

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

**Consolidated Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

KWONG LUNG ENTERPRISE CO., LTD.

By

March 14, 2023

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Kwong Lung Enterprise Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2022 is described as follows:

Income Occurrence

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

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

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

1. We obtained an understanding and evaluated the appropriateness of the accounting policies on revenue recognition.
2. We obtained an understanding and evaluated the effectiveness of its internal control on revenue recognition to confirm the occurrence of sales.
3. We selected samples and tested the sales transactions of the current year and checked the relevant internal and external vouchers to support the facts of the shipments; we checked the sales target and the recipients of the payments and the post-receipt collections for any major abnormalities; we checked the general ledger of sales revenue for any significant debit amount; and we checked the sales returns and allowances ledger for any significant sales return and discounts to confirm that sales transactions did occur.

Other Matter

We have also audited the parent company only financial statements of Kwong Lung Enterprise Co., Ltd. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2023

Notice to Readers

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

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

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,529,546	18	\$ 1,310,791	16
Financial assets at fair value through profit or loss - current (Note 7)	4,873	-	1,673	-
Financial assets at amortized cost - current (Notes 9 and 33)	69,412	1	133,958	2
Notes receivable (Note 10)	8,925	-	88,424	1
Trade receivables (Notes 10 and 32)	969,216	11	868,444	10
Other receivables (Note 10)	249,302	3	372,029	4
Inventories (Note 12)	2,117,954	25	2,395,577	29
Other current assets (Notes 11 and 19)	214,227	2	161,845	2
Total current assets	<u>5,163,455</u>	<u>60</u>	<u>5,332,741</u>	<u>64</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	173,383	2	231,300	3
Financial assets at amortized cost - non-current (Notes 9 and 33)	50,000	1	-	-
Investments accounted for using the equity method (Note 14)	352,564	4	331,119	4
Property, plant and equipment (Notes 15, 32 and 33)	1,631,600	19	1,557,470	19
Right-of-use assets (Notes 16 and 32)	96,778	1	123,098	1
Investment properties, net (Notes 17 and 32)	800,475	9	462,485	6
Intangible assets (Note 18)	35,280	-	45,758	-
Deferred tax assets (Note 25)	50,208	1	56,092	1
Other non-current assets (Notes 11 and 19)	213,144	3	154,273	2
Total non-current assets	<u>3,403,432</u>	<u>40</u>	<u>2,961,595</u>	<u>36</u>
TOTAL	<u>\$ 8,566,887</u>	<u>100</u>	<u>\$ 8,294,336</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 20 and 33)	\$ 799,039	9	\$ 1,048,621	13
Short-term bills payable (Note 20)	30,000	-	30,000	-
Financial liabilities at fair value through profit or loss - current (Note 7)	18,622	-	3,816	-
Notes payable	22,905	-	5,272	-
Trade payables	827,212	10	842,158	10
Other payables (Notes 21 and 32)	393,454	5	334,022	4
Current tax liabilities (Note 25)	221,769	3	134,643	2
Lease liabilities - current (Notes 16 and 32)	34,160	-	63,155	1
Current portion of long-term liabilities (Notes 20 and 33)	1,460	-	898	-
Other current liabilities	55,328	1	32,741	-
Total current liabilities	<u>2,403,949</u>	<u>28</u>	<u>2,495,326</u>	<u>30</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 20 and 33)	427,210	5	640,815	8
Deferred tax liabilities (Note 25)	122,999	2	117,013	1
Lease liabilities - non-current (Notes 16 and 32)	18,746	-	34,594	1
Net defined benefit liabilities - non-current (Note 22)	14,061	-	18,547	-
Other non-current liabilities	7,594	-	5,777	-
Total non-current liabilities	<u>590,610</u>	<u>7</u>	<u>816,746</u>	<u>10</u>
Total liabilities	<u>2,994,559</u>	<u>35</u>	<u>3,312,072</u>	<u>40</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 23, 27 and 29)				
Share capital				
Ordinary shares	1,408,331	16	1,313,228	16
Preference shares	96,117	1	182,000	2
Advance receipts for ordinary shares	279	-	4,348	-
Total share capital	<u>1,504,727</u>	<u>17</u>	<u>1,499,576</u>	<u>18</u>
Capital surplus	2,219,093	26	2,192,751	26
Retained earnings				
Legal reserve	575,708	7	516,709	6
Special reserve	182,576	2	59,807	1
Unappropriated earnings	1,181,999	14	872,772	11
Total retained earnings	<u>1,940,283</u>	<u>23</u>	<u>1,449,288</u>	<u>18</u>
Other equity interests				
Exchange differences on translation of the financial statements of foreign operations	(167,501)	(2)	(347,919)	(4)
Unrealized valuation gain on financial assets at fair value through other comprehensive income	72,010	1	165,343	2
Total other equity interests	<u>(95,491)</u>	<u>(1)</u>	<u>(182,576)</u>	<u>(2)</u>
Total equity attributable to owners of the Company	<u>5,568,612</u>	<u>65</u>	<u>4,959,039</u>	<u>60</u>
NON-CONTROLLING INTERESTS	<u>3,716</u>	<u>-</u>	<u>23,225</u>	<u>-</u>
Total equity	<u>5,572,328</u>	<u>65</u>	<u>4,982,264</u>	<u>60</u>
TOTAL	<u>\$ 8,566,887</u>	<u>100</u>	<u>\$ 8,294,336</u>	<u>100</u>

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

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Note 32)				
Sales revenue	\$ 10,304,209	100	\$ 8,060,560	100
OPERATING COSTS (Notes 12, 24 and 32)				
Cost of goods sold	<u>(8,541,008)</u>	<u>(83)</u>	<u>(7,071,896)</u>	<u>(87)</u>
GROSS PROFIT	<u>1,763,201</u>	<u>17</u>	<u>988,664</u>	<u>13</u>
OPERATING EXPENSES (Notes 10, 24 and 32)				
Selling and marketing expenses	(391,678)	(4)	(360,854)	(4)
General and administrative expenses	(357,405)	(3)	(313,470)	(4)
Research and development expenses	(50,912)	(1)	(48,816)	(1)
Expected credit loss	<u>(9,495)</u>	<u>-</u>	<u>(77,657)</u>	<u>(1)</u>
Total operating expenses	<u>(809,490)</u>	<u>(8)</u>	<u>(800,797)</u>	<u>(10)</u>
PROFIT FROM OPERATIONS	<u>953,711</u>	<u>9</u>	<u>187,867</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES (Notes 24 and 32)				
Interest income	24,518	-	17,119	-
Other income	25,527	-	19,236	-
Other gains and losses	122,520	1	282,135	4
Finance costs	(20,964)	-	(13,922)	-
Share of profit of associates accounted for using the equity method	<u>25,772</u>	<u>1</u>	<u>118,748</u>	<u>1</u>
Total non-operating income and expenses	<u>177,373</u>	<u>2</u>	<u>423,316</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	1,131,084	11	611,183	8
INCOME TAX EXPENSE (Note 25)	<u>(213,599)</u>	<u>(2)</u>	<u>(121,433)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>917,485</u>	<u>9</u>	<u>489,750</u>	<u>6</u>

(Continued)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 2,195	-	\$ 3,151	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(81,888)	(1)	110,357	1
Share of the other comprehensive (loss) income of associates accounted for using the equity method	(1,332)	-	7,505	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(439)</u>	<u>-</u>	<u>(630)</u>	<u>-</u>
	<u>(81,464)</u>	<u>(1)</u>	<u>120,383</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>173,769</u>	<u>2</u>	<u>(92,394)</u>	<u>(1)</u>
Other comprehensive income for the year, net of income tax	<u>92,305</u>	<u>1</u>	<u>27,989</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,009,790</u>	<u>10</u>	<u>\$ 517,739</u>	<u>6</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 919,081	9	\$ 515,293	6
Non-controlling interests	<u>(1,596)</u>	<u>-</u>	<u>(25,543)</u>	<u>-</u>
	<u>\$ 917,485</u>	<u>9</u>	<u>\$ 489,750</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,010,922	10	\$ 543,644	7
Non-controlling interests	<u>(1,132)</u>	<u>-</u>	<u>(25,905)</u>	<u>(1)</u>
	<u>\$ 1,009,790</u>	<u>10</u>	<u>\$ 517,739</u>	<u>6</u>
EARNINGS PER SHARE (Note 26)				
From continuing operations				
Basic	<u>\$ 6.54</u>		<u>\$ 3.58</u>	
Diluted	<u>\$ 5.79</u>		<u>\$ 3.13</u>	

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

(Concluded)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent Company								Other Equity Interests		Total	Non-controlling Interests	Total Equity
	Share Capital				Capital Surplus	Retained Earnings			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			
	Ordinary Shares	Advance Receipts for Ordinary Shares	Preference Shares	Subtotal		Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2021	\$ 1,310,623	\$ -	\$ 182,000	\$ 1,492,623	\$ 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													
Legal reserve	-	-	-	-	-	31,819	-	(31,819)	-	-	-	-	-
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)
Other changes in capital surplus													
Issuance of cash dividends from capital surplus	-	-	-	-	(152,187)	-	-	-	-	-	(152,187)	-	(152,187)
Net profit (loss) for the year ended December 31, 2021	-	-	-	-	-	-	-	515,293	-	-	515,293	(25,543)	489,750
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	-	2,521	(92,032)	117,862	28,351	(362)	27,989
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	-	517,814	(92,032)	117,862	543,644	(25,905)	517,739
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(53,429)	-	(53,429)	-	(53,429)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	-	(22,999)	-	-	(22,999)	22,999	-
Issuance of ordinary shares under employee share options	2,605	4,348	-	6,953	8,432	-	-	-	-	-	15,385	70	15,455
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 DECEMBER 31, 2021	1,313,228	4,348	182,000	1,499,576	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													
Legal reserve	-	-	-	-	-	58,999	-	(58,999)	-	-	-	-	-
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 year ended December 31, 2022	-	-	-	-	-	-	-	919,081	-	-	919,081	(1,596)	917,485
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	-	1,756	173,305	(83,220)	91,841	464	92,305
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	-	920,837	173,305	(83,220)	1,010,922	(1,132)	1,009,790
Convertible preference shares converted	85,883	-	(85,883)	-	-	-	-	-	-	-	-	-	-
Disposal of investments accounted for using the equity method	-	-	-	-	-	-	-	-	7,113	-	7,113	-	7,113
Issuance of ordinary shares under employee share options	9,220	(4,069)	-	5,151	26,342	-	-	-	-	-	31,493	1	31,494
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(18,378)	(18,378)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	10,113	-	(10,113)	-	-	-
BALANCE AT DECEMBER 31, 2022	\$ 1,408,331	\$ 279	\$ 96,117	\$ 1,504,727	\$ 2,219,093	\$ 575,708	\$ 182,576	\$ 1,181,999	\$ (167,501)	\$ 72,010	\$ 5,568,612	\$ 3,716	\$ 5,572,328

