

**TAINAN SPINNING CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2023 AND 2022**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Tainan Spinning Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Tainan Spinning Co., Ltd. and its subsidiaries (the "Group") as at September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 4(3), the financial statements and related information disclosed in Note 13 of certain insignificant consolidated subsidiaries as of and for the nine-month periods ended September 30, 2023 and 2022 were not reviewed by independent auditors. Total assets of these subsidiaries amounted to NT\$9,037,664 thousand and NT\$7,083,169 thousand, constituting 18.21% and 13.96% of the consolidated total assets as at September 30, 2023 and 2022, respectively, total liabilities amounted to NT\$1,957,142 thousand and NT\$2,010,194 thousand, constituting 8.80% and 9.04% of the consolidated total liabilities as at September 30, 2023 and 2022, respectively, and the total comprehensive income amounted to NT\$81,531 thousand, NT\$49,088 thousand, NT\$450,834 thousand, and NT\$203,119 thousand, constituting 175.15%, 12.15%, 675.77% and 11.06% of the consolidated total comprehensive income for the three-month and nine-month periods then ended, respectively. As explained in Note 6(8), the financial statements of certain investments accounted for under equity method as of and for the three-month and nine-month periods ended September 30, 2023 and 2022 were not reviewed by independent auditors. The share of profit of associates and joint ventures accounted for under equity method amounted to NT\$8,385 thousand, NT\$14,899 thousand, NT\$21,940 thousand, and NT\$13,605 thousand, constituting 18.01%, 3.69%, 32.89% and 0.74% of the consolidated total comprehensive income for the three-month and nine-month periods ended September 30, 2023 and 2022, respectively, and the balance of these investments accounted for under equity method amounted to NT\$309,538 thousand and NT\$210,478 thousand, constituting 0.62% and 0.41% of the consolidated total assets as at September 30, 2023 and 2022, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain insignificant

consolidated subsidiaries and certain investments accounted for under equity method been reviewed by independent auditors as described in the Basis for qualified conclusion section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2023 and 2022, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission.

Lin Yung-Chih

Independent Accountants

Lin Tzu-Shu

PricewaterhouseCoopers, Taiwan

Republic of China

November 8, 2023

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TAINAN SPINNING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	September 30, 2023		December 31, 2022		September 30, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 4,570,180	9	\$ 6,218,881	13	\$ 5,417,091	11
1110	Financial assets at fair value through profit or loss - current	6(2)	63,651	-	75,338	-	69,259	-
1136	Financial assets at amortised cost - current	6(1)(3) and 8	1,419,269	3	213,000	1	213,000	-
1150	Notes receivable, net	6(4)	101,003	-	242,728	1	165,588	-
1170	Accounts receivable, net	6(4)(5) and 12	1,418,089	3	1,201,742	2	1,329,105	3
1200	Other receivables	7	231,850	1	161,521	-	217,136	1
1220	Current income tax assets	6(30)	65,535	-	125,950	-	60,209	-
130X	Inventories	6(6)	5,232,785	11	5,926,765	12	7,240,933	14
1410	Prepayments		218,826	-	169,348	-	114,065	-
11XX	Total current assets		13,321,188	27	14,335,273	29	14,826,386	29
Non-current assets								
1510	Financial assets at fair value through profit or loss - non-current	6(2)	302,770	1	289,546	1	300,013	1
1517	Financial assets at fair value through other comprehensive income - non-current	6(7)	4,615,035	9	4,284,374	8	4,334,300	9
1550	Investments accounted for under equity method	6(8) and 8	4,202,117	8	4,214,625	8	4,105,353	8
1600	Property, plant and equipment	6(9)(13) and 8	20,319,112	41	20,577,892	41	20,855,436	41
1755	Right-of-use assets	6(10)	445,240	1	456,029	1	473,449	1
1760	Investment property, net	6(11)(12)(13) and 8	4,944,213	10	4,965,609	10	4,972,820	10
1780	Intangible assets		619	-	886	-	505	-
1840	Deferred income tax assets	6(30)	282,456	1	45,632	-	76,264	-
1915	Prepayments for equipment	6(9)	1,005,489	2	813,324	2	687,235	1
1920	Guarantee deposits paid		15,682	-	16,870	-	16,929	-
1975	Net defined benefit asset - non-current	6(18)	171,426	-	162,096	-	74,771	-
1990	Other non-current assets		4,814	-	5,054	-	5,161	-
15XX	Total non-current assets		36,308,973	73	35,831,937	71	35,902,236	71
1XXX	Total assets		\$ 49,630,161	100	\$ 50,167,210	100	\$ 50,728,622	100

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TAINAN SPINNING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			September 30, 2023		December 31, 2022		September 30, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(14) and 8	\$ 6,683,255	13	\$ 5,766,122	11	\$ 5,586,728	11
2110	Short-term notes and bills payable	6(15)	660,000	1	350,000	1	50,000	-
2130	Current contract liabilities	6(23)	346,578	1	302,702	1	420,397	1
2150	Notes payable		7,369	-	60,508	-	8,604	-
2170	Accounts payable		1,841,578	4	1,921,832	4	1,937,634	4
2200	Other payables	6(16)	849,603	2	1,038,103	2	1,243,994	3
2230	Current income tax liabilities	6(30)	14,541	-	180,130	-	149,812	-
2280	Lease liabilities - current	6(10)	14,941	-	16,073	-	20,446	-
2310	Advance receipts		350	-	350	-	350	-
2320	Long-term liabilities, current portion	6(17) and 8	1,068,365	2	943,651	2	1,118,651	2
2399	Other current liabilities		2,445	-	2,200	-	2,092	-
21XX	Total current liabilities		11,489,025	23	10,581,671	21	10,538,708	21
Non-current liabilities								
2540	Long-term borrowings	6(17) and 8	6,221,698	13	7,084,508	14	6,960,063	14
2570	Deferred income tax liabilities	6(30)	4,112,388	8	4,177,764	8	4,322,073	8
2580	Lease liabilities - non-current	6(10)	324,161	1	329,409	1	337,343	1
2645	Guarantee deposits received		79,865	-	76,397	-	73,607	-
2670	Other non-current liabilities		10,486	-	10,486	-	10,486	-
25XX	Total non-current liabilities		10,748,598	22	11,678,564	23	11,703,572	23
2XXX	Total liabilities		22,237,623	45	22,260,235	44	22,242,280	44
Equity attributable to owners of parent								
Share capital								
3110	Common stock	6(19)	16,568,159	33	16,568,159	33	16,568,159	33
3200	Capital surplus	6(20)	72,590	-	72,590	-	64,780	-
Retained earnings								
3310	Legal reserve	6(7)(21)(22)	3,011,013	6	2,886,349	5	2,886,349	6
3320	Special reserve		4,391,668	9	4,391,668	9	4,391,668	9
3350	Unappropriated retained earnings		2,614,286	5	3,940,103	8	4,166,077	8
3400	Other equity interest	6(7)(8)(22)	376,335	1	(244,340)	-	117,778	-
31XX	Equity attributable to owners of the parent		27,034,051	54	27,614,529	55	28,194,811	56
36XX	Non-controlling interest		358,487	1	292,446	1	291,531	-
3XXX	Total equity		27,392,538	55	27,906,975	56	28,486,342	56
Significant contingent liabilities and unrecognized contract commitments		9						
3X2X	Total liabilities and equity		\$ 49,630,161	100	\$ 50,167,210	100	\$ 50,728,622	100

