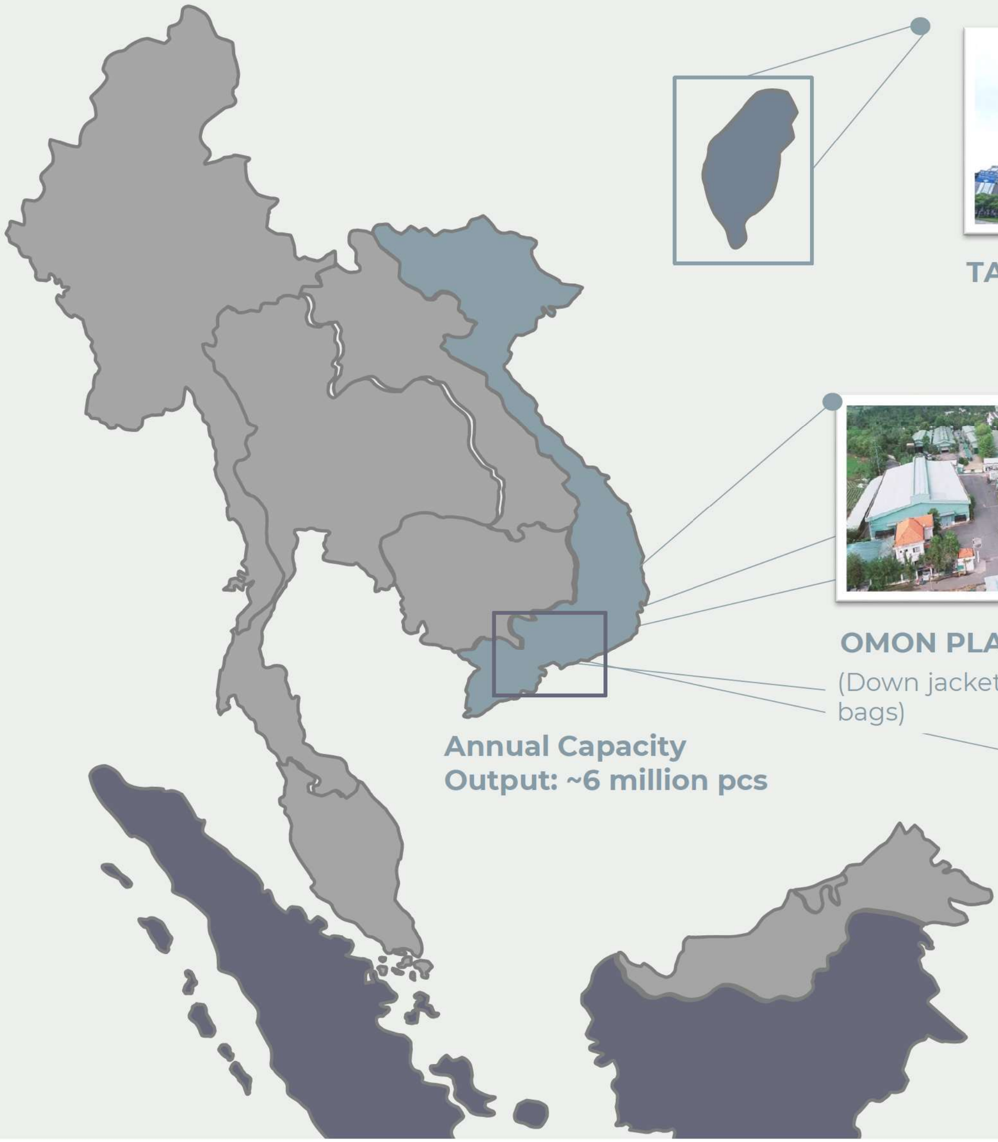
Technical requirements for manufacturers will increase.

DTC products are usually limited quantities other ODMs would not take

Gain trust from brands by taking these sophisticated products.

KWONG LUNG

ONGOING PRODUCTION DIVERSIFICATION



TAIPEI HEADQUARTER

CHUNG-LI RESEARCH & LOGISTICS CENTER

(R&D and components warehousing)

YILAN DEVELOPMENT CENTER

(Design center)

OMON PLANT

(Down jackets, sleeping bags)

MEKO PLANT

(Down materials and home textile products)

MEKO II PLANT

(Down jackets, sleeping bags)

Annual Capacity Output: ~6 million pcs

BOSING PLANT

(Goretex, taping jackets)

TOPTEX PLANT

(Casual wear)

OUR NEXT STOP:

INDONESIA

DRIVING MARGIN GROWTH THROUGH TECHNOLOGY APPLICATION

R&D

Global Marking Center

• Expand R&D capability through our unique proofing cloud database, even less experienced pattern-makers can quickly perform proofing and remaking as masters with decades of experience.

