

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

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2022 and 2021 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

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

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of Kwong Lung Enterprise Co., Ltd. and its subsidiaries (collectively, the "Group") as of September 30, 2022 and 2021, the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2022 and 2021, 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 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, 2022 and 2021, the combined total assets of these non-significant subsidiaries were NT\$2,591,401 thousand and NT\$2,446,314 thousand, respectively, representing 29% and 28%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$819,452 thousand and NT\$305,434 thousand, respectively, representing 23% and 8%, respectively, of the consolidated total liabilities; for the three months and nine months ended September 30, 2022 and 2021, the amounts of combined comprehensive income of these non-significant subsidiaries were NT\$121,007 thousand, NT\$13,241 thousand, NT\$212,035 thousand and NT\$(38,320) thousand, respectively, representing 28%, (355%), 23% and (14%), 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, 2022 and 2021, were NT\$319,464 thousand and NT\$100,296 thousand, respectively, and the consolidated equity in these investees' net loss and gain for the three months and nine

months ended September 30, 2022 and 2021 amounted to NT\$12,465 thousand, NT\$(84) thousand, NT\$19,141 thousand and NT\$(1,095) 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 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, 2022 and 2021, its consolidated financial performance for the three months and nine months ended September 30, 2022 and 2021, and its consolidated cash flows for the nine months ended September 30, 2022 and 2021 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 3, 2022

### 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)

	September 30, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 1,463,113	16	\$ 1,310,791	16	\$ 730,450	8
Financial assets at fair value through profit or loss - current (Note 7)	5,659	-	1,673	-	7,976	-
Financial assets at amortized cost - current (Notes 9 and 31)	77,520	1	133,958	2	742,516	9
Notes receivable (Note 10)	15,713	-	88,424	1	115,570	1
Trade receivables (Notes 10 and 30)	1,438,273	16	868,444	10	832,790	10
Other receivables (Note 10)	372,797	4	372,029	4	301,131	3
Other receivables from related parties (Note 30)	-	-	-	-	60,000	1
Inventories (Note 12)	2,173,064	24	2,395,577	29	2,550,217	29
Other current assets (Notes 11 and 19)	220,498	3	161,845	2	207,838	2
Total current assets	5,766,637	64	5,332,741	64	5,548,488	63
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	137,521	1	231,300	3	226,200	3
Financial assets at amortized cost - non-current (Note 9)	50,000	1	-	-	-	-
Investments accounted for using the equity method (Note 14)	319,464	3	331,119	4	327,348	4
Property, plant and equipment (Notes 15, 30 and 31)	1,597,675	18	1,557,470	19	1,724,577	20
Right-of-use assets (Notes 16 and 30)	107,629	1	123,098	1	125,374	1
Investment properties, net (Notes 17 and 30)	783,104	9	462,485	6	578,193	7
Intangible assets (Note 18)	36,732	-	45,758	-	48,453	-
Deferred tax assets	71,580	1	56,092	1	52,540	1
Other non-current assets (Notes 11 and 19)	159,472	2	154,273	2	113,507	1
Total non-current assets	3,263,177	36	2,961,595	36	3,196,192	37
<b>TOTAL</b>	<b>\$ 9,029,814</b>	<b>100</b>	<b>\$ 8,294,336</b>	<b>100</b>	<b>\$ 8,744,680</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 20 and 31)	\$ 1,065,615	12	\$ 1,048,621	13	\$ 1,197,782	14
Short-term bills payable (Note 20)	30,000	-	30,000	-	30,000	-
Financial liabilities at fair value through profit or loss - current (Note 7)	24,811	-	3,816	-	4,042	-
Notes payable	6,987	-	5,272	-	3,955	-
Trade payables (Note 30)	943,284	10	842,158	10	846,578	10
Other payables (Notes 21 and 30)	414,218	5	334,022	4	285,504	3
Current tax liabilities (Note 4)	225,354	3	134,643	2	110,663	1
Lease liabilities - current (Notes 16 and 30)	42,817	-	63,155	1	26,514	-
Other receipts in advance (Note 13)	-	-	-	-	495,075	6
Current portion of long-term liabilities (Notes 20 and 31)	-	-	898	-	893	-
Other current liabilities	68,709	1	32,741	-	34,470	1
Total current liabilities	2,821,795	31	2,495,326	30	3,035,476	35
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Notes 20 and 31)	528,670	6	640,815	8	741,042	9
Deferred tax liabilities	143,623	2	117,013	1	117,270	1
Lease liabilities - non-current (Notes 16 and 30)	22,573	-	34,594	1	31,234	-
Net defined benefit liabilities - non-current (Notes 4 and 22)	16,812	-	18,547	-	25,354	-
Other non-current liabilities	6,765	-	5,777	-	5,045	-
Total non-current liabilities	718,443	8	816,746	10	919,945	10
Total liabilities	3,540,238	39	3,312,072	40	3,955,421	45
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 23 and 26)</b>						
Share capital						
Ordinary shares	1,390,327	16	1,313,228	16	1,312,738	15
Preference shares	112,571	1	182,000	2	182,000	2
Advance receipts for ordinary shares	174	-	4,348	-	154	-
Total share capital	1,503,072	17	1,499,576	18	1,494,892	17
Capital surplus	2,214,172	25	2,192,751	26	2,190,360	25
Retained earnings						
Legal reserve	575,708	6	516,709	6	516,709	6
Special reserve	182,576	2	59,807	1	59,807	1
Unappropriated earnings	1,067,028	12	872,772	11	626,429	7
Total retained earnings	1,825,312	20	1,449,288	18	1,202,945	14
Other equity interests						
Exchange differences on the translation of the financial statements of foreign operations	(114,135)	(1)	(347,919)	(4)	(276,736)	(3)
Unrealized gain on financial assets at fair value through other comprehensive income	42,288	-	165,343	2	154,362	2
Total other equity interests	(71,847)	(1)	(182,576)	(2)	(122,374)	(1)
Total equity attributable to owners of the Company	5,470,709	61	4,959,039	60	4,765,823	55
<b>NON-CONTROLLING INTERESTS</b>	<b>18,867</b>	<b>-</b>	<b>23,225</b>	<b>-</b>	<b>23,436</b>	<b>-</b>
Total equity	5,489,576	61	4,982,264	60	4,789,259	55
<b>TOTAL</b>	<b>\$ 9,029,814</b>	<b>100</b>	<b>\$ 8,294,336</b>	<b>100</b>	<b>\$ 8,744,680</b>	<b>100</b>

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

(With Deloitte & Touche review report dated November 3, 2022)

## 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			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 30)								
Sales revenue	\$ 3,210,400	100	\$ 1,796,238	100	\$ 8,152,797	100	\$ 5,882,015	100
OPERATING COSTS (Notes 12, 24 and 30)								
Cost of goods sold	<u>(2,633,686)</u>	<u>(82)</u>	<u>(1,581,617)</u>	<u>(88)</u>	<u>(6,776,959)</u>	<u>(83)</u>	<u>(5,082,002)</u>	<u>(87)</u>
GROSS PROFIT	<u>576,714</u>	<u>18</u>	<u>214,621</u>	<u>12</u>	<u>1,375,838</u>	<u>17</u>	<u>800,013</u>	<u>13</u>
OPERATING EXPENSES (Notes 24 and 30)								
Selling and marketing expenses	(119,314)	(4)	(96,210)	(5)	(301,855)	(4)	(274,593)	(5)
General and administrative expenses	(92,421)	(3)	(73,807)	(4)	(250,407)	(3)	(217,733)	(4)
Research and development expenses	(13,340)	-	(11,299)	(1)	(36,907)	(1)	(35,978)	-
Expected credit loss	<u>(986)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,748)</u>	<u>-</u>	<u>(75,264)</u>	<u>(1)</u>
Total operating expenses	<u>(226,061)</u>	<u>(7)</u>	<u>(181,316)</u>	<u>(10)</u>	<u>(594,917)</u>	<u>(8)</u>	<u>(603,568)</u>	<u>(10)</u>
PROFIT FROM OPERATIONS	<u>350,653</u>	<u>11</u>	<u>33,305</u>	<u>2</u>	<u>780,921</u>	<u>9</u>	<u>196,445</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES (Notes 24 and 30)								
Interest income	6,205	-	4,418	-	13,009	-	13,523	-
Other income	16,523	1	9,446	-	21,532	1	16,231	-
Other gains and losses	76,238	2	(2,898)	-	175,967	2	(23,100)	-
Finance costs	(6,194)	-	(3,351)	-	(15,677)	-	(8,665)	-
Share of profit (loss) of associates accounted for using the equity method	<u>12,465</u>	<u>-</u>	<u>(22,926)</u>	<u>(1)</u>	<u>19,141</u>	<u>-</u>	<u>117,831</u>	<u>2</u>
Total non-operating income and expenses	<u>105,237</u>	<u>3</u>	<u>(15,311)</u>	<u>(1)</u>	<u>213,972</u>	<u>3</u>	<u>115,820</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	455,890	14	17,994	1	994,893	12	312,265	5
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(87,219)</u>	<u>(2)</u>	<u>(6,343)</u>	<u>-</u>	<u>(186,700)</u>	<u>(2)</u>	<u>(66,058)</u>	<u>(1)</u>
NET PROFIT FOR THE PERIOD	<u>368,671</u>	<u>12</u>	<u>11,651</u>	<u>1</u>	<u>808,193</u>	<u>10</u>	<u>246,207</u>	<u>4</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			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	\$ (22,200)	(1)	\$ (18,300)	(1)	\$ (117,750)	(2)	\$ 105,257	2
Share of the other comprehensive income of associates accounted for using the equity method	1,649	-	242	-	1,307	-	1,624	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations	<u>124,418</u>	4	<u>2,673</u>	-	<u>227,035</u>	3	<u>(74,706)</u>	(1)
Other comprehensive income (loss) for the period, net of income tax	<u>103,867</u>	3	<u>(15,385)</u>	(1)	<u>110,592</u>	1	<u>32,175</u>	1
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<u>\$ 472,538</u>	<u>15</u>	<u>\$ (3,734)</u>	<u>-</u>	<u>\$ 918,785</u>	<u>11</u>	<u>\$ 278,382</u>	<u>5</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 369,587	12	\$ 11,311	1	\$ 809,367	10	\$ 271,470	5
Non-controlling interests	<u>(916)</u>	-	<u>340</u>	-	<u>(1,174)</u>	-	<u>(25,263)</u>	(1)
	<u>\$ 368,671</u>	<u>12</u>	<u>\$ 11,651</u>	<u>1</u>	<u>\$ 808,193</u>	<u>10</u>	<u>\$ 246,207</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 473,262	15	\$ (4,017)	-	\$ 919,595	11	\$ 304,073	5
Non-controlling interests	<u>(724)</u>	-	<u>283</u>	-	<u>(810)</u>	-	<u>(25,691)</u>	-
	<u>\$ 472,538</u>	<u>15</u>	<u>\$ (3,734)</u>	<u>-</u>	<u>\$ 918,785</u>	<u>11</u>	<u>\$ 278,382</u>	<u>5</u>
EARNINGS (LOSS) PER SHARE (Note 26)								
Basic	<u>\$2.78</u>		<u>\$(0.26)</u>		<u>\$5.79</u>		<u>\$1.72</u>	
Diluted	<u>\$2.45</u>		<u>\$(0.26)</u>		<u>\$5.06</u>		<u>\$1.51</u>	