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

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,131,084	\$ 611,183
Adjustments for:		
Depreciation expense	170,861	170,994
Amortization expense	12,192	13,374
Expected credit loss	9,495	77,657
Net loss on fair value changes of financial assets and liabilities at fair value through profit or loss	13,749	2,143
Finance costs	20,964	13,922
Interest income	(24,518)	(17,119)
Dividend income	(13,087)	(6,000)
Write-downs of inventories	40,672	52,246
Compensation costs of employee share options	2,461	2,879
Share of profit of associates accounted for using the equity method	(25,772)	(118,748)
Loss on disposal of property, plant and equipment	2,104	12,577
Property, plant and equipment reclassified as expenses	2,322	-
Gain on disposal of investment properties	(25,289)	(40,741)
Loss on disposal of associates accounted for using the equity method	8,733	-
Net loss (gain) on foreign currency exchange	18,620	(11,906)
Loss on liquidation of subsidiary	-	609
Loss (gain) on disposal of subsidiary	54	(304,714)
Other gains and losses	(11)	(145)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	1,673	22,807
Notes receivable	79,499	101,301
Trade receivables	(110,805)	(305,444)
Other receivables	114,825	(121,244)
Inventories	228,218	(726,868)
Other current assets	(40,177)	(20,175)
Financial liabilities held for trading	(3,816)	(692)
Notes payable	17,633	1,809
Trade payables	(4,674)	196,016
Other payables	60,176	24,182
Other current liabilities	22,587	(5,053)
Net defined benefit liabilities	(2,291)	(6,468)
Cash generated from (used in) operations	1,707,482	(381,618)
Interest received	20,862	17,051
Interest paid	(20,893)	(13,740)
Income tax paid	(115,043)	(119,717)
Net cash generated from (used in) operating activities	<u>1,592,408</u>	<u>(498,024)</u>

(Continued)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through other comprehensive income	\$ -	\$ 145,557
Acquisition of financial assets at amortized cost	(90,142)	(102,958)
Proceeds from disposal of financial assets at amortized cost	105,978	177,465
Acquisition of investments accounted for using the equity method	(32,985)	(6,964)
Net cash inflow on disposal of investments accounted for using the equity method	2,243	-
Net cash (outflow) inflow on disposal of subsidiaries (Note 28)	(15,297)	606,990
Acquisition of property, plant and equipment	(275,678)	(305,466)
Proceeds from disposal of property, plant and equipment	25,657	4,166
Decrease in other receivables - related parties	-	120,000
Acquisition of intangible assets	(1,718)	(2,844)
Acquisition of investment properties	(421,478)	(90,456)
Proceeds from disposal of investment properties	96,195	146,606
Increase in other non-current assets	-	(24,850)
Decrease in other non-current assets	20,845	-
Dividends received	13,087	6,000
Dividends received from associates	10,344	8,918
	(562,949)	682,164
Net cash (used in) generated from investing activities	(562,949)	682,164
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	287,984
Repayments of short-term borrowings	(269,441)	-
Repayments of short-term bills payable	-	(50,000)
Proceeds from long-term borrowings	400,000	928,670
Repayments of long-term borrowings	(613,043)	(600,883)
Repayment of the principal portion of lease liabilities	(69,780)	(42,393)
Increase in other non-current liabilities	1,817	1,372
Cash dividends paid	(439,955)	(439,086)
Proceeds from share options exercised	29,033	12,576
Changes in non-controlling interests	(3,551)	3,789
	(964,920)	102,029
Net cash (used in) generated from financing activities	(964,920)	102,029
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	154,216	(45,502)
NET INCREASE IN CASH AND CASH EQUIVALENTS	218,755	240,667
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	1,310,791	1,070,124
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 1,529,546	\$ 1,310,791

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

(Concluded)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 March 14, 2023.

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 financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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 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 financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

- 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. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

- d. 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 comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

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 interests of the Group 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.

See Note 13 and Table 8 and 9 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

f. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items denominated in a foreign currency and measured at historical cost are stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the consolidated financial statements, the financial statements of the Company's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries) that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency - the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income attributed to the owners of the Company and non-controlling interests as appropriate.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

g. Inventories

Inventories consist of raw materials, supplies, work in progress, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

h. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

k. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

l. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

m. Impairment of property, plant and equipment, right-of-use assets, investment properties and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, investment properties and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

n. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 31.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Subsequent to initial recognition, financial assets at amortized cost - including cash and cash equivalents, trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), as well as contract assets.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

- Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

Fair value is determined in the manner described in Note 31.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and currency swaps.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

o. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

- Revenue from the sale of goods

When the product arrives at the customer's designated place or when it is shipped, the customer has the right to set the price and use of the goods and has the primary responsibility for reselling, and bears the risk of obsolescence of the goods. The Group recognizes revenue and accounts receivable at that time.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

p. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur, or when the plan amendment or curtailment occurs or when the settlement occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Employee share options

Employee share options granted to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimate of the number of options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date when the share options granted vest immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

The grant by the Company of its equity instruments to the employees of a subsidiary under equity-settled options is treated as a capital contribution. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to capital surplus - employee share options.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current tax and deferred tax for the year

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 1,750	\$ 2,203
Checking accounts and demand deposits	649,144	482,860
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	<u>878,652</u>	<u>825,728</u>
	<u>\$ 1,529,546</u>	<u>\$ 1,310,791</u>

The market rate intervals of cash in the bank at the end of the year were as follows:

	December 31	
	2022	2021
Bank balance	0%-1.05%	0%-0.5%
Time deposits	1.03%-5.05%	0.21%-0.37%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets at FVTPL - current</u>		
Mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ <u>4,873</u>	\$ <u>1,673</u>
<u>Financial liabilities at FVTPL - current</u>		
Held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	\$ <u>18,622</u>	\$ <u>3,816</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2022</u>			
Buy	EUR/NTD	2023.1.6	EUR368/NTD11,826
Buy	EUR/USD	2023.1.18-2023.7.27	EUR2,855/USD3,017
Buy	USD/JPY	2023.1.20-2023.12.29	USD9,017/JPY1,234,434
Buy	EUR/JPY	2023.1.31-2023.12.29	EUR2,089/JPY290,911
Sell	EUR/NTD	2023.3.29-2023.7.28	EUR652/NTD20,455
Sell	USD/RMB	2023.2.17	USD130/RMB936
Sell	USD/NTD	2023.1.9-2023.1.31	USD4,000/NTD124,496
<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

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ 150,000	\$ 231,300
Foreign investments		
Unlisted shares	<u>23,383</u>	<u>-</u>
	<u>\$ 173,383</u>	<u>\$ 231,300</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.

In 2021, the Group sold part of its shares in order to manage credit concentration risk. The shares sold for the years ended December 31, 2021 had a fair value of \$145,557 thousand, and its related unrealized valuation gain of \$92,585 thousand, respectively, was transferred from other equity to retained earnings.

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Domestic investments		
Restricted assets - bank balance	\$ 11,412	\$ 49,958
Time deposits with original maturities of more than 3 months (a)	58,000	24,000
Private corporate bond with no active market (b)	<u>-</u>	<u>60,000</u>
	<u>\$ 69,412</u>	<u>\$ 133,958</u>
<u>Non-current</u>		
Private corporate bond with no active market (c)	<u>\$ 50,000</u>	<u>\$ -</u>

- a. The range of interest rates for time deposits with original maturities of more than 3 months was approximately 0.82%-1.44% per annum as of December 31, 2022.
- b. The Group held six units of five-year unsecured corporate bonds issued by Sonwdown Merchandise Corporation with a coupon rate of 2.75% as of December 31, 2021.
- c. 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.
- d. Refer to Note 33 for information relating to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Notes receivable</u>		
At amortized cost		
Notes receivable - operating	\$ 8,925	\$ 88,424
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 8,925</u>	<u>\$ 88,424</u>
<u>Trade receivables (including related parties)</u>		
At amortized cost		
Gross carrying amount	\$ 969,297	\$ 868,525
Less: Allowance for impairment loss	<u>(81)</u>	<u>(81)</u>
	<u>\$ 969,216</u>	<u>\$ 868,444</u>
<u>Other receivables</u>		
Sale of raw materials	\$ 354,659	\$ 462,204
Tax refund receivable	40,107	50,996
Others	4,790	3,742
Less: Allowance for impairment loss	<u>(150,254)</u>	<u>(144,913)</u>
	<u>\$ 249,302</u>	<u>\$ 372,029</u>

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

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 prepared by reference to 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 trade receivables was as follows:

	December 31	
	2022	2021
Less than 30 days	\$ 370,003	\$ 632,625
31-60 days	395,282	201,557
61-120 days	<u>204,012</u>	<u>34,343</u>
	<u>\$ 969,297</u>	<u>\$ 868,525</u>

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

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 81	\$ 81
Add: Net remeasurement of loss allowance	-	-
Foreign exchange gains and losses	<u>-</u>	<u>-</u>
Balance at December 31	<u>\$ 81</u>	<u>\$ 81</u>

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 144,913	\$ 73,573
Add: Net remeasurement of loss allowance*	4,976	71,340
Foreign exchange gains and losses	<u>365</u>	<u>-</u>
Balance at December 31	<u>\$ 150,254</u>	<u>\$ 144,913</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.

- * In the year 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. Therefore, the Group assessed that credit impairment has occurred and recognized a loss allowance. The Group requested a writ of execution, which had been completed and issued on July 30, 2021 by the court, with a promissory note signed by the debtor and joint guarantors.