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

TAINAN SPINNING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share amounts)

Items	Notes	For the three-month periods ended September 30,				For the nine-month periods ended September 30,			
		2023		2022		2023		2022	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(11)(12)(23) and 7	\$ 4,534,914	100	\$ 5,106,989	100	\$ 15,017,500	100	\$ 16,497,242	100
5000 Operating costs	6(6)(10)(12)(18)(28)(29)	(4,337,623)	(96)	(4,691,413)	(92)	(14,726,426)	(98)	(13,938,166)	(84)
5900 Net operating margin	6(10)(18)(28)(29) and 7	197,291	4	415,576	8	291,074	2	2,559,076	16
Operating expenses									
6100 Selling expenses		(232,227)	(5)	(290,832)	(6)	(755,643)	(5)	(1,056,584)	(7)
6200 General and administrative expenses		(189,960)	(4)	(208,828)	(4)	(563,878)	(4)	(647,206)	(4)
6300 Research and development expenses		(10,672)	-	(10,091)	-	(29,448)	-	(32,599)	-
6000 Total operating expenses		(432,859)	(9)	(509,751)	(10)	(1,348,969)	(9)	(1,736,389)	(11)
6900 Operating (loss) profit		(235,568)	(5)	(94,175)	(2)	(1,057,895)	(7)	822,687	5
Non-operating income and expenses	6(3)(24)								
7100 Interest income	6(25) and 7	36,902	1	12,761	-	108,343	1	21,551	-
7010 Other income	6(2)(13)(26) and 12	124,317	3	241,995	5	280,631	2	522,535	3
7020 Other gains and losses	6(5)(9)(10)(27)	16,407	-	126,886	3	49,021	-	342,274	2
7050 Finance costs	6(8)	(90,157)	(2)	(57,258)	(1)	(278,306)	(2)	(137,427)	(1)
7060 Share of profit of associates and joint ventures accounted for under equity method		59,585	1	58,387	1	185,349	1	311,954	2
7000 Total non-operating income and expenses		147,054	3	382,771	8	345,038	2	1,060,887	6
7900 (Loss) profit before income tax	6(30)	(88,514)	(2)	288,596	6	(712,857)	(5)	1,883,574	11
7950 Income tax benefit (expense)		43,574	1	13,572	-	153,817	1	(384,600)	(2)
8200 (Loss) profit for the period		(\$ 44,940)	(1)	\$ 302,168	6	(\$ 559,040)	(4)	\$ 1,498,974	9

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TAINAN SPINNING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share amounts)

Items	Notes	For the three-month periods ended September 30,				For the nine-month periods ended September 30,			
		2023		2022		2023		2022	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income (loss)									
Components of other comprehensive income (loss) that will not be reclassified to profit or loss									
8316 Unrealised gains (losses) on valuation of financial assets at fair through other comprehensive income	6(7)(22)	(\$ 76,302)	(2)	(\$ 311,706)	(6)	\$ 320,634	2	(\$ 575,828)	(3)
8320 Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	6(8)(22)	(12,346)	-	(1,461)	-	12,313	-	21,153	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations	6(22)	102,384	2	371,505	7	223,107	2	780,771	5
8370 Share of other comprehensive income of associates and joint ventures accounted for under equity method	6(8)(22)	77,754	2	43,349	1	69,700	-	111,394	-
8300 Other comprehensive income for the period		<u>\$ 91,490</u>	<u>2</u>	<u>\$ 101,687</u>	<u>2</u>	<u>\$ 625,754</u>	<u>4</u>	<u>\$ 337,490</u>	<u>2</u>
8500 Total comprehensive income for the period		<u>\$ 46,550</u>	<u>1</u>	<u>\$ 403,855</u>	<u>8</u>	<u>\$ 66,714</u>	<u>-</u>	<u>\$ 1,836,464</u>	<u>11</u>
(Loss) profit attributable to:									
8610 Owners of the parent		(\$ 73,831)	(2)	\$ 296,280	6	(\$ 620,694)	(4)	\$ 1,472,932	9
8620 Non-controlling interest		28,891	1	5,888	-	61,654	-	26,042	-
		<u>(\$ 44,940)</u>	<u>(1)</u>	<u>\$ 302,168</u>	<u>6</u>	<u>(\$ 559,040)</u>	<u>(4)</u>	<u>\$ 1,498,974</u>	<u>9</u>
Comprehensive (loss) income attributable to:									
8710 Owners of the parent		\$ 16,979	-	\$ 385,991	8	(\$ 592)	-	\$ 1,785,688	11
8720 Non-controlling interest		29,571	1	17,864	-	67,306	-	50,776	-
		<u>\$ 46,550</u>	<u>1</u>	<u>\$ 403,855</u>	<u>8</u>	<u>\$ 66,714</u>	<u>-</u>	<u>\$ 1,836,464</u>	<u>11</u>
(Loss) earnings per share (in dollars)	6(31)								
9750 Basic		<u>(\$ 0.04)</u>		<u>\$ 0.18</u>		<u>(\$ 0.37)</u>		<u>\$ 0.89</u>	
9850 Diluted		<u>(\$ 0.04)</u>		<u>\$ 0.18</u>		<u>(\$ 0.37)</u>		<u>\$ 0.89</u>	

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

TAINAN SPINNING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent											Non-controlling interest	Total equity
		Capital Surplus				Retained Earnings			Other Equity Interest					
		Share capital - common stock	Treasury stock transactions	Difference between the price for acquisition or disposal of subsidiaries and carrying amount	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) on valuation of financial assets at fair value through other comprehensive income	Total			
<u>For the nine-month period ended September 30, 2022</u>														
Balance at January 1, 2022		\$ 16,568,159	\$ 35,983	\$ 16,471	\$ 12,326	\$ 2,591,383	\$ 4,391,668	\$ 4,313,883	(\$ 1,185,712)	\$ 990,415	\$ 27,734,576	\$ 240,755	\$ 27,975,331	
Net income for the nine-month period ended September 30, 2022		-	-	-	-	-	-	1,472,932	-	-	1,472,932	26,042	1,498,974	
Other comprehensive income (loss) for the nine-month period ended September 30, 2022	6(22)	-	-	-	-	-	-	-	867,428	(554,672)	312,756	24,734	337,490	
Total comprehensive income (loss) for the nine-month period ended September 30, 2022		-	-	-	-	-	-	1,472,932	867,428	(554,672)	1,785,688	50,776	1,836,464	
Distribution of 2021 net income														
Legal reserve		-	-	-	-	294,966	-	(294,966)	-	-	-	-	-	
Cash dividends	6(21)	-	-	-	-	-	-	(1,325,453)	-	-	(1,325,453)	-	(1,325,453)	
Adjustment for change in other equity interest for investee company 6(7)(22)		-	-	-	-	-	-	(319)	-	319	-	-	-	
Balance at September 30, 2022		\$ 16,568,159	\$ 35,983	\$ 16,471	\$ 12,326	\$ 2,886,349	\$ 4,391,668	\$ 4,166,077	(\$ 318,284)	\$ 436,062	\$ 28,194,811	\$ 291,531	\$ 28,486,342	
<u>For the nine-month period ended September 30, 2023</u>														
Balance at January 1, 2023		\$ 16,568,159	\$ 35,983	\$ 16,471	\$ 20,136	\$ 2,886,349	\$ 4,391,668	\$ 3,940,103	(\$ 627,132)	\$ 382,792	\$ 27,614,529	\$ 292,446	\$ 27,906,975	
Net (loss) income for the nine-month period ended September 30, 2023		-	-	-	-	-	-	(620,694)	-	-	(620,694)	61,654	(559,040)	
Other comprehensive income for the nine-month period ended September 30, 2023	6(22)	-	-	-	-	-	-	-	287,159	332,943	620,102	5,652	625,754	
Total comprehensive (loss) income for the nine-month period ended September 30, 2023		-	-	-	-	-	-	(620,694)	287,159	332,943	(592)	67,306	66,714	
Distribution of 2022 net income														
Legal reserve		-	-	-	-	124,664	-	(124,664)	-	-	-	-	-	
Cash dividends	6(21)	-	-	-	-	-	-	(579,886)	-	-	(579,886)	-	(579,886)	
Adjustment for change in other equity interest for investee company 6(7)(22)		-	-	-	-	-	-	(573)	-	573	-	-	-	
Change in non-controlling interest		-	-	-	-	-	-	-	-	-	-	(1,265)	(1,265)	
Balance at September 30, 2023		\$ 16,568,159	\$ 35,983	\$ 16,471	\$ 20,136	\$ 3,011,013	\$ 4,391,668	\$ 2,614,286	(\$ 339,973)	\$ 716,308	\$ 27,034,051	\$ 358,487	\$ 27,392,538	