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

(With Deloitte & Touche review report dated November 3, 2022)

(Concluded)

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

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

	Equity Attributable to Owners of the Company											Other Equity Interests			Total	Non-controlling Interests	Total Equity		
	Share Capital				Capital Surplus							Retained Earnings						Exchange Differences on 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	Legal Reserve	Special Reserve	Unappropriated Earnings					
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	29,440	(29,440)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	-	(241,399)	-	-	(241,399)	-	(241,399)
Cash dividends of preference shares distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	-	(45,500)	-	-	(45,500)	-	(45,500)
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
BALANCE AT JANUARY 1, 2022	\$ 1,313,228	\$ 182,000	\$ 4,348	\$ 1,499,576	\$ 1,484,980	\$ 640,431	\$ 29,284	\$ 2,460	\$ 15,164	\$ 20,432	\$ 2,192,751	\$ 516,709	\$ 59,807	\$ 872,772	\$ (347,919)	\$ 165,343	\$ 4,959,039	\$ 23,225	\$ 4,982,264
Appropriation of the 2021 earnings	-	-	-	-	-	-	-	-	-	-	-	58,999	-	(58,999)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	122,769	(122,769)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	-	(394,455)	-	-	(394,455)	-	(394,455)
Cash dividends of preference shares distributed by the Company	-	-	-	-	-	-	-	-	-	-	-	-	-	(45,500)	-	-	(45,500)	-	(45,500)
Net profit (loss) for the nine months ended September 30, 2022	-	-	-	-	-	-	-	-	-	-	-	-	-	809,367	-	-	809,367	(1,174)	808,193
Other comprehensive income (loss) for the nine months ended September 30, 2022, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	226,671	(116,443)	110,228	364	110,592
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	-	-	-	-	-	-	-	-	-	809,367	226,671	(116,443)	919,595	(810)	918,785
Convertible preference shares converted	69,429	(69,429)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,113	-	7,113	-	7,113
Issuance of ordinary shares under employee share options	7,670	-	(4,174)	3,496	28,818	-	-	-	(7,397)	-	21,421	-	-	-	-	-	24,917	1	24,918
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,549)	(3,549)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	6,612	-	(6,612)	-	-	-
BALANCE AT SEPTEMBER 30, 2022	\$ 1,390,327	\$ 112,571	\$ 174	\$ 1,503,072	\$ 1,513,798	\$ 640,431	\$ 29,284	\$ 2,460	\$ 7,767	\$ 20,432	\$ 2,214,172	\$ 575,708	\$ 182,576	\$ 1,067,028	\$ (114,135)	\$ 42,288	\$ 5,470,709	\$ 18,867	\$ 5,489,576

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

(With Deloitte & Touche review report dated November 3, 2022)

# 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	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 994,893	\$ 312,265
Adjustments for:		
Depreciation expense	127,859	123,004
Amortization expense	9,252	10,054
Expected credit loss	5,748	75,264
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	19,152	(3,934)
Finance costs	15,677	8,665
Interest income	(13,009)	(13,523)
Dividend income	(13,087)	(6,000)
Compensation costs of employee share options	1,476	1,765
Share of profit of associates accounted for using the equity method	(19,141)	(117,831)
Loss (gain) on disposal of property, plant and equipment	547	(7)
Gain on disposal of investment properties	(25,289)	-
Loss on disposal of associates accounted for using the equity method	8,516	-
Write-downs of inventories	61,327	23,432
Net gain on foreign currency exchange	(18,870)	(12,218)
Other gains and losses	(73)	(264)
Changes in operating assets and liabilities		
Financial assets mandatorily classified at fair value through profit or loss	1,673	22,807
Notes receivable	72,711	74,155
Trade receivables	(524,883)	(91,448)
Other receivables	17,150	(42,514)
Inventories	148,546	(847,368)
Other current assets	(48,633)	(64,979)
Financial liabilities held for trading	(3,816)	(692)
Notes payable	1,715	492
Trade payables	82,919	155,321
Other payables	65,579	(34,759)
Other current liabilities	35,968	(3,803)
Net defined benefit liabilities	(1,735)	(2,812)
Cash generated from (used in) operations	1,002,172	(434,928)
Interest received	10,532	12,711
Interest paid	(15,582)	(8,410)
Income tax paid	(84,867)	(83,881)
Net cash generated from (used in) operating activities	<u>912,255</u>	<u>(514,508)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	145,557
Acquisition of financial assets at amortized cost	(53,482)	(58,976)
Proceeds from disposal of financial assets at amortized cost	61,210	20,000

(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	
	2022	2021
Acquisition of investments accounted for using the equity method	\$ -	\$ (6,964)
Acquisition of property, plant and equipment	(109,393)	(228,333)
Proceeds from disposal of property, plant and equipment	25,100	12
Decrease in other receivables - related parties	-	60,000
Acquisition of intangible assets	(225)	(2,219)
Acquisition of investment properties	(421,008)	(90,456)
Disposal of investment properties	96,195	-
Increase in other non-current assets	(13,356)	(155)
Dividends received	13,087	6,000
Dividends received from associates	9,294	7,192
Net cash used in investing activities	<u>(392,578)</u>	<u>(148,342)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	-	434,190
Repayments of short-term borrowings	(2,865)	-
Repayments of short-term bills payable	-	(50,000)
Proceeds from long-term borrowings	400,000	728,670
Repayments of long-term borrowings	(513,043)	(300,661)
Repayments of the principal portion of lease liabilities	(53,005)	(22,312)
Increase in other non-current liabilities	988	640
Cash dividends paid	(439,955)	(439,086)
Proceeds from share options exercised	23,442	6,545
Changes in non-controlling interests	(3,549)	3,857
Net cash (used in) generated from financing activities	<u>(587,987)</u>	<u>361,843</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>		
	<u>220,632</u>	<u>(38,667)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	152,322	(339,674)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>1,310,791</u>	<u>1,070,124</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 1,463,113</u>	<u>\$ 730,450</u>

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

(With Deloitte & Touche review report dated November 3, 2022)

(Concluded)

# KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

Kwong Lung Enterprise Co., Ltd. (the “Company”) was incorporated in February 1966 under the Company 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 3, 2022.

### 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 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments will be 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 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were 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 of 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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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
Amendments to IFRS 16 "Leases Liability in a Sale and leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of other standards and interpretations 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 an investment in an associate.

See Note 13 and Table 8 for detailed information on the subsidiaries (including the percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2021.

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, 2021 for the critical accounting judgments and key sources of estimation uncertainty.

## 6. CASH AND CASH EQUIVALENTS

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	\$ 2,604	\$ 2,203	\$ 2,815
Checking accounts and demand deposits	592,947	482,860	543,180
Cash equivalents (investments with original maturities of 3 months or less)			
Time deposits	<u>867,562</u>	<u>825,728</u>	<u>184,455</u>
	<u>\$ 1,463,113</u>	<u>\$ 1,310,791</u>	<u>\$ 730,450</u>

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

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets at FVTPL - current</u>			
Mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 5,659</u>	<u>\$ 1,673</u>	<u>\$ 7,976</u>
<u>Financial liabilities at FVTPL - current</u>			
Held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 24,811</u>	<u>\$ 3,816</u>	<u>\$ 4,042</u>

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

	<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>September 30, 2022</u>			
Buy	EUR/USD	2022.10.28-2023.3.28	EUR1,985/USD2,163
Buy	USD/JPY	2022.12.19-2023.6.30	USD814/JPY105,175
Buy	EUR/JPY	2023.1.31-2023.2.28	EUR932/JPY118,869
Sell	USD/NTD	2022.10.14-2022.11.25	USD14,000/NTD427,723
Sell	EUR/NTD	2022.12.28-2023.3.29	EUR1,126/NTD35,438
Sell	USD/JPY	2022.10.26	USD400/JPY47,752
<u>December 31, 2021</u>			
Buy	EUR/NTD	2022.1.4-2022.4.14	EUR1,119/NTD37,016
Buy	EUR/USD	2022.4.28-2022.8.31	EUR2,350/USD2,731
Buy	EUR/JPY	2022.2.1-2022.3.31	EUR885/JPY115,929
Sell	JPY/NTD	2022.1.25-2022.3.30	JPY174,000/NTD43,431
<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

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

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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
<u>Non-current</u>			
Domestic investments			
Listed shares	\$ 113,550	\$ 231,300	\$ 226,200
Foreign investments			
Unlisted shares	<u>23,971</u>	<u>-</u>	<u>-</u>
	<u>\$ 137,521</u>	<u>\$ 231,300</u>	<u>\$ 226,200</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Current</u>			
Domestic investments			
Restricted assets - bank balance	\$ 53,520	\$ 49,958	\$ 501,051
Time deposits with original maturities of more than 3 months	24,000	24,000	181,465
Private corporate bonds with no active market (a)	<u>          -</u>	<u>60,000</u>	<u>60,000</u>
	<u>\$ 77,520</u>	<u>\$ 133,958</u>	<u>\$ 742,516</u>
<u>Non-current</u>			
Domestic investments			
Private corporate bond with no active market (b)	<u>\$ 50,000</u>	<u>          -</u>	<u>          -</u>