11. FINANCE LEASE RECEIVABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Undiscounted lease payments</u>		
Year 1	\$ 49,861	\$ 33,941
Year 2	20,273	20,273
Year 3	20,303	20,273
Year 4	<u>-</u>	<u>20,303</u>
	90,437	94,790
Less: Unearned finance income	(9,051)	(14,385)
Less: Allowance for impairment loss	<u>(10,836)</u>	<u>(6,317)</u>
Net investment in leases presented as finance lease receivables	<u>\$ 70,550</u>	<u>\$ 74,088</u>

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

The implied interest rates inherent in 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 approximately 9.44%-10.44% per annum as of December 31, 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 December 31, 2022, part of the finance lease receivables was past due. The Group has recognized a loss allowance of \$10,836 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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Merchandise	\$ 91,465	\$ 169,355
Finished goods	456,920	378,065
Work in progress	913,239	997,096
Raw materials	454,363	622,110
Goods to subcontractor	41	27
Inventory in transit	<u>201,926</u>	<u>228,924</u>
	<u>\$ 2,117,954</u>	<u>\$ 2,395,577</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$8,541,008 thousand and \$7,071,896 thousand, respectively. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 included inventory write-downs of \$40,672 thousand and \$52,246 thousand, respectively.

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31 2022	December 31 2021	
The Company	Kwong Lung (B.V.I.) Ltd.	Overseas reinvested holding company.	100	100	1)
	Kwong Lung Meko Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	Major subsidiary
	Kwong Lung Japan Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	
	Bo Hsing Enterprise Co., Ltd.	Manufacturing and selling of apparel.	100	100	
	Toptex Garment Co., Ltd.	Manufacturing and selling of apparel.	100	100	
	P&B Collection Co., Ltd.	Outerwear knitting mills; apparel, clothing accessories and other textile product manufacturing; other textile products manufacturing; cleaning products manufacturing; wholesale and retail sale of cloths, clothes, shoes, hat, umbrella and apparel, clothing accessories, furniture, bedclothes, kitchen equipment, fixtures, articles for daily use, cleaning preparations and other textile products; wholesale of pottery, porcelain and glassware; international trade.	100	100	
	Kwong Lung Europe SP.Z O.O.	Various selling of down and bedding	-	-	6)
	Kwong Lung-O Mon Company Limited	Manufacturing and selling of apparel.	100	100	
	Manumech Corporation	Wholesale	94.59	94.59	4)
Kwong Lung (B.V.I.) Ltd.	Kwong Lung Feather (B.V.I.) Limited	Overseas reinvested holding company.	100	100	1) and 7)
	Kwong Lung (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding.	100	100	2)
Kwong Lung Japan Co., Ltd.	Rising Living Co., Ltd.	Manufacturing and selling of down and bedding.	51	51	3)
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	Overseas reinvested holding company.	40	40	
Kwong Lung Meko Co., Ltd.	Kwong Lung Meko (B.V.I.) Ltd.	Overseas reinvested holding company	60	60	
Kwong Lung Feather (B.V.I.) Limited	Snowdown Merchandise (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding.	-	-	5)
Kwong Lung (Suzhou) Co., Ltd.	Kunshan Fulong Trade Co., Ltd.	Wholesale of outdoor supplies, household wares, clothing, and related packaging materials; food; Import and export of goods and technology	100	100	
	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	8)
P&B Collection Co., Ltd.	Manumech Corporation	Wholesale	2.76	2.76	4)
Manumech Corporation	Intime Tech Co., Ltd.	Wholesale	100	100	

- 1) 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.
- 2) In 2021, Kwong Lung Feather (B.V.I.) Limited reduced its capital by transferring the shares of Kwong Lung (Suzhou) Co., Ltd to Kwong Lung Feather (B.V.I.) Ltd. The base date of the capital reduction was March 19, 2021.
- 3) In March 2021, Kwong Lung Japan Co., Ltd. acquired 51% shares of Rising Living Co., Ltd. with an original investment amount of JPY15,300 thousand.
- 4) 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%.

- 5) On September 7, 2021, the Group entered into a contract with Suzhou Longhou Machinery Co., Ltd. On December 2, 2021, the Group has transferred the significant risks and rewards relating to the ownership of the subsidiary. The Group recognized gains on disposal of \$304,714 thousand. Refer to Note 28 for information relating to the gain on disposal of the subsidiary.
- 6) In May 2020, the Company's board of directors resolved to liquidate Kwong Lung Europe SP.Z O.O. and received the proceeds from the liquidation distribution in December 2021. The liquidation process was completed on May 20, 2022.
- 7) 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.
- 8) In line with its business, the Group's board of directors resolved to dispose of its subsidiary, Huai An He Yu Textile Co., Ltd. to the related party in substance, Hongze Qiyu Home Textile Co., Ltd., on September 23, 2022 and the registration change of ownership was completed on October 8, 2022. The Group recognized a loss on disposal of \$54 thousand. Refer to Note 28 for information relating to the loss on disposal of the subsidiary.

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

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	<u>December 31</u>	
	2022	2021
Material associate		
Snowdown Merchandise Corporation	\$ 237,026	\$ 226,889
Associate that are not individually material	<u>115,538</u>	<u>104,230</u>
	<u>\$ 352,564</u>	<u>\$ 331,119</u>

a. Material associate

	<u>Proportion of Ownership and Voting Rights</u>	
	<u>December 31</u>	
Name of Associate	2022	2021
Snowdown Merchandise Corporation	39.5%	39.5%

For the year ended December 31, 2021, the proportionate amount of the net profit and other comprehensive income of Snowdown Merchandise Corporation recognized by the Group was 23% of the total consolidated comprehensive income; thus, the Group included Snowdown Merchandise Corporation as a material associate.

Refer to Table 8 "Information on Investees" for the nature of activities, principal place of business and country of incorporation of the associate.

Snowdown Merchandise Corporation

	December 31	
	2022	2021
Current assets	\$ 559,575	\$ 617,406
Non-current assets	302,470	291,771
Current liabilities	(204,321)	(330,358)
Non-current liabilities	<u>(2,487)</u>	<u>(266)</u>
Equity	<u>\$ 655,237</u>	<u>\$ 578,553</u>
Proportion of the Group's ownership	39.5%	39.5%
Equity attributable to the Group	\$ 258,819	\$ 228,528
Unrealized gain or loss with associates	(4,552)	(4,647)
Other adjustment	<u>(17,241)</u>	<u>3,008</u>
Carrying amount	<u>\$ 237,026</u>	<u>\$ 226,889</u>
	For the Year Ended December 31	
	2022	2021
Operating revenue	<u>\$ 1,185</u>	<u>\$ 844</u>
Net profit for the year	\$ 47,460	\$ 283,485
Other comprehensive (loss) income	<u>(9,197)</u>	<u>13,234</u>
Total comprehensive income for the year	<u>\$ 38,263</u>	<u>\$ 296,719</u>

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2022	2021
The Group's share of:		
Net profit for the year	\$ 6,929	\$ 4,966
Other comprehensive income	<u>2,512</u>	<u>1,122</u>
Total comprehensive income for the year	<u>\$ 9,441</u>	<u>\$ 6,088</u>

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>

Aside from aforementioned transaction, the Group has acquired and disposed several associates which are not individually material.

Except for Lyon Ventures Holdings Ltd. and LK Pacific Investment Inc., investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the investees' financial statements which have been audited. 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 investees' financial statements which have not been audited.

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	109,222	5,665	15,899	4,072	9,662	138,159	282,679
Disposals	-	(25,137)	(166,365)	(10,039)	(66,464)	-	(268,005)
Disposal of subsidiaries (Note 28)	-	(416,332)	-	(2,610)	(2,175)	-	(421,117)
Reclassification	(74,563)	77,968	(82,567)	-	(5,332)	(196,091)	(280,585)
Effects of foreign currency exchange differences	-	(13,650)	(14,056)	(792)	(1,644)	(1,102)	(31,244)
Balance at December 31, 2021	<u>\$ 750,609</u>	<u>\$ 1,055,946</u>	<u>\$ 646,956</u>	<u>\$ 35,816</u>	<u>\$ 216,326</u>	<u>\$ 100,135</u>	<u>\$ 2,805,788</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ -	\$ 677,916	\$ 681,330	\$ 36,804	\$ 251,001	\$ -	\$ 1,647,051
Disposals	-	(22,077)	(155,996)	(9,485)	(63,704)	-	(251,262)
Disposal of subsidiaries (Note 28)	-	(242,855)	-	-	(1)	-	(242,856)
Depreciation expense	-	70,654	40,356	2,601	10,883	-	124,494
Reclassification	-	-	(8,503)	-	-	-	(8,503)
Effect of foreign currency exchange differences	-	(7,206)	(11,317)	(625)	(1,458)	-	(20,606)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 476,432</u>	<u>\$ 545,870</u>	<u>\$ 29,295</u>	<u>\$ 196,721</u>	<u>\$ -</u>	<u>\$ 1,248,318</u>
Carrying amount at December 31, 2021	<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>
<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	-	1,257	18,444	318	5,240	158,735	183,994
Disposals	(21,240)	(14,650)	(133,387)	(4,220)	(55,671)	-	(229,168)
Disposal of subsidiaries (Note 28)	-	(1,847)	(207)	-	(1,627)	-	(3,681)
Reclassification	153	27,964	-	-	(397)	(30,042)	(2,322)
Effects of foreign currency exchange differences	-	44,107	46,054	2,824	3,507	2,837	99,329
Balance at December 31, 2022	<u>\$ 729,522</u>	<u>\$ 1,112,777</u>	<u>\$ 577,860</u>	<u>\$ 34,738</u>	<u>\$ 167,378</u>	<u>\$ 231,665</u>	<u>\$ 2,853,940</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2022	\$ -	\$ 476,432	\$ 545,870	\$ 29,295	\$ 196,721	\$ -	\$ 1,248,318
Disposals	-	(12,184)	(130,035)	(4,217)	(54,971)	-	(201,407)
Disposal of subsidiaries (Note 28)	-	(1,847)	(207)	-	(1,468)	-	(3,522)
Depreciation expense	-	61,129	37,674	2,624	8,443	-	109,870
Effect of foreign currency exchange differences	-	25,349	38,253	2,377	3,102	-	69,081
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 548,879</u>	<u>\$ 491,555</u>	<u>\$ 30,079</u>	<u>\$ 151,827</u>	<u>\$ -</u>	<u>\$ 1,222,340</u>
Carrying amount at December 31, 2022	<u>\$ 729,522</u>	<u>\$ 563,898</u>	<u>\$ 86,305</u>	<u>\$ 4,659</u>	<u>\$ 15,551</u>	<u>\$ 231,665</u>	<u>\$ 1,631,600</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful life 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 are set out in Note 33.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amount</u>		
Land	\$ 48,428	\$ 46,463
Buildings	35,955	59,077
Machinery	1,080	2,078
Transportation equipment	<u>11,315</u>	<u>15,480</u>
	<u>\$ 96,778</u>	<u>\$ 123,098</u>
	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$ 24,266</u>	<u>\$ 59,977</u>
Depreciation charge for right-of-use assets		
Land	\$ 2,727	\$ 3,910
Buildings	42,884	30,617
Machinery	857	813
Transportation equipment	<u>8,979</u>	<u>6,673</u>
	<u>\$ 55,447</u>	<u>\$ 42,013</u>