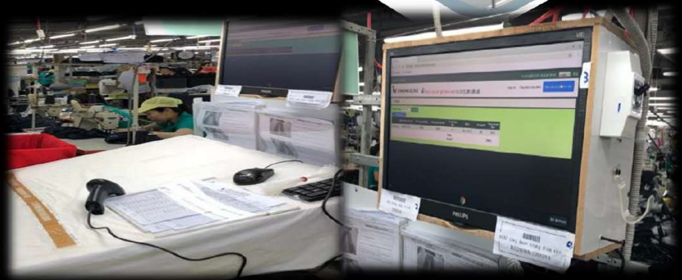
Purchasing/Sales

Robotic Process Automation (RPA)

- Improve efficiency and accuracy through business process automation.

Electronic Data Interchange (EDI)

- Respond our clients' needs immediately and shorten processing time through electronically communicating information.



Production

Total Productive Innovation (TPI)

- Improve production efficiency through breakdown, streamline work process and real-time monitoring.

Intelligent Manufacturing Plan

- Realize auto manufacturing, product traceability, order output schedule and quality prediction through intelligent manufacturing system.

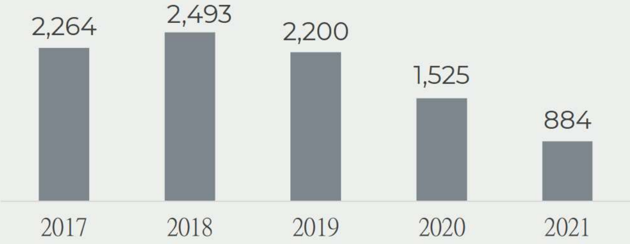
Our Clients

ESG IS AN INTEGRAL PART OF OUR OPERATIONS

KWONG LUNG

TOTAL CARBON EMISSION

(Ton CO2e / Year)



WASTE RECYCLING

Year	Amount (Ton)
2018	193.48
2019	202.45
2020	136.03
2021	78.30

SOCIAL SERVICES

Winter Warm Wear Program:

Provide care to vulnerable populations

- **Vietnam Child Care Program:**

Provide school lunch to necessities

- **Industry-Academy Cooperation:**

Lead internship program to cultivate employees

CORPORATE GOVERNANCE

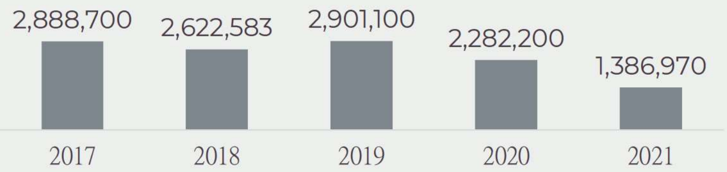
- 2019-2020 Ranked as top 5% in Corporate Governance Evaluation
- 2020 appointed CG Officer
- 2014 started to publish ESG report

EMPLOYEE CARE

- Our employee turnover rate in Asia (Taiwan & Mainland China excluded) was 33%
- In 2021, hold annual labor health education and service, 1 batch in Taiwan, 2 in Vietnam

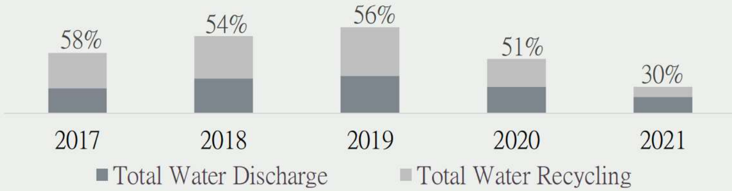
TOTAL ELECTRICITY CONSUMPTION

kWh/year



WATER RECYCLING

Water Consumption in Taiwan



GREEN PRODUCTION

Bluesign certificate

Responsible Down Standard (RDS)

ISO50001 certificate

OEKO-TEX Standard 100

High Index

Global Recycle Standard Certificate (GRS)