- a. The Group held six units of five-year unsecured corporate bonds issued by Snowdown Merchandise Corporation with a coupon rate of 2.75% as of December 31, 2021 and September 30, 2021.
- b. The Group subscribed five units of five-year unsecured corporate bonds issued by Koutou Co., Ltd. in the principal amount of 10,000 thousand with a coupon rate of 2.5% in August 2022.
- c. 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, 2022	December 31, 2021	September 30, 2021
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ 15,713	\$ 88,424	\$ 115,570
Less: Allowance for impairment loss	<u>          -</u>	<u>          -</u>	<u>          -</u>
	<u>\$ 15,713</u>	<u>\$ 88,424</u>	<u>\$ 115,570</u>
<u>Trade receivables (including related parties)</u>			
At amortized cost			
Gross carrying amount	\$ 1,438,354	\$ 868,525	\$ 832,871
Less: Allowance for impairment loss	<u>          (81)</u>	<u>          (81)</u>	<u>          (81)</u>
	<u>\$ 1,438,273</u>	<u>\$ 868,444</u>	<u>\$ 832,790</u>

(Continued)

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
<u>Other receivables</u>			
Sale of raw materials	\$ 468,494	\$ 462,204	\$ 409,993
Tax refund receivable	44,986	50,996	30,208
Others	7,670	3,742	3,450
Less: Allowance for impairment loss	<u>(148,353)</u>	<u>(144,913)</u>	<u>(142,520)</u>
	<u>\$ 372,797</u>	<u>\$ 372,029</u>	<u>\$ 301,131</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:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Less than 30 days	\$ 1,075,246	\$ 632,625	\$ 660,202
31-60 days	238,545	201,557	92,403
61-120 days	124,563	34,343	80,266
More than 120 days	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,438,354</u>	<u>\$ 868,525</u>	<u>\$ 832,871</u>

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

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
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:

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 144,913	\$ 73,573
Add: Net remeasurement of loss allowance*	2,863	68,947
Foreign exchange gains and losses	<u>577</u>	<u>-</u>
Balance at September 30	<u>\$ 148,353</u>	<u>\$ 142,520</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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
<u>Undiscounted lease payments</u>			
Year 1	\$ 46,226	\$ 33,941	\$ 31,413
Year 2	20,273	20,273	20,273
Year 3	20,273	20,273	20,273
Year 4	5,098	20,303	20,273
Year 5	<u>-</u>	<u>-</u>	<u>5,098</u>
	91,870	94,790	97,330
Less: Unearned finance income	(10,245)	(14,385)	(16,095)
Less: Allowance for impairment loss	<u>(9,202)</u>	<u>(6,317)</u>	<u>(6,317)</u>
Net investment in leases presented as finance lease receivables	<u>\$ 72,423</u>	<u>\$ 74,088</u>	<u>\$ 74,918</u>

The Group entered into 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, and the average term of the finance lease is 5 years.

The implied interest rates inherent in the leases are fixed at the contract dates for the entire term of the lease. The range of implied interest rates inherent in the finance leases was 9.44%-10.44% per annum as of September 30, 2022.

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, 2022, part of finance lease receivables were past due. The Group has recognized a loss allowance of \$9,202 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, 2022	December 31, 2021	September 30, 2021
Merchandise	\$ 161,614	\$ 169,355	\$ 275,646
Finished goods	439,977	378,065	155,279
Work in progress	945,926	997,096	1,166,959
Raw materials and supplies	511,671	622,110	831,744
Goods to subcontractor	2,655	27	5,541
Inventory in transit	<u>111,221</u>	<u>228,924</u>	<u>115,048</u>
	<u>\$ 2,173,064</u>	<u>\$ 2,395,577</u>	<u>\$ 2,550,217</u>

The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2022 and 2021 included inventory write-downs of \$11,646 thousand and \$8,532 thousand, and for the nine months ended September 30, 2022 and 2021 were \$61,327 thousand and \$23,432 thousand, respectively.

## 13. SUBSIDIARIES

### a. Subsidiaries included in consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2022	December 31, 2021	September 30, 2021	
The Company	Kwong Lung (B.V.I.) Ltd.	Overseas reinvested holding company.	100.00	100.00	100.00	1), 4)
	Kwong Lung Meko Co., Ltd.	Manufacturing and selling of down and bedding.	100.00	100.00	100.00	Major subsidiary
	Kwong Lung Japan Co., Ltd.	Manufacturing and selling of down and bedding.	100.00	100.00	100.00	2)
	Bo Hsing Enterprise Co., Ltd.	Manufacturing and selling of apparel.	100.00	100.00	100.00	3)
	Toptex Garment Co., Ltd.	Manufacturing and selling of apparel.	100.00	100.00	100.00	1)

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2022	December 31, 2021	September 30, 2021	
	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.	100.00	100.00	100.00	1)
	Kwong Lung Europe SP. Z O.O.	Various selling of down and bedding	-	-	100.00	1), 9)
	Kwong Lung-O Mon Company Limited	Manufacturing and selling of apparel.	100.00	100.00	100.00	1)
	Manumech Corporation	Wholesale	94.59	94.59	94.59	1), 7)
Kwong Lung (B.V.I.) Ltd.	Kwong Lung Feather (B.V.I.) Limited	Overseas reinvested holding company.	100.00	100.00	100.00	1), 4), 10)
	Kwong Lung (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding.	100.00	100.00	100.00	2), 5)
Kwong Lung Japan Co., Ltd.	Rising Living Co., Ltd.	Manufacturing and selling of down and bedding.	51.00	51.00	51.00	1), 6)
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	Overseas reinvested holding company.	40.00	40.00	40.00	1)
Kwong Lung Meko Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	Overseas reinvested holding company	60.00	60.00	60.00	1)
Kwong Lung Feather (B.V.I.)	Snowdown Merchandise (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding.	-	-	100.00	1), 8)
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	100.00	100.00	100.00	1)
	Huai An 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.	51.00	51.00	51.00	1)
P&B Collection Co., Ltd.	Manumech Corporation	Wholesale	2.76	2.76	2.76	1), 7)
Manumech Corporation	Intime Tech Co., Ltd.	Wholesale	100.00	100.00	100.00	1)

(Concluded)

- 1) It is an immaterial subsidiary; its financial statements have not been reviewed as of September 30, 2022 and September 30, 2021.
- 2) It is an immaterial subsidiary; its financial statements have been reviewed as of September 30, 2021; however, its financial statements as of September 30, 2022 have not been reviewed.
- 3) It is an immaterial subsidiary; its financial statements have been reviewed as of September 30, 2022; however, its financial statements as of September 30, 2021 have not been reviewed.
- 4) 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.
- 5) 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 (B.V.I.) Ltd. The base date of the capital reduction was March 19, 2021.
- 6) 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.

- 7) 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%.
- 8) The Group disposed of the subsidiary Snowdown Merchandise (Suzhou) Co., Ltd. (“Snowdown Merchandise Suzhou”) on December 2, 2021, and the aggregate amount of the share price of RMB115,000 thousand was transferred in two installments from other receipts in advance to income. On September 7, 2021, the Group entered into a contract with Suzhou Longhou Machinery Co., Ltd. (“Suzhou Longhou Machinery”), and under the signed agreement, the subsidiary Kwong Lung (Suzhou) Co., Ltd. (“Kwong Lung Suzhou”) shall issue the amount of performance bond of RMB10,000 thousand to Suzhou Longhou Machinery as a guarantee to 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. Refer to Note 13 to the consolidated financial statements for the year ended December 31, 2021 for details of the transaction.
- 9) In May 2020, the Company’s board of directors resolved to liquidate Kwong Lung Europe SP.Z O.O. The Company received the proceeds from the liquidation distribution in December 2021. The liquidation process was completed on May 20, 2022.
- 10) On April 14, 2022, Kwong Lung Feather (B.V.I) Limited’s board of directors resolved to reduce capital by returning to the shareholders cash of US\$15,200 thousand. The share capital after the capital reduction is US\$3,059 thousand.

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

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

##### Investments in associates

	September 30, 2022	December 31, 2021	September 30, 2021
Material associate			
Snowdown Merchandise Corporation	\$ 234,847	\$ 226,889	\$ 227,052
Associates that are not individually material	<u>84,617</u>	<u>104,230</u>	<u>100,296</u>
	<u>\$ 319,464</u>	<u>\$ 331,119</u>	<u>\$ 327,348</u>

##### Material associates

Name of Associate	<u>Proportion of Ownership and Voting Rights</u>		
	September 30, 2022	December 31, 2021	September 30, 2021
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 (“Snowdown Merchandise”) recognized by the Group was 43% of the total consolidated comprehensive income; thus, the Group included Snowdown Merchandise as a material associate.

The nature of activities, principal location of business and incorporation of the above associates are disclosed in Table 8.

The financial statements of Snowdown Merchandise for the nine months ended September 30, 2021 have been reviewed. However, its financial statements for the nine months ended September 30, 2022 have not been reviewed as the proportionate amount of the net profit and other comprehensive income of Snowdown Merchandise recognized by the Group was only 1% of the total consolidated comprehensive income for the nine months ended September 30, 2022 which was not material. The rest of the 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 board of directors of Kwong Lung (B.V.I.) Ltd. 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.

In 2021, the Group held a 25% interest in JBV Hi-Tech Ltd. and accounted for the investment as an associate. The Group exchanged all interest held in JBV Hi-Tech Ltd. for 1.99% interest in J&B International Inc. The Group recognized J&B International Inc. as financial assets at fair value through other comprehensive income. The amount recognized in profit or loss as a result of this transaction was calculated as follows:

Fair value of interest in J&B International Inc.	\$ 23,971
Less: Carrying amount of investment on the date of loss of significant influence	(25,374)
Less: Share of other comprehensive income of the associate	<u>(7,113)</u>
Loss recognized	<u>\$ (8,516)</u>

## 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, 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)
Effects 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 and impairment</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
Effects 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>

(Continued)