b. Lease liabilities

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Carrying amount</u>		
Current	<u>\$ 34,160</u>	<u>\$ 63,155</u>
Non-current	<u>\$ 18,746</u>	<u>\$ 34,594</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2022	2021
Land	1.28%	1.28%
Buildings	0.37%-9.64%	0.52%-5.75%
Machinery	1.03%-5%	1.03%-5%
Transportation equipment	0.52%-1.28%	0.52%-1.28%

c. Material leasing activities and terms

Due to the severe impact of the COVID-19 on the market economy in 2021, the Group negotiated with the lessor for rent concessions for the lease of buildings. The lessor agreed to provide unconditional rent reduction, and the Group recognized in profit or loss the impact of rent concessions of \$187 thousand (presented in other income) for the year ended December 31, 2021.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	<u>\$ 14,477</u>	<u>\$ 11,949</u>
Expenses relating to low-value asset leases	<u>\$ 868</u>	<u>\$ 1,123</u>
Total cash outflow for leases	<u>\$ (87,080)</u>	<u>\$ (57,240)</u>

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

	For the Year Ended December 31	
	2022	2021
<u>Cost</u>		
Balance at January 1	\$ 470,423	\$ 328,552
Additions	421,478	90,456
Disposals	(71,257)	(105,865)
Transfers from property, plant and equipment	-	192,634
Effects of foreign currency exchange differences	<u>(7,157)</u>	<u>(35,354)</u>
Balance at December 31	<u>\$ 813,487</u>	<u>\$ 470,423</u>
<u>Accumulated depreciation</u>		
Balance at January 1	\$ 7,938	\$ 4,078
Depreciation expense	5,544	4,487
Disposals	(351)	-
Effects of foreign currency exchange differences	<u>(119)</u>	<u>(627)</u>
Balance at December 31	<u>\$ 13,012</u>	<u>\$ 7,938</u>
Carrying amount at December 31	<u>\$ 800,475</u>	<u>\$ 462,485</u>

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	December 31	
	2022	2021
Year 1	\$ 13,173	\$ 7,334
Year 2	5,553	215
Year 3	<u>849</u>	<u>-</u>
	<u>\$ 19,575</u>	<u>\$ 7,549</u>

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

Main buildings 10-50 years

The fair value was based on the valuations carried out by independent qualified professional valuers and the evaluation basis was based on the comparison approach and income approach. The fair value as appraised was as follows:

	December 31	
	2022	2021
Fair value	<u>\$ 821,029</u>	<u>\$ 516,661</u>

18. INTANGIBLE ASSETS

	December 31	
	2022	2021
Goodwill	\$ 22,022	\$ 22,022
Cost of computer software	11,770	21,890
Others	<u>1,488</u>	<u>1,846</u>
	<u>\$ 35,280</u>	<u>\$ 45,758</u>

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

19. OTHER ASSETS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Overpaid tax retained for offsetting future tax payable	\$ 43,083	\$ 61,307
Prepayments	91,461	38,246
Finance lease receivables (Note 11)	33,884	21,645
Others	<u>45,799</u>	<u>40,647</u>
	<u>\$ 214,227</u>	<u>\$ 161,845</u>
<u>Non-current</u>		
Finance lease receivables (Note 11)	\$ 36,666	\$ 52,443
Refundable deposits	26,024	43,847
Prepayments for land and building	82,129	-
Prepayments for investment	36,136	36,136
Prepayments for equipment	23,915	14,904
Others	<u>8,274</u>	<u>6,943</u>
	<u>\$ 213,144</u>	<u>\$ 154,273</u>

20. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Secured borrowings</u>		
Bank loans*	\$ 13,224	\$ -
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>785,815</u>	<u>1,048,621</u>
	<u>\$ 799,039</u>	<u>\$ 1,048,621</u>
Range of interest rates	<u>0.26%-4.62%</u>	<u>0.28%-1.55%</u>

b. Short-term bills payable

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

Outstanding short-term bills payable were as follows:

December 31, 2022

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
<u>Commercial paper</u>						
Mega International Commercial Bank	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	2.228%	None	<u>\$ -</u>

December 31, 2021

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
<u>Commercial paper</u>						
Mega International Commercial Bank	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	1.50%	None	<u>\$ -</u>

c. Current portion of long-term borrowings

	<u>December 31</u>	
	2022	2021
Current portion of long-term borrowings	<u>\$ 1,460</u>	<u>\$ 898</u>

d. Long-term borrowings

	<u>December 31</u>	
	2022	2021
<u>Secured borrowings</u>		
Bank loans*	\$ 28,670	\$ 41,713
<u>Unsecured borrowings</u>		
Credit borrowings	<u>400,000</u>	<u>600,000</u>
	428,670	641,713
Less: Current portion	<u>(1,460)</u>	<u>(898)</u>
Long-term borrowings	<u>\$ 427,210</u>	<u>\$ 640,815</u>
Range of interest rates	<u>1.66%-1.98%</u>	<u>0.62%-1.70%</u>

* The bank borrowings are secured by the Group's financial assets at amortized cost and freehold land and buildings (see Note 33).

21. OTHER PAYABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Payables for payroll and employee benefit	\$ 198,833	\$ 168,680
Payables for compensation of employees	43,827	20,667
Payables for remuneration of directors and supervisors	25,000	16,000
Payables for fabrication expense	22,304	29,278
Payables for purchase of equipment	486	1,030
Others	<u>103,004</u>	<u>98,367</u>
	<u>\$ 393,454</u>	<u>\$ 334,022</u>

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company, P&B Collection Co., Ltd. and Manumech Corporation of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary outside Taiwan are members of a state-managed retirement benefit plan operated by the government. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 6% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Present value of defined benefit obligation	\$ 39,594	\$ 40,266
Fair value of plan assets	<u>(25,533)</u>	<u>(21,719)</u>
Net defined benefit liabilities	<u>\$ 14,061</u>	<u>\$ 18,547</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	<u>\$ 52,760</u>	<u>\$ (24,594)</u>	<u>\$ 28,166</u>
Service cost			
Current service cost	197	-	197
Past service cost and (gain) on settlements	(5,484)	2,419	(3,065)
Net interest expense (income)	<u>151</u>	<u>(71)</u>	<u>80</u>
Recognized in profit or loss	<u>(5,136)</u>	<u>2,348</u>	<u>(2,788)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(363)	(363)
Actuarial loss - changes in demographic assumptions	81	-	81
Actuarial gain - experience adjustments	(1,280)	-	(1,280)
Actuarial gain - changes in financial assumptions	<u>(1,589)</u>	<u>-</u>	<u>(1,589)</u>
Recognized in other comprehensive income	<u>(2,788)</u>	<u>(363)</u>	<u>(3,151)</u>
Contributions from the employer	-	(3,680)	(3,680)
Benefits paid - from plan assets	<u>(4,570)</u>	<u>4,570</u>	<u>-</u>
Balance at December 31, 2021	<u>40,266</u>	<u>(21,719)</u>	<u>18,547</u>
Service cost			
Current service cost	114	-	114
Past service cost and (gain) on settlements	-	-	-
Net interest expense (income)	<u>274</u>	<u>(153)</u>	<u>121</u>
Recognized in profit or loss	<u>388</u>	<u>(153)</u>	<u>235</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,916)	(1,916)
Actuarial loss - changes in demographic assumptions	1,458	-	1,458
Actuarial gain - changes in financial assumptions	<u>(1,737)</u>	<u>-</u>	<u>(1,737)</u>
Recognized in other comprehensive income	<u>(279)</u>	<u>(1,916)</u>	<u>(2,195)</u>
Contributions from the employer	-	(2,526)	(2,526)
Benefits paid - from plan assets	<u>(781)</u>	<u>781</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 39,594</u>	<u>\$ (25,533)</u>	<u>\$ 14,061</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<u>December 31</u>	
	2022	2021
Discount rate	1.25%	0.70%
Expected rate of salary increase	3.00%	3.00%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<u>December 31</u>	
	2022	2021
Discount rate		
0.25% increase	<u>\$ (750)</u>	<u>\$ (836)</u>
0.25% decrease	<u>\$ 774</u>	<u>\$ 864</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 759</u>	<u>\$ 843</u>
0.25% decrease	<u>\$ (739)</u>	<u>\$ (819)</u>

The above sensitivity analysis may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	2022	2021
Expected contributions to the plan for the next year	<u>\$ 2,486</u>	<u>\$ 2,346</u>
Average duration of the defined benefit obligation	7 years	8 years

23. EQUITY

- a. Share capital

Ordinary shares

	<u>December 31</u>	
	2022	2021
Number of shares authorized (in thousands)	<u>180,000</u>	<u>180,000</u>
Shares authorized	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
Number of shares issued and fully paid (in thousands)	<u>140,833</u>	<u>131,323</u>
Shares issued	<u>\$ 1,408,331</u>	<u>\$ 1,313,228</u>
Advance receipts for ordinary shares	<u>\$ 279</u>	<u>\$ 4,348</u>

The change in the Company's share capital is mainly due to the exercise of employee share options and convert of 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 the capital increase was December 20, 2018. The payment of all issued preference shares was received, and the relevant statutory registration procedures were completed. The preference shares are classified as equity.