Our Growth Targets

KWONG LUNG

Double-digit

REVENUE GROWTH IN 2022

Double-digit

REVENUE GROWTH FOR UPCOMGING 5 YEARS

>30%

FUNCTIONAL APPAREL REVENUE GROWTH IN 2022

~70%

REVENUE CONTRIBUTION FROM GARMENT ODM BUSINESS IN 2026

>50%

REVENUE CONTRIBUTION FROM GARMENT ODM BUSINESS IN 2022

Margin expansion

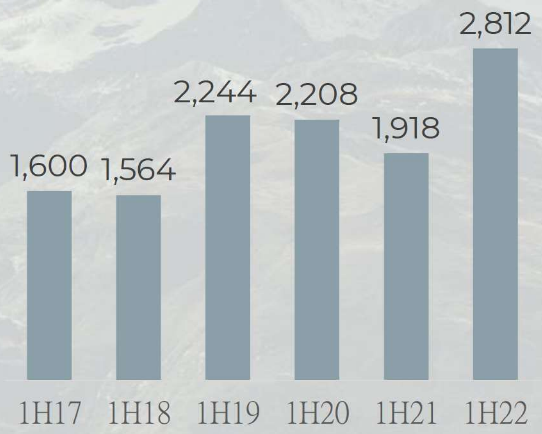
LEADING TO HIGHER EARNINGS GROWTH AND SUSTAINABLE DIVIDEND PAYOUT

ROBUST TOPLINE GROWTH DRIVEN BY FUNCTIONAL APPAREL ODM

REVENUE SHARE OF GARMENT ODM BUSINESS

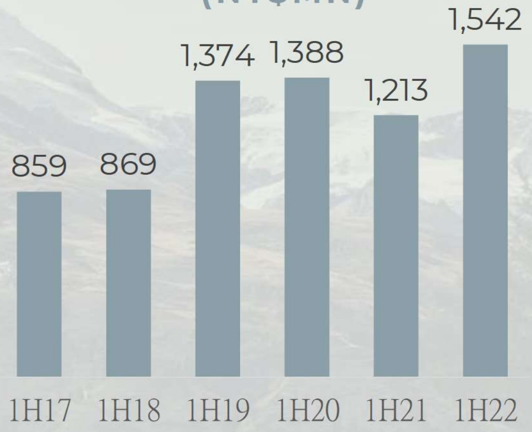
1H22: Revenue share to reach 57%

REVENUE OF GARMENT ODM BUSINESS (NT$MN)