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Property under Construction	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 750,609	\$ 1,055,946	\$ 646,956	\$ 35,816	\$ 216,326	\$ 100,135	\$ 2,805,788
Additions	-	595	17,534	318	4,002	86,315	108,764
Disposals	(21,240)	(13,832)	(40,664)	(4)	(6,148)	-	(81,888)
Reclassification	153	27,566	-	-	-	(27,719)	-
Effects of foreign currency exchange differences	-	58,723	61,880	3,833	4,693	3,743	132,872
Balance at September 30, 2022	<u>\$ 729,522</u>	<u>\$ 1,128,998</u>	<u>\$ 685,706</u>	<u>\$ 39,963</u>	<u>\$ 218,873</u>	<u>\$ 162,474</u>	<u>\$ 2,965,536</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ 476,432	\$ 545,870	\$ 29,295	\$ 196,721	\$ -	\$ 1,248,318
Disposals	-	(11,366)	(38,972)	-	(5,903)	-	(56,241)
Depreciation expense	-	45,461	28,642	2,002	6,373	-	82,478
Effects of foreign currency exchange differences	-	34,254	51,640	3,254	4,158	-	93,306
Balance at September 30, 2022	<u>\$ -</u>	<u>\$ 544,781</u>	<u>\$ 587,180</u>	<u>\$ 34,551</u>	<u>\$ 201,349</u>	<u>\$ -</u>	<u>\$ 1,367,861</u>
Carrying amounts at January 1, 2022	<u>\$ 750,609</u>	<u>\$ 579,514</u>	<u>\$ 101,086</u>	<u>\$ 6,521</u>	<u>\$ 19,605</u>	<u>\$ 100,135</u>	<u>\$ 1,557,470</u>
Carrying amounts at September 30, 2022	<u>\$ 729,522</u>	<u>\$ 584,217</u>	<u>\$ 98,526</u>	<u>\$ 5,412</u>	<u>\$ 17,524</u>	<u>\$ 162,474</u>	<u>\$ 1,597,675</u>

(Concluded)

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, 2022	December 31, 2021	September 30, 2021
<u>Carrying amount</u>			
Land	\$ 50,569	\$ 46,463	\$ 73,668
Buildings	40,347	59,077	38,530
Machinery	1,522	2,078	1,101
Transportation equipment	<u>15,191</u>	<u>15,480</u>	<u>12,075</u>
	<u>\$ 107,629</u>	<u>\$ 123,098</u>	<u>\$ 125,374</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Additions to right-of-use assets	\$ 13,416	\$ 1,993	\$ 17,845	\$ 10,632
Depreciation charge for right-of-use assets				
Land	\$ 745	\$ 936	\$ 2,145	\$ 2,807
Buildings	11,130	4,752	32,225	16,614
Machinery	221	220	654	662
Transportation equipment	<u>2,430</u>	<u>1,598</u>	<u>6,549</u>	<u>4,823</u>
	\$ 14,526	\$ 7,506	\$ 41,573	\$ 24,906

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, 2022 and 2021.

b. Lease liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Carrying amount</u>			
Current	\$ 42,817	\$ 63,155	\$ 26,514
Non-current	\$ 22,573	\$ 34,594	\$ 31,234

Range of discount rates for lease liabilities was as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Land	1.28%	1.28%	1.28%
Buildings	0.37%-5.75%	0.52%-5.75%	0.52%-1.28%
Machinery	1.03%-5.00%	1.03%-5.00%	1.03%-1.28%
Transportation equipment	0.52%-1.28%	0.52%-1.28%	0.52%-1.28%

c. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Expenses relating to short-term leases	\$ 5,930	\$ 4,470	\$ 10,191	\$ 10,804
Expenses relating to low-value asset leases	\$ 39	\$ 245	\$ 658	\$ 842
Total cash outflow for leases	\$ (23,355)	\$ (11,303)	\$ (65,077)	\$ (34,394)

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
<u>Cost</u>		
Balance at January 1	\$ 470,423	\$ 328,552
Additions	421,008	94,249
Disposals	(71,257)	-
Transfers from property, plant and equipment	-	188,443
Effects of foreign currency exchange differences	<u>(26,228)</u>	<u>(23,591)</u>
Balance at September 30	<u>\$ 793,946</u>	<u>\$ 584,975</u>
<u>Accumulated depreciation</u>		
Balance at January 1	\$ 7,938	\$ 4,078
Depreciation expense	3,808	3,146
Disposals	(351)	-
Effects of foreign currency exchange differences	<u>(553)</u>	<u>(442)</u>
Balance at September 30	<u>\$ 10,842</u>	<u>\$ 6,782</u>
Carrying amount at September 30	<u>\$ 783,104</u>	<u>\$ 578,193</u>

Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings 10-50 years

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Fair value	<u>\$ 816,604</u>	<u>\$ 516,661</u>	<u>\$ 610,045</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, 2022 and 2021, as compared to that as of December 31, 2021 and 2020.

## 18. INTANGIBLE ASSETS

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Goodwill	\$ 22,022	\$ 22,022	\$ 22,022
Cost of computer software	14,249	21,890	24,124
Others	<u>461</u>	<u>1,846</u>	<u>2,307</u>
	<u>\$ 36,732</u>	<u>\$ 45,758</u>	<u>\$ 48,453</u>

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

## 19. OTHER ASSETS

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Current</u>			
Overpaid tax retained for offsetting future tax payable	\$ 88,975	\$ 61,307	\$ 60,758
Prepayments	47,093	38,246	68,102
Finance lease receivables (Note 11)	31,665	21,645	18,768
Others	<u>52,765</u>	<u>40,647</u>	<u>60,210</u>
	<u>\$ 220,498</u>	<u>\$ 161,845</u>	<u>\$ 207,838</u>
<u>Non-current</u>			
Finance lease receivables (Note 11)	\$ 40,758	\$ 52,443	\$ 56,150
Refundable deposits	27,021	43,847	19,200
Prepayments for investment	69,395	36,136	36,136
Prepayments for equipment	15,512	14,904	1,732
Others	<u>6,786</u>	<u>6,943</u>	<u>289</u>
	<u>\$ 159,472</u>	<u>\$ 154,273</u>	<u>\$ 113,507</u>

## 20. BORROWINGS

### a. Short-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>\$ 1,065,615</u>	<u>\$ 1,048,621</u>	<u>\$ 1,197,782</u>
Range of interest rates	0.26%-4.67%	0.28%-1.55%	0.28%-4.82%

### b. Short-term bills payable

	September 30, 2022	December 31, 2021	September 30, 2021
Commercial paper	\$ 30,000	\$ 30,000	\$ 30,000
Less: Unamortized discounts on bills payable	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>

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

	September 30, 2022	December 31, 2021	September 30, 2021
Current portion of long-term borrowings	<u>\$ -</u>	<u>\$ 898</u>	<u>\$ 893</u>

d. Long-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Secured borrowings</u>			
Bank loans*	\$ 28,670	\$ 41,713	\$ 41,935
<u>Unsecured borrowings</u>			
Credit borrowings	<u>500,000</u>	<u>600,000</u>	<u>700,000</u>
	528,670	641,713	741,935
Less: Current portions	<u>-</u>	<u>(898)</u>	<u>(893)</u>
Long-term borrowings	<u>\$ 528,670</u>	<u>\$ 640,815</u>	<u>\$ 741,042</u>
Range of interest rates	1.31%-1.73%	0.62%-1.70%	0.62%-1.70%

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

## 21. OTHER PAYABLES

	September 30, 2022	December 31, 2021	September 30, 2021
Payables for payroll and employee benefits	\$ 194,476	\$ 168,680	\$ 127,821
Payables for fabrication expense	46,598	29,278	37,195
Payables for compensation of employees	40,833	20,667	15,667
Payables for remuneration of directors and supervisors	17,917	16,000	12,363
Payables for VAT	5,194	530	1,588
Payables for purchase of equipment	353	374	6,286
Others	<u>108,847</u>	<u>98,493</u>	<u>84,584</u>
	<u>\$ 414,218</u>	<u>\$ 334,022</u>	<u>\$ 285,504</u>

## 22. RETIREMENT BENEFIT PLANS

Employee benefit expenses for the three months and nine months ended September 30, 2022 and 2021 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, 2021 and 2020. The Group recognized pension amounts of \$59 thousand, \$70 thousand, \$177 thousand and \$208 thousand for the three months and nine months ended September 30, 2022 and 2021, respectively.

## 23. EQUITY

### a. Share capital

#### Ordinary shares

	September 30, 2022	December 31, 2021	September 30, 2021
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>139,033</u>	<u>131,323</u>	<u>131,274</u>
Shares issued	<u>\$ 1,390,327</u>	<u>\$ 1,313,228</u>	<u>\$ 1,312,738</u>
Advance receipts for ordinary shares	<u>\$ 174</u>	<u>\$ 4,348</u>	<u>\$ 154</u>

The change in the Company's share capital is mainly due to the exercise of employee share options and converted preference shares. 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 FSC on October 25, 2018. The total amount of preference share A issued was \$910,000 thousand, consisting of 18,200 thousand shares sold at \$50, with a par value of \$10. The record date of capital increase was December 20, 2018. The payment of all issued preference shares was received and the relevant statutory registration procedures were completed. The preference shares are classified as equity.

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

- 1) The preference shares are perpetual.
- 2) The dividends of preference shares A is capped at 5% per annum on the issue price. The dividend rate will be set as 5-year IRS + (fixed rate). The fixed rate will be reset after one business day when 7-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. 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 preference share dividend if the preference shares are converted to ordinary share prior to the ex-dividend record date, but are entitled to ordinary shares dividend derived from earnings and capital reserve.
- 9) Preference shareholders have the same pre-emptive 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 still has 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 options may not be used for any other purposes.

c. Retained earnings and dividends policy

The shareholders of the Company held their regular meeting on May 31, 2022 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that the board of directors is authorized to adopt a special resolution to distribute dividends and bonuses or to distribute its legal reserve and capital surplus in cash, in whole or in part, as stipulated in Article 241 of the Company Act in cash and a report of such distribution should be submitted in the shareholders' meeting.

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 legal reserve 10% of the remaining profit, setting aside or reversing 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. The board of directors is authorized to adopt a special resolution

to distribute dividends and bonuses in cash, and a report of such distribution should be submitted in the shareholder's meeting. 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 24-(g).

Under the dividends policy as set forth in the Articles before the amendments, 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 legal reserve 10% of the remaining profit, setting aside or reversing 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.

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 30% of the total dividends distributed.