The rights and obligations of the 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 after the Annual General Meeting has approved on the audited financial reports. The board will decide on a payment record date for distributing the dividend. Preference shares dividend on the issued year and redeemed year will be calculated based on actual number of days issued.
- 4) Preference shareholders are not entitled to received 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 subject 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 shares 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 shares shareholders A are not entitled to preference share dividends if the preference shares are converted to ordinary shares prior to the ex-dividend record date, but are entitled to ordinary shares dividends derived from earnings and capital reserve.
- 9) Preference shareholders have the same pre-emptive right as ordinary shareholders for newly issued shares.

b. Capital surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 1,519,657	\$ 1,484,980
Conversion of bonds	640,431	640,431
Treasury share transactions	29,284	29,284
Expire options	20,715	20,432
<u>May only be used to offset a deficit (2)</u>		
Share of changes in capital surplus of associates or joint ventures	2,460	2,460
<u>May not be used for any purpose</u>		
Employee share options	<u>6,546</u>	<u>15,164</u>
	<u>\$ 2,219,093</u>	<u>\$ 2,192,751</u>

- 1) Such capital surplus 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 to once a year).
- 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

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, which were approved in the shareholders' meetings on May 31, 2022 and July 30, 2021, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2021	2020
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.

The appropriations of earnings for 2022, which were proposed by the Company's board of directors on March 14, 2023, were as follows:

	For the Year Ended December 31, 2022
Legal reserve	\$ 93,095
Special reserve	\$ (87,085)
Ordinary share dividends	\$ 566,469
Preference share dividends	\$ 22,607
Ordinary share dividends per share (NT\$)	\$ 4
Preference share dividends per share (NT\$)	\$ 2.5

The appropriations of earnings for 2022 are subject to the resolution in the shareholders' meeting to be held in May 2023.

d. Other equity items

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (347,919)	\$ (202,458)
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	173,305	(92,032)
Reclassification adjustments		
Disposal of foreign operations	<u>7,113</u>	<u>(53,429)</u>
Balance at December 31	<u>\$ (167,501)</u>	<u>\$ (347,919)</u>

In 2021, the Group entered into a sale agreement to dispose of 100% interest of Snowdown Merchandise (Suzhou) Co., Ltd. The disposal was completed in the same year, in which control of Snowdown Merchandise (Suzhou) Co., Ltd. passed to the acquirer. Refer to Notes 13 and 28 for information relating to the disposal of Snowdown Merchandise (Suzhou) Co., Ltd.

In 2021, the Group liquidated Kwong Lung Europe SP.Z O.O. The amounts of exchange differences on the translation of the financial statements originally recognized in equity was reclassified to other gains and losses. Refer to Note 24 (c) for information relating to the amount of reclassification.

e. Non-controlling interests

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 23,225	\$ 22,272
Share in loss for the year	(1,596)	(25,543)
Exchange differences on translating the financial statements of foreign entities	464	(362)
Cash dividends by the subsidiaries	(3,551)	-
Non-controlling interests arising from acquisition of subsidiaries	-	26,788
Disposal of subsidiaries	(14,827)	-
Employee share options	<u>1</u>	<u>70</u>
Balance at December 31	<u>\$ 3,716</u>	<u>\$ 23,225</u>

24. NET PROFIT

a. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	\$ 18,324	\$ 7,268
Financial assets at amortized cost	860	1,650
Net investments in leases	5,334	6,664
Others	<u>-</u>	<u>1,537</u>
	<u>\$ 24,518</u>	<u>\$ 17,119</u>

b. Other income

	For the Year Ended December 31	
	2022	2021
Rental income	\$ 12,440	\$ 13,236
Dividends	<u>13,087</u>	<u>6,000</u>
	<u>\$ 25,527</u>	<u>\$ 19,236</u>

c. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Foreign exchange gains	\$ 679,908	\$ 195,420
Foreign exchange losses	(472,604)	(229,404)
(Loss) gain on financial assets designated as at FVTPL	(78,802)	5,251
Loss on disposal of property, plant and equipment	(2,104)	(12,577)
(Loss) gain on disposal of subsidiary (Note 28)	(54)	304,714
Loss on liquidation of subsidiary	-	(609)
Gain on disposal of investment properties	25,289	40,741
Loss on disposal of associates accounted for using the equity method	(8,733)	-
Others	<u>(20,380)</u>	<u>(21,401)</u>
	<u>\$ 122,520</u>	<u>\$ 282,135</u>

d. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 19,009	\$ 12,147
Interest on lease liabilities	<u>1,955</u>	<u>1,775</u>
	<u>\$ 20,964</u>	<u>\$ 13,922</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
An analysis of depreciation by function		
Operating costs	\$ 105,401	\$ 110,281
Operating expenses	59,916	56,226
Other gains and losses	<u>5,544</u>	<u>4,487</u>
	<u>\$ 170,861</u>	<u>\$ 170,994</u>
An analysis of amortization by function		
Operating costs	\$ 1,864	\$ 1,865
Operating expenses	<u>10,328</u>	<u>11,509</u>
	<u>\$ 12,192</u>	<u>\$ 13,374</u>

f. Employee benefits expense

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Post-employment benefits		
Defined contribution plan	\$ 15,610	\$ 15,344
Defined benefit plans	<u>235</u>	<u>(2,788)</u>
	<u>15,845</u>	<u>12,556</u>
Share-based payments		
Equity-settled	2,461	2,879
Other employee benefits	<u>1,234,592</u>	<u>1,029,723</u>
Total employee benefits expense	<u>\$ 1,252,898</u>	<u>\$ 1,045,158</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 837,274	\$ 658,362
Operating expenses	<u>415,624</u>	<u>386,796</u>
	<u>\$ 1,252,898</u>	<u>\$ 1,045,158</u>

g. Compensation of employees and remuneration of directors and supervisors

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. The compensation of employees and remuneration of directors and supervisors for the years ended December 31, 2022 and 2021 which have been approved by the Company's board of directors on March 14, 2023 and March 10, 2022, respectively, were as follows:

Amount

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
	<u>Cash</u>	<u>Cash</u>
Compensation of employees	\$ 43,827	\$ 20,667
Remuneration of directors and supervisors	25,000	16,000

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.

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 expense recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 204,798	\$ 148,212
Adjustments for prior year	<u>(2,629)</u>	<u>8,671</u>
	<u>202,169</u>	<u>156,883</u>
Deferred tax		
In respect of the current year	<u>11,430</u>	<u>(35,450)</u>
Income tax expense recognized in profit or loss	<u>\$ 213,599</u>	<u>\$ 121,433</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2022	2021
Profit before tax	<u>\$ 1,131,084</u>	<u>\$ 611,183</u>
Income tax expense calculated at the statutory rate (20%)	\$ 226,217	\$ 122,237
Tax-exempt income	(2,531)	(1,203)
Deductible gains in determining taxable income	(2,316)	(21,759)
Deferred tax effect of earnings of subsidiary	9,648	(2,789)
Unrecognized loss carryforwards and temporary differences	(73,086)	(32,769)
Effect of different tax rates of the entities in the Group operating in other jurisdictions	58,296	19,948
Capital gain tax on disposal of subsidiary	-	29,097
Adjustments for prior years' tax	<u>(2,629)</u>	<u>8,671</u>
Income tax expense recognized in profit or loss	<u>\$ 213,599</u>	<u>\$ 121,433</u>

b. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Exchange Difference	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Foreign exchange losses	\$ 1,709	\$ 1,395	\$ -	\$ -	\$ 3,104
Write-down of inventories	14,360	988	-	-	15,348
Unrealized intercompany gain	1,673	306	-	-	1,979
Foreign subsidiaries' investment profits and losses	27,516	(8,284)	-	-	19,232
FVTPL financial liabilities	736	(507)	-	-	229
Defined benefit obligations	3,658	(447)	-	(439)	2,772
Payables for annual leave	5,123	1,468	-	-	6,591
Impairment of machinery equipment	1,182	(351)	-	-	831
Others	135	(13)	-	-	122
	<u>\$ 56,092</u>	<u>\$ (5,445)</u>	<u>\$ -</u>	<u>\$ (439)</u>	<u>\$ 50,208</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Foreign exchange gains	\$ (1,884)	\$ (4,196)	\$ -	\$ -	\$ (6,080)
FVTPL financial assets	(328)	(443)	-	-	(771)
Foreign subsidiaries' investment profits and losses	(114,509)	(1,364)	-	-	(115,873)
Others	(292)	18	(1)	-	(275)
	<u>\$ (117,013)</u>	<u>\$ (5,985)</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (122,999)</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Exchange Difference	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Foreign exchange losses	\$ 3,767	\$ (2,058)	\$ -	\$ -	\$ 1,709
Write-down of inventories	8,006	6,354	-	-	14,360
Unrealized intercompany gain	1,317	356	-	-	1,673
Foreign subsidiaries' investment profits and losses	22,503	5,013	-	-	27,516
FVTPL financial liabilities	124	612	-	-	736
Defined benefit obligations	5,559	(1,271)	-	(630)	3,658
Payables for annual leave	5,026	97	-	-	5,123
Impairment of machinery equipment	1,701	(519)	-	-	1,182
Others	10	125	-	-	135
	<u>\$ 48,013</u>	<u>\$ 8,709</u>	<u>\$ -</u>	<u>\$ (630)</u>	<u>\$ 56,092</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Foreign exchange gains	\$ (23,780)	\$ 21,896	\$ -	\$ -	\$ (1,884)
FVTPL financial assets	(4,548)	4,220	-	-	(328)
Foreign subsidiaries' investment profits and losses	(115,259)	750	-	-	(114,509)
Others	(165)	(125)	(2)	-	(292)
	<u>\$ (143,752)</u>	<u>\$ 26,741</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ (117,013)</u>

c. Income tax assessments

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

26. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2022	2021
Profit for the year attributable to owners of the Company	\$ 919,081	\$ 515,293
Less: Declared dividends on preference shares	<u>(45,500)</u>	<u>(45,500)</u>
Earnings used in the computation of earnings per share	<u>\$ 873,581</u>	<u>\$ 469,793</u>

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

	<u>For the Year Ended December 31</u>	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	133,618	131,234
Effect of potentially dilutive ordinary shares		
Employee share options	389	56
Compensation of employees	928	634
Convertible preference shares	<u>15,927</u>	<u>18,200</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>150,862</u>	<u>150,124</u>

The Group may settle compensation paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares 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 anniversary from the grant date. The options were granted at an exercise price equal to the highest closing price of the Company's ordinary shares listed on the Taipei Exchange on the day before the grant date, on the grant date and on the day after it, or the average closing price of the three days. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

	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 December 31	-	-	-	-	-	-	-	-
Options exercisable, end of the year	-	-	-	-	-	-	-	-

- 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 anniversary from the grant date. The options were granted at an exercise price equal to the highest closing price of the Company's ordinary shares listed on the Taipei Exchange on the day before the grant date, on the grant date and on the day after it, or the average closing price of the three days. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

	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	(263)	36.47	(552)	35.22	(82)	38.74	(129)	37.7
Options forfeited	(10)	37.86	(19)	37.13	(29)	38.74	(55)	37.7
Balance at December 31	137	35.7	336	34.8	410	38.4	907	37.4
Options exercisable, end of the year	137		336		167		907	

As of December 31, 2022, information on outstanding options was as follows:

	December 31	
	2022	2021
Range of exercise price (\$)	\$34.8-35.7	\$37.4-38.4
Weighted-average remaining contractual life (in years)	0.45-1.36	1.45-2.36

Options granted in May 2019 and June 2018 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	May 2019	June 2018
Grant-date share price	\$47.7	\$49.3
Exercise price	\$47.7	\$49.3
Expected volatility	29.52%	30.7%
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	0.57%	0.66%
Expected life	3.75 years	3.75 years

Expected volatility was based on the historical share price volatility.