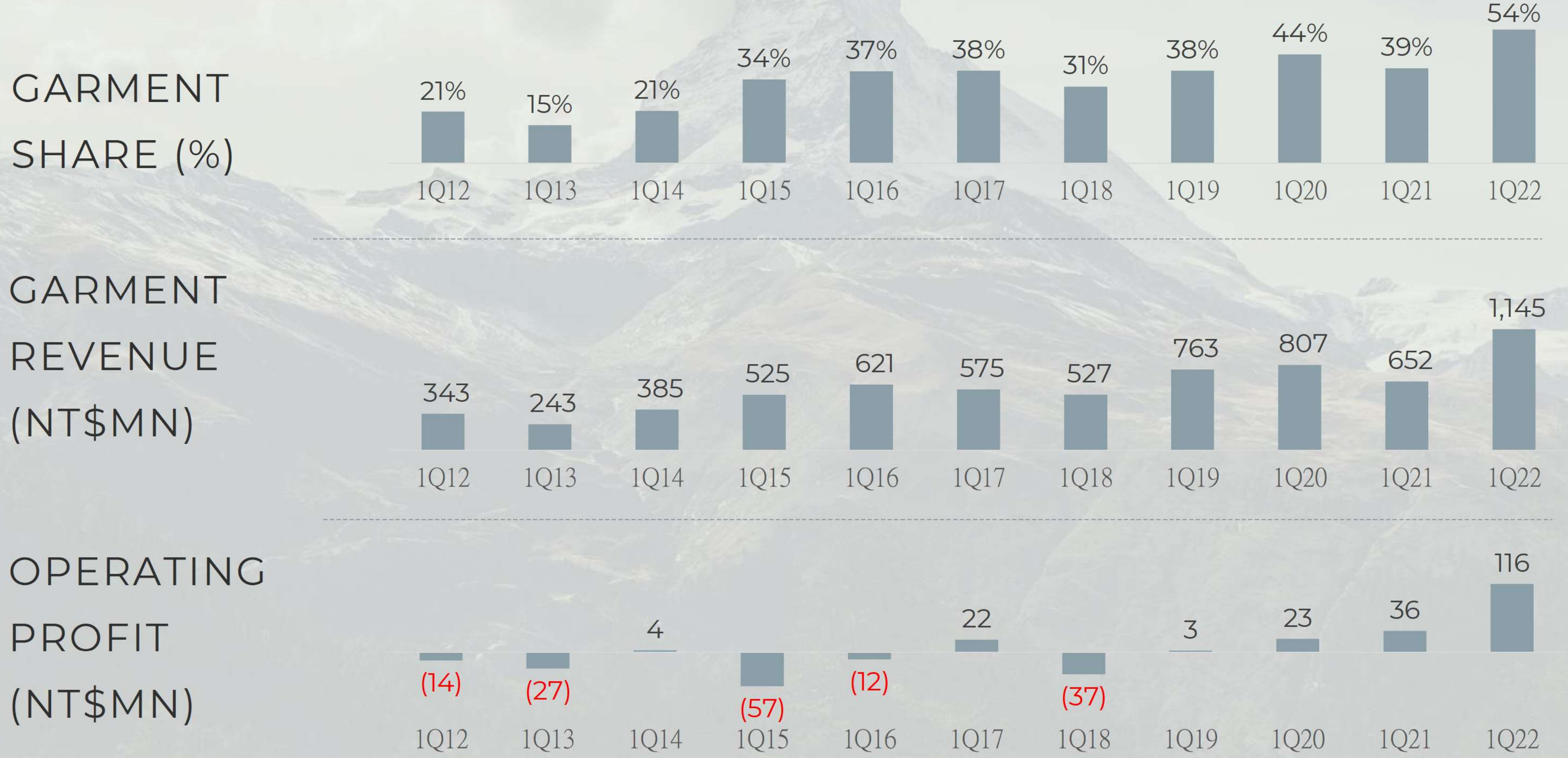
2017 – 2022 CAGR = 11.9%
1H22 Revenue Growth = 46.6% YoY

REVENUE OF FUNCTIONAL APPAREL ODM BUSINESS (NT$MN)



2017 – 2022 CAGR = 12.4%
1H22 Revenue Growth = 27.1% YoY

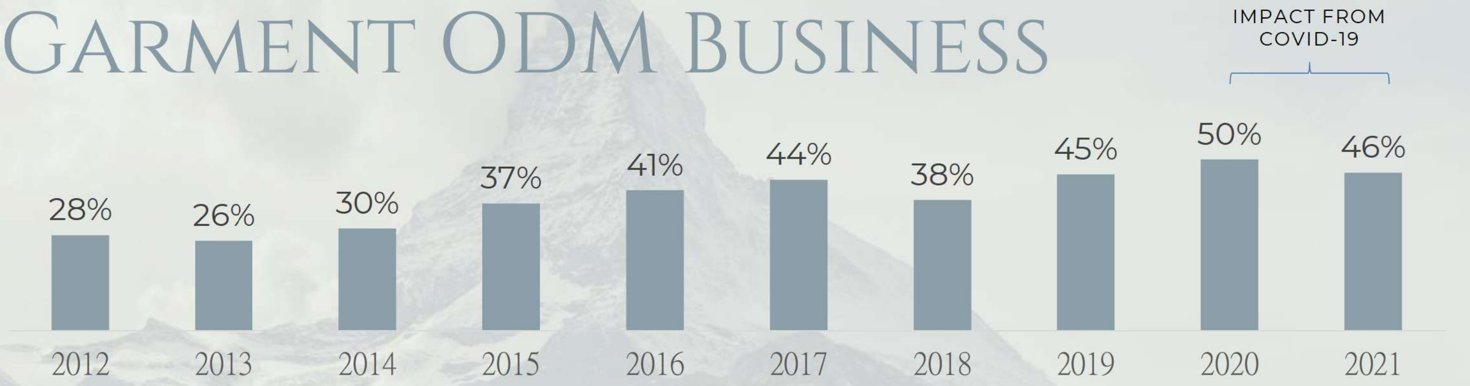
Seasonality impact has reduced as share of Garment ODM Business increases