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

The appropriations of earnings for 2021 and 2020 were approved in the shareholders' meetings on May 31, 2022 and July 30, 2021, respectively, were as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Legal reserve	\$ 58,999	\$ 31,819
Special reserve	\$ 122,769	\$ 29,440
Ordinary share dividends	\$ 394,455	\$ 241,399
Preference share dividends	\$ 45,500	\$ 45,500
Ordinary share dividends per share (NT\$)	\$ 3	\$ 1.84
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.

d. Other equity items

Exchange differences on the translation of the financial statements of foreign operations

	<b><u>For the Nine Months Ended</u></b>	
	<b><u>September 30</u></b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ (347,919)	\$ (202,458)
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	226,671	(74,278)
Reclassification adjustments		
Disposal of foreign operations	<u>7,113</u>	<u>-</u>
Balance at September 30	<u>\$ (114,135)</u>	<u>\$ (276,736)</u>

## 24. NET PROFIT

### a. Interest income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Bank deposits	\$ 4,916	\$ 2,051	\$ 8,475	\$ 6,260
Financial assets at amortized cost	-	346	394	1,152
Net investments in leases	1,289	1,792	4,140	4,954
Others	<u>-</u>	<u>229</u>	<u>-</u>	<u>1,157</u>
	<u>\$ 6,205</u>	<u>\$ 4,418</u>	<u>\$ 13,009</u>	<u>\$ 13,523</u>

### b. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Rental income	\$ 3,436	\$ 3,446	\$ 8,445	\$ 10,231
Dividends	<u>13,087</u>	<u>6,000</u>	<u>13,087</u>	<u>6,000</u>
	<u>\$ 16,523</u>	<u>\$ 9,446</u>	<u>\$ 21,532</u>	<u>\$ 16,231</u>

### c. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Foreign exchange gains	\$ 322,228	\$ 85,833	\$ 604,741	\$ 167,283
Foreign exchange losses	(193,355)	(88,626)	(358,274)	(188,772)
(Loss) gain on financial assets and liabilities designated as at FVTPL	(48,037)	(20)	(68,556)	7,091
(Loss) gain on disposal of property, plant and equipment	(448)	(4)	(547)	7
Gain on disposal of investment properties	-	-	25,289	-
Loss on disposal of associates accounted for using the equity method	-	-	(8,516)	-
Others	<u>(4,150)</u>	<u>(81)</u>	<u>(18,170)</u>	<u>(8,709)</u>
	<u>\$ 76,238</u>	<u>\$ (2,898)</u>	<u>\$ 175,967</u>	<u>\$ (23,100)</u>

d. Finance costs

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Interest on bank loans	\$ 5,948	\$ 3,225	\$ 14,454	\$ 8,229
Interest on lease liabilities	<u>246</u>	<u>126</u>	<u>1,223</u>	<u>436</u>
	<u>\$ 6,194</u>	<u>\$ 3,351</u>	<u>\$ 15,677</u>	<u>\$ 8,665</u>

e. Depreciation and amortization

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
An analysis of depreciation by function				
Operating costs	\$ 27,787	\$ 24,908	\$ 80,621	\$ 78,725
Operating expenses	14,937	14,793	43,430	44,279
Other gains and losses	<u>1,482</u>	<u>-</u>	<u>3,808</u>	<u>-</u>
	<u>\$ 44,206</u>	<u>\$ 39,701</u>	<u>\$ 127,859</u>	<u>\$ 123,004</u>
An analysis of amortization by function				
Operating costs	\$ 466	\$ 466	\$ 1,399	\$ 1,399
Operating expenses	<u>2,514</u>	<u>2,946</u>	<u>7,853</u>	<u>8,655</u>
	<u>\$ 2,980</u>	<u>\$ 3,412</u>	<u>\$ 9,252</u>	<u>\$ 10,054</u>

f. Employee benefits expense

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Post-employment benefits				
Defined contribution plans	\$ 3,743	\$ 3,851	\$ 11,770	\$ 11,505
Defined benefit plans	<u>59</u>	<u>70</u>	<u>177</u>	<u>208</u>
	3,802	3,921	11,947	11,713
Share-based payments				
Equity-settled	955	609	1,476	1,765
Other employee benefits	<u>362,690</u>	<u>199,838</u>	<u>940,133</u>	<u>740,437</u>
Total employee benefits expense	<u>\$ 367,447</u>	<u>\$ 204,368</u>	<u>\$ 953,556</u>	<u>\$ 753,915</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 242,718	\$ 110,980	\$ 632,599	\$ 477,355
Operating expenses	<u>124,729</u>	<u>93,388</u>	<u>320,957</u>	<u>276,560</u>
	<u>\$ 367,447</u>	<u>\$ 204,368</u>	<u>\$ 953,556</u>	<u>\$ 753,915</u>

g. Compensation of employees and remuneration of directors and supervisors

According to the Company's Articles, the Company accrued compensation of employees and remuneration of directors and supervisors at the rates no less than 1% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. For the three months and nine months ended September 30, 2022 and 2021, the compensation of employees and remuneration of directors and supervisors are as follows:

Amount

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 24,666	\$ -	\$ 40,833	\$ 15,667
Remuneration of directors and supervisors	\$ 7,084	\$ 5,308	\$ 17,917	\$ 12,363

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

The appropriations of compensation of employees and remuneration of directors and supervisors for 2021 and 2020 that were resolved by the board of directors on March 10, 2022 and March 12, 2021, respectively, are as shown below:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 20,667	\$ 25,933
Remuneration of directors and supervisors	16,000	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, 2021 and 2020.

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.

## 25. INCOME TAXES

### 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	
	2022	2021	2022	2021
Current tax				
In respect of the current year	\$ 85,920	\$ 30,253	\$ 175,578	\$ 94,750
Adjustments for prior year	<u>-</u>	<u>2,317</u>	<u>-</u>	<u>2,317</u>
	<u>85,920</u>	<u>32,570</u>	<u>175,578</u>	<u>97,067</u>
Deferred tax				
In respect of the current year	<u>1,299</u>	<u>(26,227)</u>	<u>11,122</u>	<u>(31,009)</u>
Income tax expense recognized in profit or loss	<u>\$ 87,219</u>	<u>\$ 6,343</u>	<u>\$ 186,700</u>	<u>\$ 66,058</u>

### b. Income tax assessments

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

## 26. EARNINGS (LOSS) PER SHARE

### Net Profit

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Profit for the period attributable to owners of the Company	\$ 369,587	\$ 11,311	\$ 809,367	\$ 271,470
Less: Declared dividends on preference shares	<u>-</u>	<u>(45,500)</u>	<u>(45,500)</u>	<u>(45,500)</u>
Earnings (loss) used in the computation of diluted earnings (loss) per share	<u>\$ 369,587</u>	<u>\$ (34,189)</u>	<u>\$ 763,867</u>	<u>\$ 225,970</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	
	2022	2021	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	132,763	131,255	131,926	131,210
Effect of potentially dilutive ordinary shares:				
Employee share options	94	-	286	62
Compensation of employees	704	-	827	550
Convertible preference shares	<u>17,106</u>	<u>-</u>	<u>17,805</u>	<u>18,200</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>150,667</u>	<u>131,255</u>	<u>150,844</u>	<u>150,022</u>

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.

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 will be 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.

## 27. SHARE-BASED PAYMENT ARRANGEMENTS

### Employee Share Option Plan of the Company

- a. 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							
	2022				2021			
	Granted 2015		Granted 2014		Granted 2015		Granted 2014	
Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	
Balance at January 1	-	\$ -	-	\$ -	245	\$ 27.6	-	\$ -
Options exercised	-	-	-	-	(165)	27.6	-	-
Options forfeited	-	-	-	-	(80)	27.6	-	-
Balance at September 30	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Options exercisable, end of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

- b. 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 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							
	2022				2021			
	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	410	\$ 38.4	907	\$ 37.4	521	\$ 41.2	1,091	\$ 40.1
Options exercised	(160)	36.95	(496)	35.27	(35)	39.2	(16)	39.9
Options forfeited	(10)	37.86	(19)	37.13	(26)	40.9	(15)	39.4
Balance at September 30	<u>240</u>	35.7	<u>392</u>	34.8	<u>460</u>	38.4	<u>1,060</u>	37.4
Options exercisable, end of period	<u>240</u>		<u>392</u>		<u>213</u>		<u>1,060</u>	

- c. In June 2022, the Company issued 2,000 employee stock options, of which 1,600 options were granted to qualified employees of the Company and its subsidiaries. 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 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 GreTai Securities Market 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, 2022	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	-	\$ -
Options granted	<u>1,600</u>	44.25
Balance at September 30	<u>1,600</u>	41.1
Options exercisable, end of period	<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>\$ 6.1521</u>	

As of September 30, 2022, information on outstanding options was as follows:

	September 30, 2022
Range of exercise price (\$)	\$ 44.25
Weighted-average remaining contractual life (in years)	4.67

Options granted in June 2022 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	<b>June 2022</b>
Grant-date share price	\$44.25
Exercise price	\$44.25
Expected volatility	15.87%
Expected life	3.75 years
Expected dividend yield	0.00%
Risk-free interest rate	0.99%

Expected volatility was based on the historical share price volatility.

Compensation cost recognized were \$955 thousand and \$609 thousand for the three months ended September 30, 2022 and 2021, respectively and \$1,476 thousand and \$1,765 thousand for the nine months ended September 30, 2022 and 2021, respectively.

## 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.

	<b>Manumech Corporation</b>
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	<u>(87)</u>
Differences recognized from equity transactions	<u>\$ 22,998</u>
<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 value or the fair value cannot be reliably measured.

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

1) Fair value hierarchy

September 30, 2022

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	\$ 113,550	\$ -	\$ -	\$ 113,550
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>23,971</u>	<u>23,971</u>
	<u>\$ 113,550</u>	<u>\$ -</u>	<u>\$ 23,971</u>	<u>\$ 137,521</u>
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 5,659</u>	<u>\$ -</u>	<u>\$ 5,659</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 24,811</u>	<u>\$ -</u>	<u>\$ 24,811</u>

December 31, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	<u>\$ 231,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,300</u>
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 1,673</u>	<u>\$ -</u>	<u>\$ 1,673</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 3,816</u>	<u>\$ -</u>	<u>\$ 3,816</u>

September 30, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	<u>\$ 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>

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

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

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

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of foreign unlisted equity securities were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. An increase in long-term revenue growth rates or long-term pre-tax operating margin or a decrease in the weighted-average cost of capital or discount for lack of marketability used in isolation would result in an increase in the fair value.

c. Categories of financial instruments

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 5,659	\$ 1,673	\$ 7,976
Financial assets at amortized cost (1)	3,372,430	2,722,650	2,752,249
Financial assets at FVTOCI	137,521	231,300	226,200
<u>Financial liabilities</u>			
FVTPL			
Held for trading	24,811	3,816	4,042
Amortized cost (2)	2,735,548	2,696,439	2,949,904

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 (including current portion), 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, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

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

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (a) below) and interest rates (refer to (b) below). The Group entered into forward foreign exchange 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 34.