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

TAINAN SPINNING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

		For the nine-month periods ended September 30,	
	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit before tax		(\$ 712,857)	\$ 1,883,574
Adjustments			
Adjustments to reconcile profit (loss)			
Loss (gain) on financial assets at fair value through profit or loss		13,175 (	75,030)
(Reversal of allowance) provision for inventory market price decline	6(6)	(43,284)	5,005
Share of profit of associates and joint ventures accounted for under equity method	6(8)	(185,349) (	311,954)
Depreciation	6(9)(10)(12)(28)	788,085	766,418
(Gain) loss on disposal of property, plant and equipment	6(26)	(15,264)	37,915
Reversal of impairment loss on non-financial assets	6(9)(13)(26)	- (	54,097)
Amortisation	6(28)	267	535
Interest income	6(24)	(108,343) (	21,551)
Dividend income	6(7)(25)	(138,164) (	280,517)
Interest expense	6(27)	278,306	137,427
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		- (	2,952)
Notes receivable		141,725	24,896
Accounts receivable		(216,347)	320,277
Other receivables		(56,183) (	89,658)
Inventories		693,289 (	1,604,110)
Prepayments		(49,478)	87,733
Net defined benefit assets - non-current		(9,330) (	8,589)
Changes in operating liabilities			
Current contract liabilities		43,876 (	199,027)
Notes payable		(53,139) (	70,993)
Accounts payable		(80,254)	156,794
Other payables		(164,760)	195,005
Other current liabilities		245	336
Cash inflow generated from operations		126,216	897,437
Interest received		94,197	17,511
Dividends received	6(7)(8)	418,034	1,210,900
Interest paid		(273,791) (	134,236)
Income tax paid		(253,557) (	45,061)
Net cash flows from operating activities		111,099	1,946,551

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TAINAN SPINNING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

		For the nine-month periods ended September 30,	
	Notes	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) decrease in financial assets at amortised cost		(\$ 1,206,269)	\$ 472,087
Acquisition of financial assets at fair value through profit or loss - non-current		(579)	-
Acquisition of financial assets at fair value through other comprehensive income - non-current		(11,813)	(22,064)
Return of capital from financial assets at fair value through other comprehensive income - non-current	6(7)	8,350	-
Distribution from liquidation of financial assets at fair value through other comprehensive income	6(7)	-	33
Cash paid for acquisition of property, plant and equipment	6(32)	(312,258)	(288,603)
Interest paid for acquisition of property, plant and equipment	6(9)(27)(32)	(5,018)	(659)
Proceeds from disposal of property, plant and equipment		19,365	30,920
Acquisition of intangible assets		-	(348)
Increase in prepayments for equipment		(309,807)	(339,422)
Decrease (increase) in guarantee deposits paid		1,188	(2,896)
Decrease in other non-current assets		240	365
Net cash flows used in investing activities		(1,816,601)	(150,587)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	6(33)	19,560,721	17,199,366
Repayments of short-term borrowings	6(33)	(18,686,119)	(16,964,047)
Increase (decrease) in short-term notes and bills payable	6(33)	310,000	(290,000)
Repayment of lease principal	6(33)	(12,071)	(10,677)
Proceeds from long-term borrowings	6(33)	10,760,000	13,163,000
Repayments of long-term borrowings	6(33)	(11,498,096)	(13,535,238)
Increase in guarantee deposits received	6(33)	3,468	3,177
Cash dividends paid	6(21)	(579,886)	(1,325,453)
Net cash flows used in financing activities		(141,983)	(1,759,872)
Effect of foreign exchange rate changes on cash and cash equivalents		198,784	750,207
Net (decrease) increase in cash and cash equivalents		(1,648,701)	786,299
Cash and cash equivalents at beginning of period	6(1)	6,218,881	4,630,792
Cash and cash equivalents at end of period	6(1)	\$ 4,570,180	\$ 5,417,091

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

TAINAN SPINNING CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

- (1) Tainan Spinning Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China and other relevant laws and regulations in March 1955. The Company and its subsidiaries (the “Group”) are primarily engaged in manufacturing, processing, sale of textile products, woven textile products and synthetic fiber materials, construction of public housing, the rental and sale of commercial property and operation of department store.
- (2) The common shares of the Company have been listed on the Taiwan Stock Exchange since October 1989.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on November 8, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 2023

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2022, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim Financial Reporting' that came into effect as

endorsed by the FSC.

- B. These consolidated financial statements should be read together with the consolidated financial statements for the year ended December 31, 2022.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit assets recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

The basis for preparation of these consolidated financial statements is consistent with those for the preparation of consolidated financial statements for the year ended December 31, 2022.

- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2023	December 31, 2022	September 30, 2022	
Tainan Spinning Co., Ltd.	Tainan Spinning Co., Ltd. (Vietnam)	Manufacturing and sales of cotton, yarn etc.	100.00	100.00	100.00	—
Tainan Spinning Co., Ltd.	Nan Fan Development Co., Ltd.	Land development	100.00	100.00	100.00	—

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2023	December 31, 2022	September 30, 2022	
Tainan Spinning Co., Ltd.	Tainan Spinning Holding (Cayman Islands) Ltd.	Professional investments	100.00	100.00	100.00	—
Tainan Spinning Co., Ltd.	Nan Fan International Investment (Cayman Islands) Co., Ltd.	Professional investments	100.00	100.00	100.00	—
Tainan Spinning Co., Ltd.	Tainan Spinning Retail and Distribution Co., Ltd.	Operating department stores	100.00	100.00	100.00	—
Tainan Spinning Co., Ltd.	Tainan Spinning (Singapore) Pte. Ltd.	Professional investments	100.00	100.00	100.00	—
Tainan Spinning Co., Ltd.	Nan Fan Housing Development Co., Ltd.	Commissioned to build public housing and the rental and sale of commercial property	99.99	99.99	99.99	—
Tainan Spinning Co., Ltd. (Vietnam)	Tainan Textile Co., Ltd.	Manufacturing and sales of cotton, yarn etc.	85.00	85.00	85.00	—
Tainan Spinning (Singapore) Pte. Ltd.	Tainan Textile Co., Ltd.	Manufacturing and sales of cotton, yarn etc.	15.00	15.00	15.00	—
Tainan Spinning (Singapore) Pte. Ltd.	Tainan Spinning Trading Pte. Ltd.	International trade	100.00	—	—	(Note 1)