Profit growth driven by increasing share of Garment ODM Business

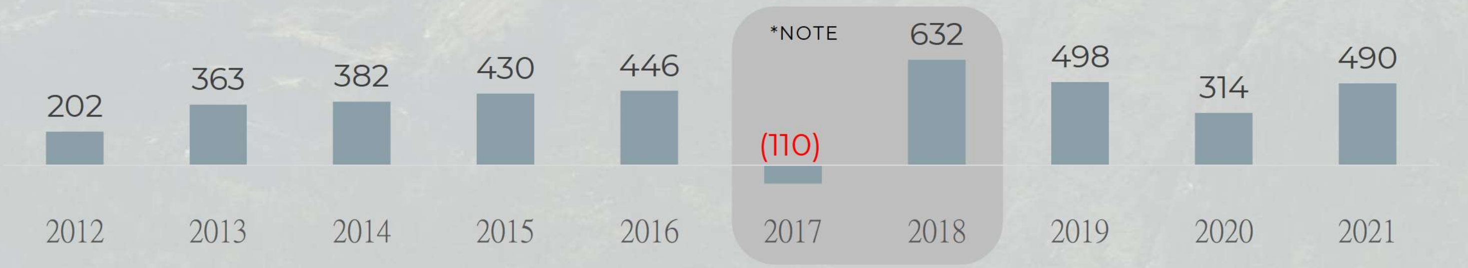
KWONG LUNG

GARMENT SHARE (%)



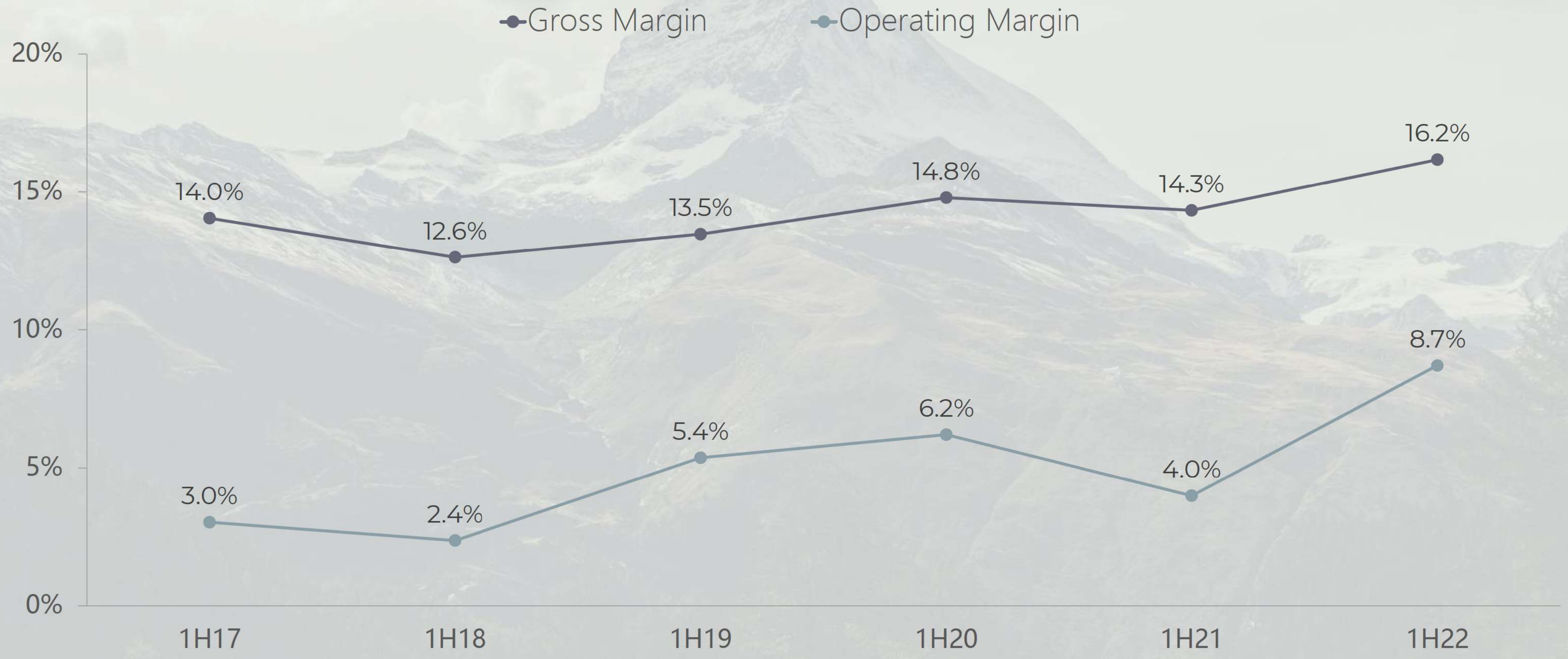
CONSOLIDATED REVENUE (NT$MN)