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
<u>Assets</u>			
JPY	\$ -	\$ 1,581	\$ 3,461
EUR	3,232	92	-
USD	2,427	-	4,515
<u>Liabilities</u>			
EUR	6,232	3,816	2,592
USD	18,579	-	1,450

Sensitivity analysis

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

The following table details the Group's sensitivity to a 3% increase and decrease in 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 number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar weakening by 3% against the relevant currency. For a 3% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	<b>VND Impact</b>		<b>JPY Impact</b>	
	<b>For the Nine Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Profit or loss*	\$ (2,946)	\$ (1,377)	\$ -	\$ 770
	<b>EUR Impact</b>		<b>USD Impact</b>	
	<b>For the Nine Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Profit or loss*	\$ (158)	\$ (858)	\$ 59,043	\$ 8,754

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

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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Fair value interest rate risk			
Financial assets	\$ 1,034,715	\$ 929,168	\$ 536,832
Financial liabilities	410,675	474,949	453,496
Cash flow interest rate risk			
Financial assets	615,831	567,087	1,037,141
Financial liabilities	1,279,000	1,343,134	1,573,969

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, 2022 and 2021 would decreased/increased by \$2,487 thousand and \$2,013 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, 2022 and 2021 would have increased/decreased by \$13,752 thousand and \$22,620 thousand, respectively, as a result of the changes in 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 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, 2022, December 31, 2021 and September 30, 2021, the Group had available unutilized bank loan facilities in the amounts of \$6,538,744 thousand, \$5,576,287 thousand and \$4,349,200 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, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing	\$ 749,648	\$ 341,568	\$ 273,273	\$ -	\$ -
Undiscounted lease	5,549	11,098	27,225	29,319	4,122
Borrowings	<u>387,889</u>	<u>58,823</u>	<u>663,731</u>	<u>517,920</u>	<u>24,894</u>
	<u>\$ 1,143,086</u>	<u>\$ 411,489</u>	<u>\$ 964,229</u>	<u>\$ 547,239</u>	<u>\$ 29,016</u>

Additional information about the maturity analysis for lease liabilities is as follows.

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 43,872</u>	<u>\$ 29,319</u>	<u>\$ 1,742</u>	<u>\$ 2,380</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing	\$ 745,749	\$ 250,520	\$ 185,183	\$ -	\$ -
Undiscounted lease	7,349	14,645	44,986	37,196	3,750
Borrowings	<u>316,303</u>	<u>274,271</u>	<u>495,869</u>	<u>615,055</u>	<u>33,887</u>
	<u>\$ 1,069,401</u>	<u>\$ 539,436</u>	<u>\$ 726,038</u>	<u>\$ 652,251</u>	<u>\$ 37,637</u>

Additional information about the maturity analysis for lease liabilities is as follows.

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 66,980</u>	<u>\$ 37,196</u>	<u>\$ 1,585</u>	<u>\$ 2,165</u>	<u>\$ -</u>	<u>\$ -</u>

September 30, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing	\$ 641,700	\$ 285,702	\$ 206,318	\$ 2,317	\$ -
Undiscounted lease	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 is as follows.

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 26,822</u>	<u>\$ 26,852</u>	<u>\$ 1,597</u>	<u>\$ 2,503</u>	<u>\$ -</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, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Gross settled - outflows</u>			
Foreign exchange forward contracts	<u>\$ 332,613</u>	<u>\$ 195,159</u>	<u>\$ 82,100</u>

December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Gross settled - outflows</u>			
Foreign exchange forward contracts	<u>\$ 41,980</u>	<u>\$ 62,892</u>	<u>\$ 77,702</u>

September 30, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Gross settled - outflows</u>			
Foreign exchange forward contracts	<u>\$ 789,195</u>	<u>\$ 235,869</u>	<u>\$ 248,645</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
Gong Tong Zu Lin Co., Ltd.	Associate
Kai Sheng Investment Co., Ltd.	Related party in substance
Cave & Wine Co., Ltd.	Related party in substance
Huang Lu Investment Co., Ltd.	Related party in substance
Fortune Phoenix Insurance Brokerage Service Corporation	Related party in substance
Da Fu Investment Co., Ltd.	Related party in substance
Hongze Qiyu Home Textile Co., Ltd.	Related party in substance
Li Chiou Investment Co., Ltd.	Related party in substance

b. Sales of goods

<u>Related Party Name/Category</u>	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2022	2021	2022	2021
Associate				
Daquan Hanshi Co., Ltd.	\$ 227	\$ 104	\$ 451	\$ 565
BBL Premium Co., Ltd.	2,096	1,109	4,619	6,354
Related party in substance				
Hongze Qiyu Home Textile Co., Ltd.	2,475	-	20,761	-
Others	-	-	26	-
	<u>\$ 4,798</u>	<u>\$ 1,213</u>	<u>\$ 25,857</u>	<u>\$ 6,919</u>

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

c. Purchases of goods

<u>Related Party Name</u>	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2022	2021	2022	2021
Hongze Qiyu Home Textile Co., Ltd.	<u>\$ 55,883</u>	<u>\$ -</u>	<u>\$ 163,167</u>	<u>\$ -</u>

d. Receivables from related parties

<b>Related Party Name</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
BBL Premium Co., Ltd.	\$ 2,368	\$ 8,738	\$ 1,379
Hongze Qiyu Home Textile Co., Ltd.	<u>55</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,423</u>	<u>\$ 8,738</u>	<u>\$ 1,379</u>

The outstanding trade receivables from related parties are unsecured. For the nine months ended September 30, 2022 and 2021, no impairment loss was recognized for trade receivables from related parties.

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

<b>Related Party Name/Category</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
<u>Trade payables</u>			
Hongze Qiyu Home Textile Co., Ltd.	<u>\$ 48,969</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Other payables</u>			
Associates	\$ -	\$ 398	\$ 4,932
Related party in substance	<u>-</u>	<u>42</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 440</u>	<u>\$ 4,932</u>

The outstanding trade payables to related parties are unsecured.

f. Disposal of property, plant and equipment

<b>Related Party Name</b>	<b>Proceeds</b>			
	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Hongze Qiyu Home Textile Co., Ltd.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 295</u>	<u>\$ -</u>
<b>Related Party Name</b>	<b>Gain (Loss) on Disposal</b>			
	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Hongze Qiyu Home Textile Co., Ltd.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34</u>	<u>\$ -</u>

g. Lease arrangements

	Related Party Name	For the Nine Months Ended September 30	
		2022	2021
<u>Acquisition of right-of-use assets</u>			
	Gong Tong Zu Lin Co., Ltd.	\$ <u>6,259</u>	\$ <u>8,732</u>

Account	Related Party Name	September 30, 2022	December 31, 2021	September 30, 2021
Lease liabilities	Gong Tong Zu Lin Co., Ltd.	\$ <u>13,339</u>	\$ <u>12,748</u>	\$ <u>11,192</u>

Related Party Name	For the Three Months Ended September 30		For the Nine Months Ended September 30		
	2022	2021	2022	2021	
<u>Interest expense</u>					
	Gong Tong Zu Lin Co., Ltd.	\$ <u>25</u>	\$ <u>19</u>	\$ <u>64</u>	\$ <u>55</u>

h. Acquisition of investment properties

Related Party Name	Purchase Price				
	For the Three Months Ended September 30		For the Nine Months Ended September 30		
	2022	2021	2022	2021	
	Koutou Co., Ltd.	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,412</u>

i. Loans to related parties

Related Party	September 30, 2022	December 31, 2021	September 30, 2021
<u>Other receivables</u>			
Snowdown Merchandise Corporation	\$ <u>-</u>	\$ <u>-</u>	\$ <u>60,000</u>

Related Party Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
<u>Interest revenue</u>				
Snowdown Merchandise Corporation	\$ <u>-</u>	\$ <u>229</u>	\$ <u>-</u>	\$ <u>1,157</u>

j. Other income

Related Party Name/Category	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Associates				
Snowdown Merchandise Corporation	\$ -	\$ 346	\$ 394	\$ 1,152
BBL Premium Co., Ltd.	-	-	3	-
Koutou Co., Ltd.	115	-	229	-
Related party in substance	<u>29</u>	<u>29</u>	<u>67</u>	<u>58</u>
	<u>\$ 144</u>	<u>\$ 375</u>	<u>\$ 693</u>	<u>\$ 1,210</u>

k. Expenses

Related Party Category	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Related party in substance	\$ 1,304	\$ 467	\$ 2,651	\$ 1,477
Associates	<u>1,998</u>	<u>4,224</u>	<u>5,603</u>	<u>9,566</u>
	<u>\$ 3,302</u>	<u>\$ 4,691</u>	<u>\$ 8,254</u>	<u>\$ 11,043</u>

The expenses included rents, other expenses, etc.

l. Remuneration of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 22,821	\$ 20,034	\$ 60,201	\$ 52,397
Post-employment benefits	202	158	617	532
Share-based payments	<u>576</u>	<u>122</u>	<u>790</u>	<u>369</u>
	<u>\$ 23,599</u>	<u>\$ 20,314</u>	<u>\$ 61,608</u>	<u>\$ 53,298</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 performance bonds of transactions under the equity transfer:

	September 30, 2022	December 31, 2021	September 30, 2021
Pledged deposits	\$ 53,520	\$ 49,958	\$ 501,051
Land	41,761	63,001	63,001
Buildings, net	<u>4,799</u>	<u>7,029</u>	<u>6,415</u>
	<u>\$ 100,080</u>	<u>\$ 119,988</u>	<u>\$ 570,467</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, 2022 and 2021 were as follows:

#### Significant Commitments

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

	September 30, 2022	December 31, 2021	September 30, 2021
USD	<u>\$ 2,243</u>	<u>\$ 5,736</u>	<u>\$ 3,297</u>
EUR	<u>\$ 4</u>	<u>\$ 851</u>	<u>\$ 909</u>
NTD	<u>\$ 19,931</u>	<u>\$ 40,000</u>	<u>\$ 24,133</u>

- b. As of September 30, 2022, December 31, 2021 and September 30, 2021, guarantees issued by financial institutions for purchases of raw materials and development of technology amounted to \$36,000 thousand for each period-end.

- c. Unrecognized commitments were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Acquisition of property, plant and equipment	<u>\$ 140,437</u>	<u>\$ 197,268</u>	<u>\$ 75,360</u>

### 33. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In line with its business plan, the board of directors of Kwong Lung (Suzhou) Co., Ltd. resolved to dispose of its subsidiary, Huai An He Yu Home Textile Co., Ltd. to the associate, Hongze Qiyu Home Textiles Co., Ltd., on September 23, 2022. The disposal price was RMB3,438 thousand, and the registration change of ownership was completed on October 8, 2022.