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2023	December 31, 2022	September 30, 2022	
Nan Fan Housing Development Co., Ltd.	Federal Holding Limited	Professional investments	100.00	100.00	100.00	—
Federal Holding Limited	United Investment Pte. Ltd.	Professional investments	100.00	100.00	100.00	—
United Investment Pte. Ltd.	Namtex Co., Ltd.	Businesses related to weaving, dyeing and sorting of yarns	50.00	50.00	50.00	(Note 2)

Note 1: In order to meet the Group's future development needs and to align with the government's southbound policy, the Board of Directors resolved to establish Nan Fan International Trading (Singapore) Pte. Ltd. through the subsidiary of the Group, Tainan Spinning (Singapore) Pte. Ltd., with an authorized capital of US\$1 million. As of September 30, 2023, the capital has not yet been remitted.

Note 2: The Company has control over this entity because it holds half of the board seats and has appointed the Chairman.

Except for Tainan Spinning Co., Ltd. (Vietnam) and its subsidiaries, the financial statements as of and for the nine-month periods ended September 30, 2023 and 2022 and the relevant information disclosed in Note 13 of certain insignificant subsidiaries were not reviewed by independent auditors.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Employee benefits

Defined benefit plans

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

(5) Income tax

The interim period income tax expense is recognized based on the estimated average annual effective

income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

There have been no significant changes during the period. For the detailed information, refer to Note 5 of the consolidated financial statements for the year ended December 31, 2022.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cash:			
Cash on hand	\$ 12, 242	\$ 9, 584	\$ 9, 306
Checking accounts and demand deposits	<u>2, 225, 773</u>	<u>2, 778, 698</u>	<u>2, 874, 570</u>
	<u>2, 238, 015</u>	<u>2, 788, 282</u>	<u>2, 883, 876</u>
Cash equivalents:			
Time deposits	1, 634, 899	2, 614, 235	1, 340, 111
Commercial paper	<u>697, 266</u>	<u>816, 364</u>	<u>1, 193, 104</u>
	<u>2, 332, 165</u>	<u>3, 430, 599</u>	<u>2, 533, 215</u>
	<u>\$ 4, 570, 180</u>	<u>\$ 6, 218, 881</u>	<u>\$ 5, 417, 091</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. As of September 30, 2023, December 31, 2022 and September 30, 2022, the Group recognized its time deposits with maturities ranging from three months to one year as “Financial assets at amortised cost-current”. Details of the Group’s time deposits pledged as collateral are provided in Note 8.

(2) Financial assets at fair value through profit or loss

Items	September 30, 2023	December 31, 2022	September 30, 2022
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Listed stocks	\$ 31,880	\$ 32,227	\$ 33,375
Beneficiary certificates	34,452	34,452	34,452
	66,332	66,679	67,827
Valuation adjustment	(2,681)	8,659	1,432
	<u>\$ 63,651</u>	<u>\$ 75,338</u>	<u>\$ 69,259</u>
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Beneficiary certificates	\$ 339,720	\$ 324,661	\$ 323,584
Valuation adjustment	(36,950)	(35,115)	(23,571)
	<u>\$ 302,770</u>	<u>\$ 289,546</u>	<u>\$ 300,013</u>

- A. The Group recognized net loss on financial assets mandatorily measured at fair value through profit or loss (shown as “other gains and losses”) amounting to \$19,397, \$45,540, \$11,987 and \$81,380 for the three-month and nine-month periods ended September 30, 2023 and 2022, respectively.
- B. The Group has no financial assets at fair value through profit or loss pledged to others as of September 30, 2023, December 31, 2022 and September 30, 2022.
- C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at amortised cost - current

	September 30, 2023	December 31, 2022	September 30, 2022
Time deposits over three months	\$ 1,417,769	\$ 211,500	\$ 211,500
Pledged time deposits	1,500	1,500	1,500
	<u>\$ 1,419,269</u>	<u>\$ 213,000</u>	<u>\$ 213,000</u>

- A. Amounts recognized in profit or loss in relation to financial assets at amortised cost are listed below:

	For the three-month periods ended September 30,	
	2023	2022
Interest income	\$ 13,891	\$ 441
	For the nine-month periods ended September 30,	
	2023	2022
Interest income	\$ 18,810	\$ 1,616

- B. As at September 30, 2023, December 31, 2022 and September 30, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was the book value.
- C. Details of the Group's financial assets at amortised cost pledged to others as collateral as of September 30, 2023, December 31, 2022 and September 30, 2022 are provided in Note 8.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(4) Notes and accounts receivable

	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivable	\$ 101,003	\$ 242,728	\$ 165,588
Accounts receivable	\$ 1,418,089	\$ 1,201,742	\$ 1,339,313
Less: Allowance for uncollectible accounts	—	—	(10,208)
	<u>\$ 1,418,089</u>	<u>\$ 1,201,742</u>	<u>\$ 1,329,105</u>

- A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	September 30, 2023		December 31, 2022	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	<u>\$ 101,003</u>	<u>\$ 1,418,089</u>	<u>\$ 242,728</u>	<u>\$ 1,201,742</u>
	September 30, 2022			
	Notes receivable	Accounts receivable		
Not past due	\$ 165,588	\$ 1,329,105		
Over 180 days	—	10,208		
	<u>\$ 165,588</u>	<u>\$ 1,339,313</u>		

The above ageing analysis was based on past due date.

- B. As at September 30, 2023, December 31, 2022 and September 30, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was the book value.
- C. As of September 30, 2023, December 31, 2022 and September 30, 2022, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to \$1,850,074.
- D. The Group does not hold any collateral pledged for notes and accounts receivable as of September 30, 2023, December 31, 2022 and September 30, 2022.
- E. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2).
- F. As of September 30, 2023, December 31, 2022 and September 30, 2022, the Group had accounts receivable classified as financial assets at fair value through profit or loss in the amount of \$22,067, \$22,598 and \$12,559, respectively.