- 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 Year December 31, 2022	
	Granted 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 December 31	<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 December 31, 2022, information on outstanding options was as follows:

	December 31, 2022
Range of exercise price (\$)	\$ 41.1
Weighted-average remaining contractual life (in years)	4.42

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

	June 2022
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 \$2,461 thousand and \$2,879 thousand for the years ended December 31, 2022 and 2021, respectively.

The weighted-average share price at the date of exercise of share options for the years ended December 31, 2022 and 2021 was \$47.88 and \$41.57.

28. DISPOSAL OF SUBSIDIARIES

On September 23, 2022 and September 7, 2021, the Group entered into a sale agreement to dispose of Huai An He Yu Home Textile Co., Ltd. and Snowdown Merchandise (Suzhou) Co., Ltd. The total amount of disposal was \$15,378 thousand and \$686,422 thousand, respectively, with a (loss) gain of \$(54) thousand and \$304,714 thousand. The Group had completed the disposal as of October 8, 2022 and December 2, 2021, and lost control of the subsidiaries.

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

	Huai An He Yu Home Textile Co., Ltd	Snowdown Merchandise (Suzhou) Co., Ltd.
Current assets		
Cash and cash equivalents	\$ 30,675	\$ 56,496
Trade receivables	2,462	174,803
Other receivables	261	3,652
Inventories	-	5,719
Other current assets	34	-
Non-current assets		
Property, plant and equipment	159	178,261
Right-of-use assets	-	33,182
Current liabilities		
Trade payables	(523)	(46,021)
Other payables	(2,809)	(3,566)
Lease liabilities	-	(7,386)
Other current liabilities	-	(479)
Net assets disposed of	<u>\$ 30,259</u>	<u>\$ 394,661</u>

b. (Loss) gain on disposal of subsidiaries

	Huai An He Yu Home Textile Co., Ltd	Snowdown Merchandise (Suzhou) Co., Ltd.
Consideration received	\$ 15,378	\$ 686,422
Net assets disposed of	(30,259)	(394,661)
Reclassification of other comprehensive income in respect of subsidiaries	14,827	54,038
Deferred gain on disposals*	-	(18,149)
Directly attributable costs	<u>-</u>	<u>(22,936)</u>
(Loss) gain on disposals	<u>\$ (54)</u>	<u>\$ 304,714</u>

* The Group disposed of Snowdown Merchandise (Suzhou) Co., Ltd. to the acquirer and leased part of its factories back for operations. The Group recognized a deferred gain on the disposal by measuring the proportion of the right-of-use assets leased back to the carrying amount of the underlying assets of the sales transaction.

c. Net cash (outflow) inflow on disposals of subsidiaries

	Huai An He Yu Home Textile Co., Ltd	Snowdown Merchandise (Suzhou) Co., Ltd.
Consideration received in cash and cash equivalents	\$ 15,378	\$ 686,422
Less: Cash and cash equivalent balances disposed of	30,675	56,496
Less: Directly attributable costs	<u>-</u>	<u>22,936</u>
	<u>\$ (15,297)</u>	<u>\$ 606,990</u>

29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

	Manumech Corporation
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	\$ 23,086
Reattribution of other equity to non-controlling interests	
Exchange differences on translating the financial statements of foreign operations	<u>(87)</u>
Differences recognized from equity transactions	<u>\$ 22,999</u>

Line items adjusted for equity transactions

Retained earnings \$ (22,999)

30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy has no significant variations.

The capital structure of the Group consists of net debt (borrowings offset by cash) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

31. 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

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares	\$ 150,000	\$ -	\$ -	\$ 150,000
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>23,383</u>	<u>23,383</u>
	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 23,383</u>	<u>\$ 173,383</u>
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 4,873</u>	<u>\$ -</u>	<u>\$ 4,873</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	<u>\$ -</u>	<u>\$ 18,622</u>	<u>\$ -</u>	<u>\$ 18,622</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
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>

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

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

	<u>December 31</u>	
	2022	2021
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 4,873	\$ 1,673
Financial assets at amortized cost (1)	2,836,294	2,722,650
Financial assets at FVTOCI	173,383	231,300
<u>Financial liabilities</u>		
FVTPL		
Held for trading	18,622	3,816
Amortized cost (2)	2,233,620	2,696,439

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 receivable, other receivables, trade payables, other payables and 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 was 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 was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (a) below) and interest rates (refer to (b) below). The Group entered into forward foreign exchange contracts 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 36.

	December 31	
	2022	2021
<u>Assets</u>		
JPY	\$ -	\$ 1,581
USD	1,984	-
EUR	2,889	92
<u>Liabilities</u>		
USD	16,658	-
EUR	1,964	3,816

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.

	USD Impact		JPY Impact	
	For the Year Ended December 31			
	2022	2021	2022	2021
Profit or loss*	\$ 45,315	\$ 34,922	\$ -	\$ 10

	VND Impact		EUR Impact	
	For the Year Ended December 31			
	2022	2021	2022	2021
Profit or loss*	\$ (2,025)	\$ (2,624)	\$ (316)	\$ (519)

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

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:

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 1,035,861	\$ 929,168
Financial liabilities	471,615	474,949
Cash flow interest rate risk		
Financial assets	666,529	567,087
Financial liabilities	839,000	1,343,134

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 years ended December 31, 2022 and 2021 would have decreased/increased by \$862 thousand and decreased/increased by \$3,880 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 is mainly concentrated on equity instruments operating in the ROC.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year.

If equity prices had been 10% higher/lower, the pre-tax other comprehensive income for the years ended December 31, 2022 and 2021 would have increased/decreased by \$17,338 thousand and \$23,130 thousand, respectively, as a result of the changes in fair value of financial asset at FVOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its 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 U.S. 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 December 31, 2022 and 2021, the Group had available unutilized bank loan facilities in the amounts of \$6,073,909 thousand and \$5,576,287 thousand, respectively.

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

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has 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 table includes 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 repayment dates.

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	\$ 741,236	\$ 332,545	\$ 169,790	\$ -	\$ -
Undiscounted lease	4,368	8,034	27,739	23,665	2,127
Borrowings	<u>203,614</u>	<u>87,689</u>	<u>551,565</u>	<u>436,090</u>	<u>-</u>
	<u>\$ 949,218</u>	<u>\$ 428,268</u>	<u>\$ 749,094</u>	<u>\$ 459,755</u>	<u>\$ 2,127</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 40,141</u>	<u>\$ 23,665</u>	<u>\$ 967</u>	<u>\$ 1,160</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
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:

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

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.

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Gross settled - outflows</u>			
Foreign exchange forward contracts	<u>\$ 135,709</u>	<u>\$ 84,577</u>	<u>\$ 383,428</u>

December 31, 2021

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

32. TRANSACTIONS WITH RELATED PARTIES

Besides the 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>Relationship 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

* Hongze Qiyu Home Textile Co. has no longer been the related party of the Group since the Group disposed of the subsidiary Huai An He Yu Home Textile Co., Ltd in October 2022.

b. Sales of goods

Related Party Name/Category	For the Year Ended December 31	
	2022	2021
Associates		
Daquan Hanshi Co., Ltd.	\$ 608	\$ 693
BBL Premium Co., Ltd.	12,541	15,945
Related party in substance		
Hongze Qiyu Home Textile Co., Ltd.	20,761	-
Others	<u>26</u>	<u>-</u>
	<u>\$ 33,936</u>	<u>\$ 16,638</u>

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

c. Purchases of goods

Related Party Name	For the Year Ended December 31	
	2022	2021
Hongze Qiyu Home Textile Co., Ltd.	<u>\$ 163,167</u>	<u>\$ -</u>

d. Receivables from related parties (not including loans to related parties)

Related Party Name	December 31	
	2022	2021
<u>Trade receivables</u>		
BBL Premium Co., Ltd.	\$ 9,141	\$ 8,738
Daquan Hanshi Co., Ltd.	<u>4</u>	<u>-</u>
	<u>\$ 9,145</u>	<u>\$ 8,738</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 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)

Related Party Category	December 31	
	2022	2021
<u>Other payables</u>		
Associates	\$ 420	\$ 398
Related party in substance	<u>-</u>	<u>42</u>
	<u>\$ 420</u>	<u>\$ 440</u>

The outstanding trade payables to related parties are unsecured.

f. Disposal of property, plant and equipment

Related Party Name	Proceeds Price	
	For the Year Ended December 31	
	2022	2021
Hongze Qiyu Home Textile Co., Ltd.	\$ <u>295</u>	\$ <u>-</u>

Related Party Name	Gain on Disposal	
	For the Year Ended December 31	
	2022	2021
Hongze Qiyu Home Textile Co., Ltd.	\$ <u>34</u>	\$ <u>-</u>

g. Lease arrangements

Related Party Name	For the Year Ended December 31	
	2022	2021
<u>Acquisition of right-of-use assets</u>		
Gong Tong Zu Lin Co., Ltd.	\$ <u>6,259</u>	\$ <u>11,834</u>

Account	Related Party Name	December 31	
		2022	2021
Lease liabilities	Gong Tong Zu Lin Co., Ltd.	\$ <u>11,182</u>	\$ <u>12,748</u>

Related Party Name	For the Year Ended December 31	
	2022	2021
<u>Interest expense</u>		
Gong Tong Zu Lin Co., Ltd.	\$ <u>85</u>	\$ <u>75</u>

h. Acquisitions of investment properties

Related Party Name	Purchase Price	
	For the Year Ended December 31	
	2022	2021
Koutou Co., Ltd.	\$ <u>-</u>	\$ <u>1,412</u>

i. Loans to related parties (refer to Table 1)