NET PROFIT (NT$MN)



Note: In 2017, we suffered from a fire accident at our Vietnam plant
In 2018, we have one-off non operating income from insurance claim and one-off asset disposal. Excluding those one-off effects, the net profit in 2019 grew over 50%

Increasing Operational Efficiency Drive Margin Expansion



2Q22 Income Statement

	2Q22	2Q21	YoY (%)
Revenue	**2,832**	**2,395**	**18.2**
Gross Profit	519	378	37.4
Gross Margin (%)	**18.3**	**15.8**	**+2.6 ppts**
Operating Expenses	(205)	(251)	(18.4)
Operating Profit	314	127	148.1
Operating Margin (%)	**11.1**	**5.3**	**+5.8 ppts**
Non Operating Income/(Loss)	52	5	850.5
Net Income	294	101	191.2
Net Income to Parent	294	132	123.5
Net Margin (%)	**10.4**	**5.5**	**+4.9 ppts**
Basic EPS (NT$)	1.9	1.0	89.0

1H22 Income Statement

KWONG LUNG

	1H22	1H21	YoY (%)
Revenue	**4,942**	**4,086**	**21.0**
Gross Profit	799	585	36.5
Gross Margin (%)	**16.2**	**14.3**	**+1.8 ppts**
Operating Expenses	(369)	(422)	(12.6)
Operating Profit	430	163	163.7
Operating Margin (%)	**8.7**	**4.0**	**+4.7 ppts**
Non Operating Income/(Loss)	109	131	(17.1)
Net Income	440	235	87.4
Net Income to Parent	440	260	69.0
Net Margin (%)	**8.9**	**6.4**	**+2.5 ppts**
Basic EPS (NT$)	3.00	1.98	51.5

1H22 Balance Sheet

KWONG LUNG

	2022-6-30		2021-6-30	
	Amount	%	Amount	%
Cash and Cash Equivalents	1,296	14.6	709	8.3
AR & NR	1,390	15.7	1,301	15.3
Inventories	2,494	28.1	2,317	27.2
PP&E	1,586	17.9	1,852	21.8
Total Assets	**8,875**	**100.0**	**8,505**	**100.0**
Current Liabilities	3,569	40.2	2,621	30.8
Interest-bearing Liabilities	1,637	18.4	1,460	17.2
Total Liabilities	**3,872**	**43.6**	**3,275**	**38.5**
Total Equity	**5,002**	**56.4**	**5,230**	**61.5**
Key Financial Ratios				
A/R Days	43		49	
Inventory Days	106		104	
A/P Days	40		46	
Cash Conversion Days	109		107	
Net Debt / Equity (%)	6.8		14.4	
Debt Ratio (%)	43.6		38.5	

1H22 Cash Flow

KWONG LUNG

	1H22	1H21
Beginning Balance	**1,311**	**1,070**
Operating Cash Flow	(73)	(466)
Capital Expenditures	(75)	(142)
Investments and Others	159	(4)
Cash Dividend Paid	-	-
Financing Cash Flow	(134)	294
Ending Balance	**1,296**	**709**

INCOME STATEMENT SUMMARY

KWONG LUNG

NT$mn	2016	2017	2018	2019	2020	2021
Revenue	8,599	8,513	10,154	10,224	8,499	8,061
Gross Profit	1,385	1,237	1,352	1,427	1,172	989
Operating Expenses	(886)	(879)	(1,003)	(843)	(791)	(801)
Operating Profit	499	357	349	585	380	188
Non Operating Income/(Loss)	12	(408)	379	26	37	423
Pretax Income	512	(51)	728	611	417	611
Tax Expenses	(66)	(59)	(96)	(112)	(103)	(121)
Net Income to Parent	447	(118)	618	488	344	515
Basic EPS (NT$)	4.2	(1.1)	5.7	4.1	2.3	3.6