(5) Transfer of financial assets

Transferred financial assets that are derecognized in their entirety

- A. For the nine-month periods ended September 30, 2023 and 2022, the Group has entered into a factoring agreement with several banks to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognized the transferred accounts receivable, and the related information is as follows:

For the nine-month period ended September 30, 2023				
Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognized	Amount advanced	Interest rate of amount advanced
HSBC	\$ 383,817	\$ 383,817	\$ 383,817	5.70%~6.99%
CTBC Bank	174,548	174,548	174,548	5.81%~6.33%
E. Sun Bank	121,659	121,659	121,659	5.68%~6.52%
MHBK	104,506	104,506	104,506	5.65%~6.39%
Bank SinoPac	51,499	51,499	51,499	6.24%~6.34%
	<u>\$ 836,029</u>	<u>\$ 836,029</u>	<u>\$ 836,029</u>	

For the year ended December 31, 2022

Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognized	Amount advanced	Interest rate of amount advanced
HSBC	\$ 445,401	\$ 445,401	\$ 445,401	0.66%~6.05%
E. Sun Bank	197,544	197,544	197,544	4.20%~6.06%
CTBC Bank	154,728	154,728	154,728	0.69%~3.90%
	<u>\$ 797,673</u>	<u>\$ 797,673</u>	<u>\$ 797,673</u>	

For the nine-month period ended September 30, 2022

Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognized	Amount advanced	Interest rate of amount advanced
HSBC	\$ 360,455	\$ 360,455	\$ 360,455	0.66%~4.95%
CTBC Bank	154,728	154,728	154,728	0.69%~3.90%
E. Sun Bank	22,858	22,858	22,858	4.20%~4.97%
	<u>\$ 538,041</u>	<u>\$ 538,041</u>	<u>\$ 538,041</u>	

B. The Group recognized finance expense (shown as “finance costs”) arising from transferred accounts receivable amounting to \$2,527, \$1,360, \$9,659 and \$2,691 for the three-month and nine-month periods ended September 30, 2023 and 2022, respectively.

(6) Inventories

September 30, 2023

	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 103,642	\$ -	\$ 103,642
Raw materials	1,786,089	(64,611)	1,721,478
Raw materials in transit	429,024	-	429,024
Supplies	640,520	(12)	640,508
Work in progress	427,377	-	427,377
Finished goods	1,945,436	(165,363)	1,780,073
Land held for construction	129,598	-	129,598
Building and land held for sale	2,451	(1,366)	1,085
	<u>\$ 5,464,137</u>	<u>(\$ 231,352)</u>	<u>\$ 5,232,785</u>

December 31, 2022			
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 39,187	\$ –	\$ 39,187
Raw materials	2,310,490	(65,086)	2,245,404
Raw materials in transit	301,822	–	301,822
Supplies	553,521	–	553,521
Work in progress	466,361	–	466,361
Finished goods	2,394,668	(204,881)	2,189,787
Land held for construction	129,598	–	129,598
Building and land held for sale	2,451	(1,366)	1,085
	<u>\$ 6,198,098</u>	<u>(\$ 271,333)</u>	<u>\$ 5,926,765</u>
September 30, 2022			
	Cost	Allowance for valuation loss	Book value
Merchandise	\$ 77,989	\$ –	\$ 77,989
Raw materials	2,965,612	(2,089)	2,963,523
Raw materials in transit	476,156	–	476,156
Supplies	593,691	–	593,691
Work in progress	440,261	(1,169)	439,092
Finished goods	2,600,427	(40,628)	2,559,799
Land held for construction	129,598	–	129,598
Building and land held for sale	2,451	(1,366)	1,085
	<u>\$ 7,286,185</u>	<u>(\$ 45,252)</u>	<u>\$ 7,240,933</u>

The cost of inventories recognized as expense for the period:

For the three-month periods ended September 30,			
	2023	2022	
Cost of goods sold	\$ 4,168,155	\$ 4,460,791	
(Reversal of allowance) provision for inventory market price decline (Note 1)	(2,943)	28,157	
Revenue from sale of scraps	(7,066)	(4,612)	
Loss on physical inventory	451	1,806	
Underapplied overhead (Note 2)	66,230	95,826	
	<u>\$ 4,224,827</u>	<u>\$ 4,581,968</u>	

	For the nine-month periods ended September 30,	
	2023	2022
Cost of goods sold	\$ 14,352,598	\$ 13,462,945
(Reversal of allowance) provision		
for inventory market price decline (Note 1)	(43,284)	5,005
Revenue from sale of scraps	(26,103)	(30,113)
Loss on physical inventory	516	1,621
Underapplied overhead (Note 2)	109,714	172,142
	<u>\$ 14,393,441</u>	<u>\$ 13,611,600</u>

Note 1: For the three-month and nine-month periods ended September 30, 2023, as the Group used inventories for which a valuation loss was recognized in the prior year, the fluctuation of international raw material prices has slowed down and the prices had gradually reversed, a reduction in cost of sales was recognized.

Note 2: For the three-month and nine-month periods ended September 30, 2023 and 2022, due to the slowdown of inventory clearance in the downstream cloth factory caused by increasing inflation and the impact of global economic downturn and industry competition, the Group's actual production capacity did not reach its normal level. As a result, the underapplied overhead was recognized as expense.

(7) Financial assets at fair value through other comprehensive income – non-current

Items	September 30, 2023	December 31, 2022	September 30, 2022
Equity instruments			
Listed stocks	\$ 1,392,097	\$ 1,392,097	\$ 1,392,098
Unlisted stocks	2,555,433	2,537,084	2,541,441
Beneficiary certificates	–	545	563
	<u>3,947,530</u>	<u>3,929,726</u>	<u>3,934,102</u>
Valuation adjustment	667,505	354,648	400,198
	<u>\$ 4,615,035</u>	<u>\$ 4,284,374</u>	<u>\$ 4,334,300</u>

A. As at September 30, 2023, December 31, 2022 and September 30, 2022, the Group has elected to classify equity investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair values of such investments were their book values.

B. As at September 30, 2023, December 31, 2022 and September 30, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was the book value.

C. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the three-month periods ended September 30,	
	2023	2022
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	(\$ 76,302)	(\$ 311,706)
Cumulative losses reclassified to retained earnings due to derecognition	\$ 573	\$ –
Dividend income recognized in profit or loss held at the end of the period	\$ 93,751	\$ 211,129
	For the nine-month periods ended September 30,	
	2023	2022
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognized in other comprehensive income	\$ 320,634	(\$ 575,828)
Cumulative losses reclassified to retained earnings due to derecognition	\$ 573	\$ 319
Dividend income recognized in profit or loss held at the end of the period	\$ 138,164	\$ 280,517

- D. The Group's financial assets at fair value through other comprehensive income - President Energy (Cayman Islands) Ltd. was liquidated in March 2022. The distribution of liquidation of \$33 has been collected. This resulted in cumulative loss on disposal amounting to \$319 which was reclassified from other equity to retained earnings.
- E. The Group's financial assets at fair value through other comprehensive income - China Trust Investment Co., Ltd. reduced its capital amounting to \$8,350 on September 2023, and accordingly, the Group reduced its investment cost proportionately.
- F. The Group has no financial assets at fair value through other comprehensive income pledged to others as of September 30, 2023, December 31, 2022 and September 30, 2022.
- G. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(8) Investments accounted for under equity method

	For the nine-month periods ended September 30,	
	2023	2022
At January 1	\$ 4, 214, 625	\$ 4, 591, 235
Share of profit or loss of investments accounted for under equity method	185, 349	311, 954
Earnings distribution of investments accounted for under equity method	(279, 870)	(930, 383)
Change in other equity	82, 013	132, 547
At September 30	<u>\$ 4, 202, 117</u>	<u>\$ 4, 105, 353</u>

A. All investments accounted for under the equity method are associates of the Group, and except for Nantex Industry Co., Ltd., the balance of these investments and the share of profit of associates and joint ventures accounted for under the equity method were recognized based on the remaining companies' financial statements which were not reviewed by independent auditors. For the three-month and nine-month periods ended September 30, 2023 and 2022, the share of profit of associates and joint ventures accounted for under the equity method amounted to \$8,385, \$14,899, \$21,940, and \$13,605, respectively, and the balance of these investments accounted for under the equity method amounted to \$309,538 and \$210,478, respectively.