Related Party Name	For the Year Ended December 31	
	2022	2021
<u>Interest income</u>		
Snowdown Merchandise Corporation	\$ <u>-</u>	\$ <u>1,346</u>

j. Other income

Related Party Name/Category	For the Year Ended December 31	
	2022	2021
Koutou Co., Ltd.	\$ 809	\$ -
Snowdown Merchandise Corporation	380	1,650
BBL Premium Co., Ltd.	3	-
Related party in substance	<u>95</u>	<u>86</u>
	<u>\$ 1,287</u>	<u>\$ 1,736</u>

k. Expenses

Related Party Category	For the Year Ended December 31	
	2022	2021
Related party in substance	\$ 7,238	\$ 1,939
Associates	<u>15,727</u>	<u>13,539</u>
	<u>\$ 22,965</u>	<u>\$ 15,478</u>

The expenses included rents, other expenses, etc.

l. Remuneration of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 86,892	\$ 70,138
Post-employment benefits	819	833
Share-based payments	<u>1,169</u>	<u>478</u>
	<u>\$ 88,880</u>	<u>\$ 71,449</u>

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

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2022	2021
Pledged deposits	\$ 11,412	\$ 49,958
Land	41,761	63,001
Buildings, net	<u>4,739</u>	<u>7,029</u>
	<u>\$ 57,912</u>	<u>\$ 119,988</u>

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2022 and 2021 were as follows:

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
USD	<u>\$ 3,966</u>	<u>\$ 5,736</u>
EUR	<u>\$ 410</u>	<u>\$ 851</u>
NTD	<u>\$ 33,200</u>	<u>\$ 40,000</u>

- b. As of December 31, 2022 and 2021, guarantees issued by financial institutions for purchases of raw materials and development of technology amounted to \$6,000 thousand and \$36,000 thousand, respectively.

- c. Unrecognized commitments were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Acquisition of property, plant and equipment	<u>\$ 215,570</u>	<u>\$ 197,268</u>

35. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD: NONE

36. 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:

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 60,116	30.71 (USD:NTD)	\$ 1,846,162
USD	175	6.9669 (USD:RMB)	5,374
USD	1,885	23,623 (USD:VND)	57,888
USD	663	132.143 (USD:JPY)	20,361
VND	15,856,643	0.000042 (VND:USD)	20,614
EUR	5	32.72 (EUR:NTD)	164
RMB	3,559	4.408 (RMB:NTD)	15,688
Non-monetary items			
Investments in associates accounted for using equity method			
CAD	1,550	22.67 (CAD:NTD)	35,149

(Continued)

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 11,883	30.71 (USD:NTD)	\$ 364,927
USD	76	23,623 (USD:VND)	2,334
USD	1,692	132.143 (USD:JPY)	51,961
VND	67,780,481	0.000042 (VND:USD)	88,115
EUR	8	32.72 (EUR:NTD)	262
EUR	319	1.0655 (EUR:USD)	10,438
			(Concluded)

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<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

Financial liabilities

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

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

Foreign Currencies	For the Year Ended December 31			
	2022	Net Foreign Exchange Gains (Losses)	2021	Net Foreign Exchange Gains (Losses)
	Exchange Rate		Exchange Rate	
VND	0.00127 (VND:NTD)	\$ 9,117	0.00122 (VND:NTD)	\$ (4,806)
NTD	1 (NTD:NTD)	183,256	1 (NTD:NTD)	(28,910)
USD	29.803 (USD:NTD)	9,163	28.009 (USD:NTD)	3,271
RMB	4.422 (RMB:NTD)	2,626	4.3410 (RMB:NTD)	(3,546)
JPY	0.2274 (JPY:NTD)	3,142	0.2554 (JPY:NTD)	24
PLN	-	-	7.2697 (PLN:NTD)	(17)
		<u>\$ 207,304</u>		<u>\$ (33,984)</u>

37. 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 year.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
 - 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 year and the purposes.
 - e) The highest balance, the ending 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 year 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)

38. 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.

a. Segment revenue and results

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

	Segment Revenue		Segment Profit	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2022	2021	2022	2021
Apparel department	\$ 5,804,166	\$ 3,691,355	\$ 729,099	\$ 268,632
Down material department	2,080,761	2,069,920	119,700	(36,403)
Home textile department	2,175,572	1,761,242	115,003	9,988
Others	<u>451,801</u>	<u>703,307</u>	<u>(10,091)</u>	<u>(54,350)</u>
Segment revenue	10,512,300	8,225,824	953,711	187,867
Eliminations	<u>(208,091)</u>	<u>(165,264)</u>	<u>-</u>	<u>-</u>
Segment revenue or segment income	<u>\$ 10,304,209</u>	<u>\$ 8,060,560</u>	953,711	187,867
Interest income			24,518	17,119
Other income			25,527	19,236
Other gains and losses			122,520	282,135
Finance costs			(20,964)	(13,922)
Share of profit or loss of associates			<u>25,772</u>	<u>118,748</u>
Profit before tax			<u>\$ 1,131,084</u>	<u>\$ 611,183</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.

b. Revenue from major products

The following is an analysis of the Group's revenue by major products:

	For the Year Ended December 31	
	2022	2021
Apparel products	\$ 5,799,991	\$ 3,687,783
Down material products	1,951,637	1,908,228
Home textile products	2,100,780	1,761,242
Others	<u>451,801</u>	<u>703,307</u>
	<u>\$ 10,304,209</u>	<u>\$ 8,060,560</u>

c. Geographical information

The Group operates in four principal geographical areas - Taiwan, China, Vietnam and Japan.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2022	2021	2022	2021
USA	\$ 4,374,621	\$ 2,821,606	\$ -	\$ -
Taiwan	254,817	530,708	1,904,665	1,601,319
China	632,173	695,689	95,122	46,500
Vietnam	55,480	68,435	411,567	435,579
Japan	3,786,099	3,112,350	365,923	259,686
Others	<u>1,201,019</u>	<u>831,772</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,304,209</u>	<u>\$ 8,060,560</u>	<u>\$ 2,777,277</u>	<u>\$ 2,343,084</u>

Non-current assets exclude non-current assets classified as financial instruments and deferred tax assets.

d. Information on major customers

Customers that individually contributed 10% or more to the Group's revenue were as follows:

Customer	For the Year Ended December 31			
	2022		2021	
	Amount	% to Total	Amount	% to Total
A	\$ 1,609,688	16	\$ 1,244,574	15
B	Note	-	857,514	11

Note: Revenue less than 10% of the Group's revenue.

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account (Note 2)	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing (Note 3)	Business Transaction Amount (Note 4)	Reasons for Short-term Financing (Note 5)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 6)	Aggregate Financing Limit (Note 6)	Note
													Item	Value			
0	Kwong Lung Enterprise Co., Ltd.	Kwong Lung (Suzhou) Co., Ltd.	Other receivables from related parties	Yes	\$ 180,240	\$ -	\$ -	-	b.	\$ -	Operating capital	\$ -	N/A	\$ -	\$ 2,227,445 (Note 6, a.)	\$ 2,227,445 (Note 6, b.)	
1	Manumech Corporation	Intime Tech Co., Ltd.	Other receivables from related parties	Yes	22,365	6,612	6,612	2.05	b.	-	Operating capital	-	Promissory note	6,612	24,558 (Note 6, a.)	24,558 (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	1.40	b.	-	Operating capital	-	N/A	-	99,839 (Note 6, a.)	99,839 (Note 6, b.)	
3	Kwong Lung Feather (B.V.I.) Limited	Kwong Lung (Suzhou) Co., Ltd.	Other receivables from related parties	Yes	96,645	61,420	61,420	1.65	b	-	Operating capital	-	N/A	-	188,240 (Note 6, a.)	188,240 (Note 6, b.)	

Note 1: The numbers denote the following:

- a. 0 is the 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, fill in 1.
- b. For those companies with short-term financing needs, fill in 2.

Note 4: Fill in the amount of business transactions when the 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 the loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, operating capital, etc.

Note 6: a. Individual loans should not exceed 40% of the lender's net equity of the prior year. For No. 0: \$5,568,612 (net worth) \times 40% = \$2,227,445; for No. 1: \$61,396 (net worth) \times 40% = \$24,558; for No. 2: \$249,598 (net worth) \times 40% = \$99,839; for No. 3: \$188,240 (net worth) \times 100% = \$188,240.

- b. Total loans should not exceed 40% of the lender's net equity of the prior year. For No. 0: \$5,568,612 (net worth) \times 40% = \$2,227,445; for No. 1: \$61,396 (net worth) \times 40% = \$24,558; for No. 2: \$249,598 (net worth) \times 40% = \$99,839; for No. 3: \$188,240 (net worth) \times 100% = \$188,240.