Key Financial Ratios (%)	2016	2017	2018	2019	2020	2021
Gross Margin	16.1	14.5	13.3	14.0	13.8	12.3
Operating Expense Ratio	10.3	10.3	9.9	8.2	9.3	9.9
Operating Margin	5.8	4.2	3.4	5.7	4.5	2.3
Effect Tax Rate	12.9	-	13.2	18.4	24.7	19.9
Net Margin	5.2	(1.4)	6.1	4.8	4.1	6.4

YoY Growth (%)	2016	2017	2018	2019	2020	2021
Revenue	(3.6)	(1.0)	19.3	0.7	(16.9)	(5.2)
Gross Profit	(1.4)	(10.7)	9.3	5.6	(17.9)	(15.6)
Operating Profit	3.4	(28.4)	(2.2)	67.3	(34.9)	(50.6)
Net Income to Parent	3.7	(126.5)	-	(21.1)	(29.4)	49.6
Basic EPS	2.4	(126.3)	-	(28.6)	(44.4)	57.0

1. In 2017, we suffered a fire accident at our Vietnam plant. In 2018, we have one-off non-operating income from insurance claim and one-off asset disposal. If we exclude the one-off non-operating income of NT$310m in 2018 (insurance claim from our fire incidence in Vietnam and gain from asset disposal), our net profit in 2019 grew over 50% YoY.
2. In 2020, the financial performance was affected under COVID-19. In 2021, the major impacts of net income in the first half, included 1) NT$ 66 million accounting recognition of bad debt from subsidiary, 2) NT$ 157 million indirect valuation gain on Financial Investments of VIZIO.

BALANCE SHEET SUMMARY

KWONG LUNG

NT$mn	2016	2017	2018	2019	2020	2021
Total Assets	6,212	6,615	7,031	7,571	7,512	8,294
Cash and Cash Equivalents	797	510	794	881	1,070	1,311
AR & NR	952	1,033	1,048	858	924	957
Inventories	2,249	2,251	2,619	2,373	1,725	2,396
PP&E	1,254	1,589	1,574	1,505	1,877	1,557
Total Liabilities	2,705	3,758	2,931	2,479	2,575	3,312
AP & NP	583	798	788	548	693	847
Total Equity	3,507	2,857	4,100	5,092	4,938	4,982

YoY Growth (%)						
Total Assets	2.7	6.5	6.3	7.7	(0.8)	10.4
Cash and Cash Equivalents	62.9	(36.1)	55.8	11.0	21.4	22.5
AR & NR	(0.3)	8.6	1.4	(18.2)	7.8	3.5
Inventories	(10.4)	0.1	16.3	(9.4)	(27.3)	38.9
PP&E	(3.2)	26.7	(1.0)	(4.3)	24.7	(17.0)
Total Liabilities	(1.5)	38.9	(22.0)	(15.4)	3.9	28.6
AP & NP	(17.8)	37.0	(1.3)	(30.5)	26.6	22.2
Total Equity	6.2	(18.5)	43.5	24.2	(3.0)	0.9

Key Financial Ratios (%)						
A/R Days	40	42	37	34	38	42
Inventory Days	119	111	100	102	101	105
A/P Days	32	34	32	27	30	39
Cash Conversion Days	126	119	104	108	108	108
ROE (%)	13.1	(3.7)	18.0	10.7	6.9	10.4
ROA (%)	7.3	(1.8)	9.1	6.7	4.6	6.5
Net Debt (Net Cash) to Equity ratio (%)	20.3	64.3	14.4	6.7	1.9	8.2
Debt ratio (%)	43.6	56.8	41.7	32.7	34.3	39.9

DIVIDEND PAYOUT AND CAPEX

KWONG LUNG

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
PAYOUT RATIO (%)	43	52	62	58	63	74	73	85	N/A	59	73	132	83
DIVIDENT YIELD* (%)	4.0	4.7	5.2	3.7	5.5	8.4	6.0	7.8	5.7	7.1	6.8	7.0	6.6
CAPEX (NT$ MN)	236	206	138	81	103	110	312	143	626	265	140	495	305
CAPEX TO SALES (%)	5.3	3.6	1.8	1.0	1.1	1.2	3.5	1.7	7.4	2.6	1.4	5.8	3.8

*Note: Cash yield is calculated based on Kwong Lung's market cap on the day before ex-dividends.

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