B. The basic information of the associate that is material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		September 30, 2023	December 31, 2022		
Nantex Industry Co., Ltd.	R.O.C	26. 99%	26. 99%	Cross-industry investment	Equity method

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Method of measurement
		September 30, 2022			
Nantex Industry Co., Ltd.	R.O.C	26. 99%		Cross-industry investment	Equity method

C. The summarized financial information of the associate that is material to the Group is as follows:

Consolidated balance sheet

	Nantex Industry Co., Ltd. and its subsidiaries		
	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 12,830,857	\$ 13,180,916	\$ 13,386,552
Non-current assets	4,341,371	4,214,990	4,147,608
Current liabilities	(1,194,904)	(1,609,210)	(1,804,196)
Non-current liabilities	(573,097)	(467,731)	(454,253)
Non-controlling interest	(1,027,643)	(895,399)	(786,837)
Total net assets	<u>\$ 14,376,584</u>	<u>\$ 14,423,566</u>	<u>\$ 14,488,874</u>
Share in associate's net assets	\$ 3,880,240	\$ 3,892,920	\$ 3,910,547
Difference between investment cost and equity	<u>12,339</u>	<u>20,060</u>	(<u>15,672</u>)
Carrying amount of the associate	<u>\$ 3,892,579</u>	<u>\$ 3,912,980</u>	<u>\$ 3,894,875</u>

Consolidated statement of comprehensive income

	Nantex Industry Co., Ltd and its subsidiaries	
	For the three-month periods ended September 30,	
	2023	2022
Revenue	<u>\$ 2,360,657</u>	<u>\$ 2,514,805</u>
Profit for the period from continuing operations	\$ 254,180	\$ 214,838
Other comprehensive income, net of tax	<u>320,043</u>	<u>195,462</u>
Total comprehensive income	<u>\$ 574,223</u>	<u>\$ 410,300</u>
Dividends received from the associate	<u>\$ –</u>	<u>\$ –</u>

	Nantex Industry Co., Ltd and its subsidiaries	
	For the nine-month periods ended September 30,	
	2023	2022
Revenue	<u>\$ 6,846,019</u>	<u>\$ 9,446,418</u>
Profit for the period from continuing operations	\$ 777,073	\$ 1,245,736
Other comprehensive income, net of tax	<u>326,546</u>	<u>618,513</u>
Total comprehensive income	<u>\$ 1,103,619</u>	<u>\$ 1,864,249</u>
Dividends received from the associate	<u>\$ 265,824</u>	<u>\$ 930,383</u>

D. The carrying amount of the Group's interest in all individually immaterial associates and the Group's share of the operating results are summarized below:

As of September 30, 2023, December 31, 2022 and September 30, 2022, the carrying amount of the Group's individually immaterial associates amounted to \$309,538, \$301,645 and \$210,478,

respectively.

	For the three-month periods ended September 30,	
	2023	2022
Profit for the period from continuing operations	\$ 8,385	\$ 14,889
Other comprehensive income (loss), net of tax	—	—
Total comprehensive income (loss)	\$ 8,385	\$ 14,889
Dividends received from the associate	\$ —	\$ —

	For the nine-month periods ended September 30,	
	2023	2022
Profit for the period from continuing operations	\$ 21,940	\$ 13,605
Other comprehensive income (loss), net of tax	—	—
Total comprehensive income (loss)	\$ 21,940	\$ 13,605
Dividends received from the associate	\$ 14,046	\$ —

- E. The Group's investment, Nantex Industry Co., Ltd., has quoted market prices. As of September 30, 2023, December 31, 2022 and September 30, 2022, the fair value was \$4,811,412, \$4,924,387 and \$4,758,247, respectively.
- F. The Group is the single largest shareholder of Nantex Industry Co., Ltd. with a 26.99% equity interest. As the Group does not hold more than half of the voting rights in substance, does not have substantial control or control through potential voting rights, and has not obtained control through a combination of contractual agreements, voting rights and potential voting rights, which indicates that the Group does not have the actual ability to direct the relevant activities, therefore, the Group does not have control, but only has significant influence, over the investee.
- G. As of September 30, 2023, December 31, 2022 and September 30, 2022, information about the Group's investments accounted for under equity method that were pledged to others as collateral is provided in Note 8.

(9) Property, plant and equipment

	Land	Buildings and structures	Machinery	Facility	Office equipment	Miscellaneous equipment	Construction in progress and equipment under acceptance	Total
<u>At January 1, 2023</u>								
Cost	\$ 9,188,695	\$ 10,438,635	\$ 14,741,334	\$ 4,839,348	\$ 271,564	\$ 2,158,611	\$ 50,365	\$ 41,688,552
Accumulated depreciation	-	(3,124,062)	(12,802,302)	(2,640,572)	(239,020)	(1,729,507)	-	(20,535,463)
Accumulated impairment	-	(489,045)	(35,435)	(15,272)	(3,864)	(31,581)	-	(575,197)
	<u>\$ 9,188,695</u>	<u>\$ 6,825,528</u>	<u>\$ 1,903,597</u>	<u>\$ 2,183,504</u>	<u>\$ 28,680</u>	<u>\$ 397,523</u>	<u>\$ 50,365</u>	<u>\$ 20,577,892</u>
<u>For the nine-month period ended September 30, 2023</u>								
At January 1	\$ 9,188,695	\$ 6,825,528	\$ 1,903,597	\$ 2,183,504	\$ 28,680	\$ 397,523	\$ 50,365	\$ 20,577,892
Additions	-	1,000	179,399	28,078	6,635	55,378	18,531	289,021
Transferred from prepayment for equipment	-	-	140,273	8,015	38	9,988	-	158,314
Transferred after acceptance	-	-	-	9,487	-	8,958	(18,445)	-
Depreciation	-	(172,452)	(335,226)	(155,604)	(10,655)	(74,478)	-	(748,415)
Disposals-cost	-	-	(480,739)	(369)	(775)	(64,759)	-	(546,642)
Disposals-accumulated depreciation	-	-	480,073	369	670	51,902	-	533,014
Disposals-accumulated impairment	-	-	651	-	105	8,771	-	9,527
Net exchange differences	-	15,005	23,448	3,515	91	4,342	-	46,401
At September 30	<u>\$ 9,188,695</u>	<u>\$ 6,669,081</u>	<u>\$ 1,911,476</u>	<u>\$ 2,076,995</u>	<u>\$ 24,789</u>	<u>\$ 397,625</u>	<u>\$ 50,451</u>	<u>\$ 20,319,112</u>
<u>At September 30, 2023</u>								
Cost	\$ 9,188,695	\$ 10,466,782	\$ 14,681,427	\$ 4,894,107	\$ 279,064	\$ 2,182,854	\$ 50,451	\$ 41,743,380
Accumulated depreciation	-	(3,308,656)	(12,735,167)	(2,801,840)	(250,516)	(1,762,419)	-	(20,858,598)
Accumulated impairment	-	(489,045)	(34,784)	(15,272)	(3,759)	(22,810)	-	(565,670)
	<u>\$ 9,188,695</u>	<u>\$ 6,669,081</u>	<u>\$ 1,911,476</u>	<u>\$ 2,076,995</u>	<u>\$ 24,789</u>	<u>\$ 397,625</u>	<u>\$ 50,451</u>	<u>\$ 20,319,112</u>