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

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

September 30, 2022

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 75,903	31.75 (USD:NTD)	\$ 2,409,920
USD	65	7.0981 (USD:RMB)	2,064
USD	1,294	23,872 (USD:VND)	41,085
VND	10,824,128	0.000042 (VND:USD)	14,396
VND	12,698	0.00133 (VND:NTD)	17
EUR	3	31.26 (EUR:NTD)	94
RMB	2,062	4.473 (RMB:NTD)	9,223
Non-monetary items			
Investments in associates accounted for using equity method			
CAD	197	23.24 (CAD:NTD)	4,582

#### Financial liabilities

Monetary items			
USD	12,654	31.75 (USD:NTD)	401,765
USD	77	23,872 (USD:VND)	2,445
USD	2,544	144.253 (USD:JPY)	80,772
VND	84,670,250	0.000042 (VND:USD)	112,611
EUR	5	31.26 (EUR:NTD)	156
EUR	166	0.9846 (EUR:USD)	5,189

December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 63,704	27.68 (USD:NTD)	\$ 1,763,327
USD	486	6.372 (USD:RMB)	13,452
USD	1,520	22,876 (USD:VND)	42,074
JPY	1,393	0.2405 (JPY:NTD)	335
VND	4,764,403	0.000044 (VND:USD)	5,765
EUR	268	31.32 (EUR:NTD)	8,394
Non-monetary items			
Investments in associates accounted for using equity method			
USD	917	27.68 (USD:NTD)	25,375
CAD	225	21.62 (CAD:NTD)	4,857

(Continued)

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 23,347	27.68 (USD:NTD)	\$ 646,245
USD	309	22,876 (USD:VND)	8,553
VND	77,068,826	0.000044 (VND:USD)	93,253
EUR	820	31.32 (EUR:NTD)	25,682
			(Concluded)

September 30, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<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 equity method			
USD	864	27.85 (USD:NTD)	24,070
CAD	245	21.91 (CAD:NTD)	5,361

Financial liabilities

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

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

<b>For the Three Months Ended September 30</b>				
<b>2022</b>			<b>2021</b>	
<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
VND	0.0013 (VND:NTD)	\$ 6,853	0.00122 (VND:NTD)	\$ (2,726)
NTD	1 (NTD:NTD)	123,852	1 (NTD:NTD)	(753)
USD	30.404 (USD:NTD)	5,431	27.8583 (USD:NTD)	(250)
RMB	4.431 (RMB:NTD)	(3,059)	4.3053 (RMB:NTD)	115
JPY	0.2199 (JPY:NTD)	(4,204)	0.2531 (JPY:NTD)	789
PLN	-	-	7.2018 (PLN:NTD)	32
		<u>\$ 128,873</u>		<u>\$ (2,793)</u>

<b>For the Nine Months Ended September 30</b>				
<b>2022</b>			<b>2021</b>	
<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
VND	0.00127 (VND:NTD)	\$ 15,046	0.00122 (VND:NTD)	\$ (2,857)
NTD	1 (NTD:NTD)	224,202	1 (NTD:NTD)	(19,940)
USD	29.282 (USD:NTD)	11,098	28.067 (USD:NTD)	1,635
RMB	4.428 (RMB:NTD)	2,100	4.337 (RMB:NTD)	(1,142)
JPY	0.2293 (JPY:NTD)	(5,979)	0.2589 (JPY:NTD)	789
PLN	-	-	7.3939 (PLN:NTD)	26
		<u>\$ 246,467</u>		<u>\$ (21,489)</u>

### 35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (Table 4)
- 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 5)

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
  - 9) Trading in derivative instruments (Note 7)
  - 10) Intercompany relationships and significant intercompany transactions (Table 7)
- b. Information on investees (Table 8)
- 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 9)
  - 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 10):
    - 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 11)

### **36. 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	
	2022	2021	2022	2021
Apparel department	\$ 4,532,776	\$ 2,656,358	\$ 616,753	\$ 168,367
Down material department	1,803,084	1,521,185	91,519	(2,367)
Home textile department	1,640,326	1,256,936	79,753	76,366
Others	317,793	558,988	(7,104)	(45,921)
Segment revenue	8,293,979	5,993,467	780,921	196,445
Eliminations	(141,182)	(111,452)	-	-
Segment revenue or segment income	<u>\$ 8,152,797</u>	<u>\$ 5,882,015</u>	780,921	196,445
Interest income			13,009	13,523
Other income			21,532	16,231
Other gains and losses			175,967	(23,100)
Finance costs			(15,677)	(8,665)
Share of profit or loss of associates			19,141	117,831
Profit before tax			<u>\$ 994,893</u>	<u>\$ 312,265</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, 2022  
(In Thousands of New Taiwan Dollars or Foreign Currency)

No. (Note 1)	Lender	Borrower	Financial Statement Account (Note 2)	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing (Note 3)	Business Transaction Amount (Note 4)	Reasons for Short-term Financing (Note 5)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 6)	Aggregate Financing Limit (Note 6)	Note
													Item	Value			
0	Kwong Lung Enterprise Co., Ltd.	Kwong Lung (Suzhou) Co., Ltd.	Other receivables from related parties	Yes	\$ 180,240	\$ -	\$ -	-	b.	\$ -	Operating capital	\$ -	N/A	\$ -	\$ 2,188,284 (Note 6, a)	\$ 2,188,284 (Note 6, a)	
1	Manumech Corporation	Intime Tech Co., Ltd.	Other receivables from related parties	Yes	22,365	22,365	13,419	1.8-2.05	b.	-	Operating capital	-	Promissory note	13,419	28,462 (Note 6, a)	28,462 (Note 6, b)	
2	P&B Collection Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Other receivables from related parties	Yes	80,000	80,000	80,000	0.5	b.	-	Operating capital	-	N/A	-	101,772 (Note 6, a)	101,772 (Note 6, b)	
3	Kwong Lung Feather (B.V.I.) Limited	Kwong Lung (Suzhou) Co., Ltd.	Other receivables from related parties	Yes	95,250	95,250	95,250	1.65	b.	-	Operating capital	-	N/A	-	192,925 (Note 6, a)	192,925 (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 shareholders, prepayments, temporary payments, etc.

Note 3: Purpose of fund financing for the borrower:

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

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

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

Note 6: a. Individual loans should not exceed 40% of the lender's net equity of the prior year. For No. 0:  $\$5,470,709 \times 40\% = \$2,188,284$ ; for No. 1:  $\$71,155$  (net worth)  $\times 40\% = \$28,462$ ; for No. 2:  $\$254,429$  (net worth)  $\times 40\% = \$101,772$ ; for No. 3:  $\$192,925$  (net worth)  $\times 100\% = \$192,925$ .  
b. Total loans should not exceed 40% of the lender's net equity of the prior year. For No. 0:  $\$5,470,709 \times 40\% = \$2,188,284$ ; for No. 1:  $\$71,155$  (net worth)  $\times 40\% = \$28,462$ ; for No. 2:  $\$254,429$  (net worth)  $\times 40\% = \$101,772$ ; for No. 3:  $\$192,925$  (net worth)  $\times 100\% = \$192,925$ .

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

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(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	\$ 28,462 (Note 3)	\$ 23,419	\$ 23,419	\$ 5,815	\$ -	32.91%	\$ 35,578 (Note 3)	Y	N	Y
2	Kwong Lung (Suzhou) Co., Ltd.	Kwong Lung Feather (B.V.I.) Limited	4	164,358 (Note 3)	90,120	89,460	67,423	-	54.43%	164,358 (Note 3)	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 10% of net assets for No. 1:  $\$71,155 \times 40\% = \$28,462$ ; for No. 2:  $\$164,358$  (net worth)  $\times 100\% = \$164,358$ .  
b. The maximum balance of endorsement/guarantee provided by the Company cannot exceed 10% of net assets for No. 1:  $\$71,155 \times 50\% = \$35,578$ ; for No. 2:  $\$164,358$  (net worth)  $\times 100\% = \$164,358$ .  
c. The endorsement/guarantee amount to subsidiaries is not limited by the above-mentioned proportion.

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

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

**MARKETABLE SECURITIES HELD  
SEPTEMBER 30, 2022  
(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, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Kwong Lung Enterprise Co., Ltd.	<u>Ordinary shares</u> Co-Tech Development Corporation	-	Financial assets at FVTOCI - non-current	3,000,000	\$ 113,550	1.19	\$ 113,550	
	<u>Private corporate bond</u> Koutou Co., Ltd.	Associate	Financial assets at amortized cost - non-current	-	50,000	-	50,000	
Kwong Lung (B.V.I.) Ltd.	<u>Ordinary shares</u> J&B International Inc.	-	Financial assets at FVTOCI - non-current	485,938	23,971	1.99	23,971	

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

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Kwong Lung Enterprise Co., Ltd.	Land located at Meiren Section, Songshan District, Taipei City and above-ground buildings	May 5, 2022	\$ 306,000	\$ 306,000	Natural person	Non-related parties	-	-	-	\$ -	Approved by the board of directors with reference to the professional appraisal price	Long-term investment	-

Note 1: Fill in the column the "Basis or reference used in setting the price" if an appraisal report issued by a professional appraiser shall be obtained.

Note 2: Paid-in capital means the shares that the Company issued and fully paid. In the case of the Company whose shares have no par value or a par value other than NT\$10, the term "20% of the Company's paid-in capital" used herein shall be calculated based on the equity attributable to shareholders of the parent in the balance sheet.

Note 3: "Event Date" used herein means, the contract date, the payment date, the transaction date, the title transfer date, the date of relevant board resolutions or other dates in which the transaction parties and the transaction amount can be ascertained (whichever is earlier).