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorsement/Guarantee Provider	Guaranteed Party		Limited on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
1	Manumech Corporation	Intime Tech Co., Ltd.	b.	\$ 24,558 (Note 3)	\$ 23,419	\$ 23,224	\$ 22,040	\$ -	37.83%	\$ 30,698 (Note 3)	Y	N	Y
2	Kwong Lung (Suzhou) Co., Ltd.	Kwong Lung Feather (B.V.I) Limited	d.	150,763 (Note 3)	90,120	44,080	21,676	-	29.24%	150,763 (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:

- A company with which the Corporation engages business.
- A company in which the Corporation directly and indirectly holds more than 50% of the voting shares.
- A company that directly and indirectly holds more than 50% of the voting shares in the Corporation.
- A company in which the Corporation directly and indirectly holds more than 90% of the voting shares.
- The Corporation fulfills its contractual by providing mutual endorsements/guarantees for another company in the same industry.
- All capital-contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentage.
- Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: a. The maximum balance of endorsement/guarantee provided by the Company and to individual company cannot exceed 40%-100% of net assets. For No. 1: $\$61,396 \times 40\% = \$24,558$; for No. 2: $\$150,763 \times 100\% = \$150,763$.
b. The maximum balance of endorsement/guarantee provided by the Company cannot exceed 50%-100% of net assets. For No. 1: $\$61,396 \times 50\% = \$30,698$; for No. 2: $\$150,763 \times 100\% = \$150,763$.
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

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Kwong Lung Enterprise Co., Ltd.	<u>Ordinary shares</u> Co-Tech Development Corporation	-	Financial assets at FVTOCI - non-current	3,000,000	\$ 150,000	1.19	\$ 150,000	
	<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	23,383	1.99	23,383	

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 YEAR ENDED DECEMBER 31, 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 \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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	\$ 2,668,675	33	T/T 30-180 days	No significant difference	No significant difference	Trade payables	\$ 1,084,145	61	
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Sale	2,668,675	100	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	1,084,145	100	
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Meko Co., Ltd.	Subsidiary	Purchase	2,640,710	33	T/T 30-180 days	No significant difference	No significant difference	Trade payables	187,261	11	
Kwong Lung Meko Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Sale	2,640,710	95	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	187,261	84	
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Meko Co., Ltd.	Subsidiary	Sale	200,196	2	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	96,133	12	
Kwong Lung Meko Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Purchase	200,196	8	T/T 30-180 days	No significant difference	No significant difference	Trade payables	96,133	21	
Kwong Lung Enterprise Co., Ltd.	Kwong Lung Japan Co., Ltd.	Subsidiary	Sale	266,842	3	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	51,369	6	
Kwong Lung Japan Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Purchase	266,842	28	T/T 30-180 days	No significant difference	No significant difference	Trade payables	51,369	46	
Kwong Lung Enterprise Co., Ltd.	Kwong Lung (Suzhou) Co., Ltd.	Subsidiary	Purchase	400,109	5	Prepayment or T/T 30-180 days	No significant difference	No significant difference	Trade payables	53,927	3	
Kwong Lung (Suzhou) Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Sale	400,109	62	Sales revenue received in advance or T/T 30-180 days	No significant difference	No significant difference	Trade receivables	53,927	92	
Kwong Lung Enterprise Co., Ltd.	Toptex Garment Co., Ltd.	Subsidiary	Purchase	515,580	6	T/T 30-180 days	No significant difference	No significant difference	Trade payables	37,314	2	
Toptex Garment Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Sale	515,580	100	T/T 30-180 days	No significant difference	No significant difference	Trade receivables	37,314	100	

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

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Receivables from Related Parties Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
			Account	Ending Balance		Amount	Actions Taken		
Kwong Lung Enterprise Co., Ltd.	Bo Hsing Enterprise Co., Ltd.	Subsidiary	Other receivables	\$ 617,156	-	\$ -	-	\$ 182,706	\$ -
	Kwong Lung Meko Co., Ltd.	Subsidiary	Other receivables	120,382	-	-	-	53,968	-
Bo Hsing Enterprise Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Trade receivables	1,084,145	3.05	-	-	383,328	-
Kwong Lung Meko Co., Ltd.	Kwong Lung Enterprise Co., Ltd.	Parent company	Trade receivables	187,261	15.55	-	-	187,261	-

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

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 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	\$ 200,196	No significant difference	2
			a	Cost of goods sold	2,640,710	No significant difference	26
			a	Trade receivables	96,133	No significant difference	1
			a	Trade payables	187,261	No significant difference	2
			a	Other receivables	120,382	-	1
		Kwong Lung Japan Co., Ltd.	a	Sales revenue	266,842	No significant difference	3
			a	Trade receivables	51,369	No significant difference	1
		Bo Hsing Enterprise Co., Ltd.	a	Cost of goods sold	2,668,675	No significant difference	26
			a	Trade payables	1,084,145	No significant difference	13
			a	Other receivables	617,156	-	7
		Toptex Garment Co., Ltd.	a	Cost of goods sold	515,580	No significant difference	5
			a	Trade payables	37,314	No significant difference	-
			a	Other receivables	50,156	-	1
		Kwong Lung (Suzhou) Co., Ltd.	a	Cost of goods sold	400,109	No significant difference	4
a	Trade payables		53,927	No significant difference	1		
1	Manumech Corporation	Intime Tech Co., Ltd.	c	Sales revenue	63,518	No significant difference	1
			c	Trade receivables	54,155	No significant difference	1
2	Kwong Lung Meko Co., Ltd.	Kwong Lung (Suzhou) Co., Ltd. Bo Hsing Enterprise Co., Ltd.	c	Sales revenue	40,288	No significant difference	-
			c	Processing income	97,978	No significant difference	1
			c	Trade receivables	35,153	No significant difference	-
3	Kwong Lung-O Mon Company Limited	Kwong Lung Meko Co., Ltd. Bo Hsing Enterprise Co., Ltd.	c	Processing income	22,897	No significant difference	-
			c	Processing income	88,048	No significant difference	1
			c	Trade receivables	30,826	No significant difference	-
4	Toptex Garment Co., Ltd.	Bo Hsing Enterprise Co., Ltd.	c	Processing income	64,015	No significant difference	1

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 the consolidated total assets as of December 31, 2022. For profit or loss items, cumulative amounts are shown as a percentage to consolidated total operating revenue for the year ended December 31, 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 YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of 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	\$ 926,220	\$ 108,991	\$ 108,991	Subsidiary
	Kwong Lung Meko Co., Ltd.	Vietnam	Manufacturing and selling of down and bedding	198,399	198,399	-	100.00	1,274,009	71,120	71,231	Subsidiary
	Kwong Lung Japan Co., Ltd.	Japan	Manufacturing and selling of down and bedding	280,977	280,977	10,500	100.00	311,184	18,987	18,989	Subsidiary
	Bo Hsing Enterprise Co., Ltd.	Vietnam	Manufacturing and selling of apparel	386,911	386,911	-	100.00	1,207,236	208,315	208,315	Subsidiary
	Toptex Garment Co., Ltd.	Vietnam	Manufacturing and selling of apparel	191,809	191,809	-	100.00	74,198	35,411	35,411	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	231,062	1,396	1,396	Subsidiary
	Manumech Corporation	Taiwan	Wholesale	100,000	100,000	10,000,000	94.59	58,228	1,194	1,163	Subsidiary
	Kwong Lung-O mon Company Limited	Vietnam	Various selling of down and bedding	69,799	69,799	-	100.00	60,796	8,727	6,011	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	237,026	47,460	18,843	Associate
	BBL Premium Co., Ltd.	Taiwan	Wholesale and retail sale	14,000	14,000	1,487,118	46.67	9,989	(5,779)	(2,697)	Associate
Kwong Lung (B.V.I.) Ltd.	Kwong Lung Feather (B.V.I.) Limited	British Virgin Islands	Wholesale of household products	82,296	491,255	3,058,735	100.00	188,240	47,182	NA	Subsidiary
Kwong Lung Japan Co., Ltd.	Rising Living Co., Ltd.	Japan	Manufacturing and selling of down and bedding	3,943	3,943	306	51.00	2,175	(1,508)	NA	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
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	\$ 62,331	\$ 14,359	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	94,446	14,359	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	61,173	27,171	NA	Associate of subsidiary
	Daquan Hanshi Co., Ltd.	Taiwan	Food service activities	5,513	6,927	655,200	39.00	9,227	3,680	NA	Associate of subsidiary
	Manumech Corporation	Taiwan	Wholesale	20,000	20,000	291,464	2.76	1,543	1,194	NA	Subsidiary
Kwong Lung Meko (B.V.I.) Ltd.	Lyon Ventures Holding Ltd.	Canada	Wholesale and sale of household goods	18,231	8,471	90,000	49.00	12,447	(4,849)	NA	Associate of subsidiary
	Lk Pacific Investment Inc.	Canada	Overseas reinvested holding company	23,225	-	289,100	49.00	22,702	(141)	NA	Associate of subsidiary

Note: Refer to Table 9 for investments in mainland China.

(Concluded)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Kwong Lung (Suzhou) Co., Ltd.	Manufacturing and selling of down and bedding	US\$ 5,000	b. 1)	\$ 149,546	\$ -	\$ -	\$ 149,546	\$ 15,117	100	\$ 15,117 b. 2)	\$ 150,763	\$ -
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)	-	-	-	-	(7,786)	100	(7,786) b. 2)	9,396	-
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)	Note 6	(925) b. 2)	-	-
Intime Tech Co., Ltd.	Wholesale	RMB 2,400	c. 2)	10,635	-	-	10,635	6,817	100	6,817 b. 2)	39,117	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
Kwong Lung Enterprise Co., Ltd.	\$ 598,186 (Note 3)	\$ 600,875 (US\$ 20,000)	\$ 3,343,397 (Note 4)
Manumech Corporation	10,635	10,635 (US\$ 350)	36,838 (Note 5)

Note 1: The method 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.

(Continued)

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

- a. If it is in preparation, there is no investment loss, it should be noted.
- b. Recognition of gains or losses was based on the following three information:
 - 1) Financial statements which were audited by an international accounting firm with a cooperative relationship with an ROC accounting firm.
 - 2) Financial statements which were audited by the parent company's accounting firm.
 - 3) Other.

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 December 31, 2022

Note 4: The maximum allowable limit on investment was 60% of the consolidated net asset value of the Company \$5,572,328 (consolidated net worth) x 60% = \$3,343,397.

Note 5: The maximum allowable limit on investment was 60% of the net asset value of Manumech Corporation. \$61,396 (net worth) x 60% = \$36,838.

Note 6: The Group has disposed of all of shares of the company in 2022.

(Concluded)

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Trade Receivables (Payables)			Unrealized Gain
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Kwong Lung (Suzhou) Co., Ltd. (Note 1)	Purchase	\$ 400,109	5	Normal	Prepayment or T/T 30-180 days	No significant difference	Trade payables	\$ 53,927	3	\$ -
Kwong Lung (Suzhou) Co., Ltd. (Note 2)	Sale	40,288	1	Normal	Sales revenue received in advance or T/T 30-180 days	No significant difference	Trade receivables	338	-	-
Intime Tech Co., Ltd. (Note 3)	Sale	63,518	41	Normal	Open account 150 days	No significant difference	Trade receivables	54,155	63	-
Intime Tech Co., Ltd. (Note 3)	Purchase	3,415	2	Normal	Open account 90 days	No significant difference	Trade payables	2,101	9	-

Note 1: As of December 31, 2022 the Company had transactions with Kwong Lung (Suzhou) Co., Ltd. for processing of materials and purchasing materials amounted to \$3,143 thousand of the Company's other receivables.

Note 2: As of December 31, 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 December 31, 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 from consolidation.

KWONG LUNG ENTERPRISE CO., LTD. AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Kai Sheng Investment Co., Ltd.	14,873,422	9.88
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.