	Land	Buildings and structures	Machinery	Facility	Office equipment	Miscellaneous equipment	Construction in progress and equipment under acceptance	Total
<u>At January 1, 2022</u>								
Cost	\$9,188,695	\$ 10,335,193	\$ 15,426,999	\$ 4,797,197	\$ 257,555	\$ 2,436,217	\$ 49,775	\$ 42,491,631
Accumulated depreciation	-	(2,856,175)	(13,215,126)	(2,460,049)	(222,889)	(1,991,998)	-	(20,746,237)
Accumulated impairment	-	(493,600)	(65,558)	(15,766)	(4,536)	(57,603)	-	(637,063)
	<u>\$9,188,695</u>	<u>\$ 6,985,418</u>	<u>\$ 2,146,315</u>	<u>\$ 2,321,382</u>	<u>\$ 30,130</u>	<u>\$ 386,616</u>	<u>\$ 49,775</u>	<u>\$ 21,108,331</u>
<u>For the nine-month period ended September 30, 2022</u>								
At January 1	\$9,188,695	\$ 6,985,418	\$ 2,146,315	\$ 2,321,382	\$ 30,130	\$ 386,616	\$ 49,775	\$ 21,108,331
Additions	-	6,746	69,060	12,659	7,784	50,089	4,481	150,819
Transferred from prepayment for equipment	-	-	15,112	38,701	608	5,462	-	59,883
Transferred after acceptance	-	-	-	364	-	3,675	(4,039)	-
Depreciation	-	(171,584)	(323,656)	(155,845)	(10,845)	(65,377)	-	(727,307)
Disposals-cost	-	(9,271)	(1,048,727)	(32,335)	(4,516)	(421,377)	-	(1,516,226)
Disposals-accumulated depreciation	-	4,716	1,022,547	31,841	3,805	384,482	-	1,447,391
Reversal of impairment loss	-	4,555	22,928	494	672	25,448	-	54,097
Net exchange differences	-	85,867	144,664	22,293	619	25,005	-	278,448
At September 30	<u>\$9,188,695</u>	<u>\$ 6,906,447</u>	<u>\$ 2,048,243</u>	<u>\$ 2,239,554</u>	<u>\$ 28,257</u>	<u>\$ 394,023</u>	<u>\$ 50,217</u>	<u>\$ 20,855,436</u>
<u>At September 30, 2022</u>								
Cost	\$9,188,695	\$ 10,478,078	\$ 15,004,982	\$ 4,866,260	\$ 269,770	\$ 2,149,105	\$ 50,217	\$ 42,007,107
Accumulated depreciation	-	(3,082,586)	(12,914,108)	(2,611,434)	(237,649)	(1,722,928)	-	(20,568,705)
Accumulated impairment	-	(489,045)	(42,631)	(15,272)	(3,864)	(32,154)	-	(582,966)
	<u>\$9,188,695</u>	<u>\$ 6,906,447</u>	<u>\$ 2,048,243</u>	<u>\$ 2,239,554</u>	<u>\$ 28,257</u>	<u>\$ 394,023</u>	<u>\$ 50,217</u>	<u>\$ 20,855,436</u>

- A. The Group's property, plant and equipment are all occupied by the owner for operating purpose as of September 30, 2023, December 31, 2022 and September 30, 2022.
- B. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	For the three-month periods ended September 30,	
	2023	2022
Amount capitalized	\$ 2,015	\$ 332
Range of the interest rates for capitalization	1.79%~1.82%	1.23%~1.31%

	For the nine-month periods ended September 30,	
	2023	2022
Amount capitalized	\$ 5,018	\$ 659
Range of the interest rates for capitalization	1.74%~1.83%	0.95%~1.31%

- C. As of September 30, 2023, December 31, 2022 and September 30, 2022, information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- D. Information relating to accumulated impairment is provided in Note 6(13).

(10) Leasing arrangements — lessee

- A. The Group's leases pertain to land. Rental contracts are typically made for periods of 30 to 35 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise rental cars. Low-value assets comprise electricity meter and servers.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
	Carrying amount	Carrying amount	Carrying amount
Land	\$ 445,240	\$ 456,029	\$ 473,449

	For the three-month periods ended September 30,	
	2023	2022
	Depreciation charge	Depreciation charge
Land	\$ 6,175	\$ 6,045

	For the nine-month periods ended September 30,	
	2023	2022
	Depreciation charge	Depreciation charge
Land	\$ 18,274	\$ 17,715

D. The information on profit and loss accounts relating to lease contracts is as follows:

	For the three-month periods ended September 30,	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2, 981	\$ 3, 047
Expense on short-term lease contracts	1, 228	1, 260
Expense on leases of low-value assets	2	3
	For the nine-month periods ended September 30,	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 8, 918	\$ 9, 020
Expense on short-term lease contracts	3, 940	3, 806
Expense on leases of low-value assets	8	153

E. For the nine-month periods ended September 30, 2023 and 2022, the Group's total cash outflow for leases was \$24,937 and \$23,656, respectively.

(11) Leasing arrangements – lessor

- A. The Group leases various assets including land, buildings and structures (shown as “Investment property - net”). Rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required.
- B. Gain arising from operating lease agreements for the three-month and nine-month periods ended September 30, 2023 and 2022 are as follows (shown as “Operating revenue”):

	For the three-month periods ended September 30,	
	2023	2022
Rental income	\$ 68, 782	\$ 55, 827
	For the nine-month periods ended September 30,	
	2023	2022
Rental income	\$ 196, 175	\$ 158, 659

C. The maturity analysis of the lease payments under the operating leases is as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Within 1 year	\$ 207, 643	\$ 209, 510	\$ 202, 477
1~5 years	321, 392	237, 730	295, 355
Over 5 years	374, 548	407, 857	442, 382
	<u>\$ 903, 583</u>	<u>\$ 855, 097</u>	<u>\$ 940, 214</u>

(12) Investment property - net

	Land	Buildings	Total
<u>At January 1, 2023</u>			
Cost	\$ 3,943,168	\$ 1,606,520	\$ 5,549,688
Accumulated depreciation	–	(491,984)	(491,984)
Accumulated impairment	–	(92,095)	(92,095)
	<u>\$ 3,943,168</u>	<u>\$ 1,022,441</u>	<u>\$ 4,965,609</u>
<u>For the nine-month period ended</u> <u>September 30, 2023</u>			
At January 1	\$ 3,943,168	\$ 1,022,441	\$ 4,965,609
Depreciation	–	(21,396)	(21,396)
At September 30	<u>\$ 3,943,168</u>	<u>\$ 1,001,045</u>	<u>\$ 4,944,213</u>
<u>At September 30, 2023</u>			
Cost	\$ 3,943,168	\$ 1,606,520	\$ 5,549,688
Accumulated depreciation	–	(513,380)	(513,380)
Accumulated impairment	–	(92,095)	(92,095)
	<u>\$ 3,943,168</u>	<u>\$ 1,001,045</u>	<u>\$ 4,944,213</u>
	Land	Buildings	Total
<u>At January 1, 2022</u>			
Cost	\$ 3,943,168	\$ 1,606,520	\$ 5,549,688
Accumulated depreciation	–	(463,377)	(463,377)
Accumulated impairment	–	(92,095)	(92,095)
	<u>\$ 3,943,168</u>	<u>\$ 1,051,048</u>	<u>\$ 4,994,216</u>
<u>For the nine-month period ended</u> <u>September 30, 2022</u>			
At January 1	\$ 3,943,168	\$ 1,051,048	\$ 4,994,216
Depreciation	–	(21,396)	(21,396)
At September 30	<u>\$ 3,943,168</u>	<u>\$ 1,029,652</u>	<u>\$ 4,972,820</u>
<u>At September 30, 2022</u>			
Cost	\$ 3,943,168	\$ 1,606,520	\$ 5,549,688
Accumulated depreciation	–	(484,773)	(484,773)
Accumulated impairment	–	(92,095)	(92,095)
	<u>\$ 3,943,168</u>	<u>\$ 1,029,652</u>	<u>\$ 4,972,820</u>