## 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, 2022  
(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.	Bo Hsing Enterprise Co., Ltd.	Subsidiary	Purchase	\$ 2,018,647	32	T/T 30-180 days	No significant difference	No significant difference	Trade payables	\$ 1,124,632	54	
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Sale	2,018,647	100	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	1,124,632	100	
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Meko Co., Ltd.	Subsidiary	Purchase	2,115,375	33	T/T 30-180 days	No significant difference	No significant difference	Trade payables	429,863	21	
Kwong Lung Meko Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Sale	2,115,375	95	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	429,863	94	
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Meko Co., Ltd.	Subsidiary	Sale	164,712	2	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	153,111	11	
Kwong Lung Meko Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Purchase	164,712	8	T/T 30-180 days	No significant difference	No significant difference	Trade payables	153,111	26	
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Japan Co., Ltd.	Subsidiary	Sale	214,209	3	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	145,894	10	
Kwong Lung Japan Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Purchase	214,209	35	T/T 30-180 days	No significant difference	No significant difference	Trade payables	145,894	46	
Kwong Lung Enterprise Co., Ltd.	Kwong Lung (Suzhou) Co., Ltd.	Subsidiary	Purchase	326,412	5	Prepayment or T/T 30-180 days	No significant difference	No significant difference	Trade payables	47,064	2	
Kwong Lung (Suzhou) Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Sale	326,412	58	Sales revenue received in advance or T/T 30-180 days	No significant difference	No significant difference	Trade receivables	47,064	89	
Kwong Lung Enterprise Co., Ltd.	Toptex Garment Co., Ltd.	Subsidiary	Purchase	405,065	6	T/T 30-180 days	No significant difference	No significant difference	Trade payables	38,071	2	
Toptex Garment Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Sale	405,065	100	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	38,071	62	

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, 2022

(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	\$ 588,017	-	\$ -	-	\$ 130,515	\$ -
	Kwong Lung Meko Co., Ltd.	Subsidiary	Other receivables	134,097	-	-	-	36,112	-
	Kwong Lung Meko Co., Ltd.	Subsidiary	Trade receivables	153,111	2.57	-	-	26,155	-
	Kwong Lung Japan Co., Ltd.	Subsidiary	Trade receivables	145,894	2.97	-	-	56,272	-
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Trade receivables	1,124,632	3.01	-	-	197,126	-
Kwong Lung Meko Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Trade receivables	429,863	9.69	-	-	317,109	-

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, 2022  
(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	\$ 164,712	No significant difference	2
			a	Cost of goods sold	2,115,375	No significant difference	26
			a	Trade receivables	153,111	No significant difference	2
			a	Trade payables	429,863	No significant difference	5
		Kwong Lung Japan Co., Ltd.	a	Other receivables	134,097	-	1
			a	Sales revenue	214,209	No significant difference	3
		Toptex Garment Co., Ltd.	a	Trade receivables	145,894	No significant difference	2
			a	Cost of goods sold	405,065	No significant difference	5
			a	Trade payables	38,071	No significant difference	-
		Bo Hsing Enterprise Co., Ltd.	a	Other receivables	71,021	-	1
			a	Cost of goods sold	2,018,647	No significant difference	25
			a	Trade payables	1,124,632	No significant difference	12
		Kwong Lung (Suzhou) Co., Ltd.	a	Other receivables	588,017	-	7
			a	Cost of goods sold	326,412	No significant difference	4
a	Trade payables		47,064	No significant difference	1		
a	Other receivables		15,169	-	-		
1	Manumech Corporation	Intime Tech Co., Ltd.	c	Sales revenue	38,992	No significant difference	-
			c	Trade receivables	36,877	No significant difference	-
2	Kwong Lung Meko Co., Ltd.	Kwong Lung (Suzhou) Co., Ltd. Bo Hsing Enterprise Co., Ltd.	c	Sales revenue	39,427	No significant difference	-
			c	Processing revenue	59,577	No significant difference	1
			c	Trade receivables	19,799	No significant difference	-
3	Kwong Long-O Mon Company Limited	Bo Hsing Enterprise Co., Ltd.	c	Processing revenue	63,909	No significant difference	1
			c	Trade receivables	17,109	No significant difference	-
		Kwong Lung Meko Co., Ltd.	c	Processing revenue	21,408	No significant difference	-
			c	Trade receivables	15,431	No significant difference	-
4	Toptex Garment Co., Ltd.	Bo Hsing Enterprise Co., Ltd.	c	Processing revenue	61,766	No significant difference	1
			c	Trade receivables	23,721	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 revenue or total assets. For balance sheet items, each item's period-end balance is shown as a percentage to consolidated total assets as of September 30, 2022. For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenue for the nine months ended September 30, 2022.

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, 2022  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2022	December 31, 2021	Shares	%	Carrying Amount			
Kwong Lung Enterprise Co., Ltd.	Kwong Lung (B.V.I.) Ltd.	British Virgin Islands	Overseas reinvested holding company	\$ 660,552	\$ 660,552	18,000	100.00	\$ 955,716	\$ 135,452	\$ 135,452	Subsidiary
	Kwong Lung Meko Co., Ltd.	Vietnam	Manufacturing and selling of down and bedding	198,399	198,399	-	100.00	1,269,630	28,669	28,724	Subsidiary
	Kwong Lung Japan Co., Ltd.	Japan	Manufacturing and selling of down and bedding	280,977	280,977	10,500	100.00	287,059	21,337	21,339	Subsidiary
	Bo Hsing Enterprise Co., Ltd.	Vietnam	Manufacturing and selling of apparel	386,911	386,911	-	100.00	1,190,953	165,967	165,967	Subsidiary
	Toptex Garment Co., Ltd.	Vietnam	Manufacturing and selling of apparel	191,809	191,809	-	100.00	72,966	32,588	32,588	Subsidiary
	P&B Collection Co, Ltd.	Taiwan	Outerwear knitting mills; apparel, clothing accessories and other textile product manufacturing; other textile products manufacturing; cleaning products manufacturing; wholesale and retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, articles for daily use, cleaning preparations and other textile products; wholesale of pottery, porcelain and glassware; international trade	260,000	260,000	26,000,000	100.00	227,423	(2,476)	(2,476)	Subsidiary
	Manumech Corporation	Taiwan	Wholesale	100,000	100,000	10,000,000	94.59	67,789	10,494	10,216	Subsidiary
	Kwong Lung-O Mon Company Limited	Vietnam	Various selling of down and bedding.	69,799	69,799	-	100.00	59,164	5,633	3,596	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	17,774,469	39.50	234,847	36,181	14,291	Associate
	BBL Premium Co., Ltd.	Taiwan	Wholesale and retail sale	14,000	14,000	1,487,118	46.67	9,334	(7,182)	(3,352)	Associate
Kwong Lung (B.V.I.) Ltd.	Kwong Lung Feather (B.V.I.) Limited	British Virgin Islands	Overseas reinvested holding company	82,296	491,255	3,058,735	100.00	192,925	51,867	NA	Subsidiary
	JBV HI-TECH Ltd.	Republic of Seychelles	Overseas reinvested holding company	-	50,981	-	-	-	-	NA	Disposed in February 2022
Kwong Lung Japan Co., Ltd.	Rising Living Co., Ltd.	Japan	Manufacturing and selling of down and bedding	3,943	3,943	306	51.00	2,241	(1,149)	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	2,000,000	40.00	65,981	19,587	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	3,000,000	60.00	100,855	19,587	NA	Subsidiary
P&B Collection Co, Ltd.	Gong Tong Zu Lin Co., Ltd.	Taiwan	Wholesale of machinery and equipment	27,300	27,300	4,680,000	39.00	58,104	19,625	NA	Associate of subsidiary
	Daquan Hanshi Co., Ltd.	Taiwan	Food service activities	6,927	6,927	823,200	49.00	12,598	2,381	NA	Associate of subsidiary
	Manumech Corporation	Taiwan	Wholesale	20,000	20,000	291,464	2.76	1,543	10,494	NA	Subsidiary
Kwong Lung Meko (B.V.I.) Ltd.	Lyon Ventures Holdings Ltd.	Canada	Wholesale of household products	8,471	8,471	90,000	45.00	4,581	(1,376)	NA	Associate of subsidiary

Note: Refer to Table 9 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, 2022  
(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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2022	Accumulated Repatriation of Investment Income as of September 30, 2022
					Outward	Inward						
Kwong Lung (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding	US\$ 5,000	b. 1)	\$ 149,546	\$ -	\$ -	\$ 149,546	\$ 26,266	100.00	\$ 26,266 b. 3)	\$ 164,358	\$ -
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)	-	-	-	-	(1,364)	100.00	(1,364) b. 3)	16,074	-
Huai An 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)	-	-	-	-	(1,813)	51.00	(925) b. 3)	15,433	-
Intime Tech Co., Ltd.	Wholesale	RMB 2,400	c. 2)	10,635	-	-	10,635	4,382	100.00	4,382 b. 3)	36,232	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
Kwong Lung Enterprise Co., Ltd.	\$ 598,186 (Note 3)	\$ 600,875 (US\$ 20,000)	\$ 3,293,746 (Note 4)
Manumech Corporation	10,635	10,635 (US\$ 350)	42,693 (Note 5)

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 (B.V.I.) Ltd.
- c. Other types:
  - 1) Direct investment from Kwong Lung (Suzhou) Co., Ltd.
  - 2) Direct investment from Manumech Corporation.

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

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

Note 3: The Group disposed of the subsidiary Snowdown Merchandise (Suzhou) Co., Ltd. in December 2021. The original investment amount of \$448,640 thousand had not been remitted to the Company as of September 30, 2022.

Note 4: The maximum allowable limit on investment was 60% of the consolidated net asset value of the Company \$5,489,576 (consolidated net worth) × 60% = \$3,293,746.

Note 5: The maximum allowable limit on investment was 60% of the net asset value of Manumech Corporation. \$71,155 (net worth) × 60% = \$42,693.

## 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, 2022  
(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		%	
Kwong Lung (Suzhou) Co., Ltd. (Note 1)	Purchase	\$ 326,412	5	Normal	Prepayment or T/T 30-180 days	No significant difference	Trade payables	\$ 47,064	2	\$ -
Kwong Lung (Suzhou) Co., Ltd. (Note 2)	Sale	39,427	2	Normal	Sales revenue received in advance or T/T 30-180 days	No significant difference	Trade receivables	4,126	1	-
Intime Tech Co., Ltd. (Note 3)	Sale	38,992	24	Normal	Open account 150 days	No significant difference	Trade receivables	36,877	51	-

Note 1: As of September 30, 2022 the Company had transactions with Kwong Lung (Suzhou) Co., Ltd. for processing of materials and purchasing materials amounted to \$15,169 thousand of the Company's other receivables.

Note 2: As of September 30, 2022 Kwong Lung Meko Co., Ltd., the investor company, had significant transactions with Kwong Lung (Suzhou) Co., Ltd., the investee company in mainland China.

Note 3: As of September 30, 2022 Manumech Corporation, the investor company, had significant transactions with Intime Tech Co., Ltd., the investee company in mainland China.

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

**KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
SEPTEMBER 30, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Kai Sheng Investment Co., Ltd.	14,873,422	9.89
Ou Li Investment Co., Ltd.	12,698,840	8.44

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.