- A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	For the three-month periods ended September 30,	
	2023	2022
Rental income from investment property	\$ <u>68,782</u>	\$ <u>55,827</u>
Direct operating expenses arising from the investment property that generated rental income during the period	\$ <u>18,664</u>	\$ <u>17,371</u>
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ <u>–</u>	\$ <u>–</u>
	For the nine-month periods ended September 30,	
	2023	2022
Rental income from investment property	\$ <u>196,175</u>	\$ <u>158,659</u>
Direct operating expenses arising from the investment property that generated rental income during the period	\$ <u>52,798</u>	\$ <u>52,114</u>
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ <u>–</u>	\$ <u>–</u>

- B. The fair value of the investment property held by the Group as at September 30, 2023, December 31, 2022 and September 30, 2022 was \$11,439,932, \$11,461,328 and \$11,045,848, respectively, which was valued by independent valuers. Valuations were based on most recent transaction prices of similar and comparable properties and official price, which is categorized within Level 3 in the fair value hierarchy.
- C. As of September 30, 2023, December 31, 2022 and September 30, 2022, information about the investment property that was pledged to others as collateral is provided in Note 8.
- D. Information relating to accumulated impairment is provided in Note 6(13).

(13) Impairment of non-financial assets

A. The Group recognized reversal of impairment loss (shown as “Other gains and losses”) for the three-month and nine-month periods ended September 30, 2023 and 2022 amounting to \$—, \$43,084, \$— and \$54,097, respectively. Details of such loss are as follows:

	For the three-month periods ended September 30,			
	2023		2022	
	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in profit or loss	Recognized in other comprehensive income
Reversal of impairment loss				
- buildings and structures	\$ —	\$ —	\$ 4,554	\$ —
Reversal of impairment loss				
- machinery	—	—	16,286	—
Reversal of impairment loss				
- facility	—	—	295	—
Reversal of impairment loss				
- office equipment	—	—	575	—
Reversal of impairment loss				
- miscellaneous equipment	—	—	21,374	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 43,084</u>	<u>\$ —</u>
	For the nine-month periods ended September 30,			
	2023		2022	
	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in profit or loss	Recognized in other comprehensive income
Reversal of impairment loss				
- buildings and structures	\$ —	\$ —	\$ 4,555	\$ —
Reversal of impairment loss				
- machinery	—	—	22,928	—
Reversal of impairment loss				
- facility	—	—	494	—
Reversal of impairment loss				
- office equipment	—	—	672	—
Reversal of impairment loss				
- miscellaneous equipment	—	—	25,448	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 54,097</u>	<u>\$ —</u>

B. The reversal of impairment loss on non-financial assets reported by operating segments are as follows:

		For the three-month periods ended September 30,			
		2023		2022	
		Recognized in profit or loss	Recognized in other comprehensive income	Recognized in profit or loss	Recognized in other comprehensive income
The Company		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,084</u>	<u>\$ -</u>
		For the nine-month periods ended September 30,			
		2023		2022	
		Recognized in profit or loss	Recognized in other comprehensive income	Recognized in profit or loss	Recognized in other comprehensive income
The Company		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,097</u>	<u>\$ -</u>

C. The accumulated impairment which the Group recognized on non-financial assets as at September 30, 2023, December 31, 2022 and September 30, 2022 was \$657,765, \$667,292 and \$675,061, respectively.

(14) Short-term borrowings

Type of borrowings	September 30, 2023	Interest rate range	Collateral
Bank borrowings			
Unsecured bank borrowings	<u>\$ 6,683,255</u>	1.70%~6.71%	None
Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank borrowings			
Unsecured bank borrowings	<u>\$ 5,766,122</u>	0.87%~8.40%	None
Type of borrowings	September 30, 2022	Interest rate range	Collateral
Bank borrowings			
Unsecured bank borrowings	<u>\$ 5,586,728</u>	0.99%~4.00%	None

For interest expense recognized in profit or loss for the three-month and nine-month periods ended September 30, 2023 and 2022, refer to Note 6(27).

(15) Short-term notes and bills payable

Type of borrowings	September 30, 2023	Interest rate range	Collateral
Commercial paper payable	\$ 660, 000	1. 74%~1. 80%	None
Type of borrowings	December 31, 2022	Interest rate range	Collateral
Commercial paper payable	\$ 350, 000	1. 89%~1. 94%	None
Type of borrowings	September 30, 2022	Interest rate range	Collateral
Commercial paper payable	\$ 50, 000	1. 58%	None

A. The above commercial papers were issued and secured by Mega Bills Finance Co., Ltd. etc.

B. For interest expense recognized in profit or loss for the three-month and nine-month periods ended September 30, 2023 and 2022, refer to Note 6(27).

(16) Other payables

	September 30, 2023	December 31, 2022	September 30, 2022
Salaries and bonuses payable	\$ 203, 061	\$ 299, 015	\$ 257, 437
Employees' compensation and directors' remuneration payable	49, 904	123, 056	134, 678
Annual maintenance payable	37, 722	99, 514	93, 420
House and land value tax payable	97, 122	41, 903	101, 697
Payable on machinery and equipment	91, 642	119, 897	135, 390
Utilities expense payable	55, 101	61, 787	53, 816
Commission payable	6, 334	9, 048	102, 345
Other payables (Less than 5%)	308, 717	283, 883	365, 211
	<u>\$ 849, 603</u>	<u>\$ 1, 038, 103</u>	<u>\$ 1, 243, 994</u>

(17) Long-term borrowings

Type of borrowings	Maturity period	Interest rate range	Collateral	September 30, 2023
Long-term bank borrowings				
Secured borrowings	4. 30. 2025~ 7. 13. 2028	1. 72%~1. 81%	Refer to Note 8, 'Pledged assets'	\$ 3, 216, 667
Unsecured borrowings	6. 9. 2024~ 9. 16. 2027	1. 72%~2. 32%	None	4, 073, 396
				<u>7, 290, 063</u>
Less: Current portion				(<u>1, 068, 365</u>)
				<u>\$ 6, 221, 698</u>

Type of borrowings	Maturity period	Interest rate range	Collateral	December 31, 2022
Long-term bank borrowings				
Secured borrowings	4. 30. 2024 ~ 12. 21. 2025	1. 68% ~ 1. 81%	Refer to Note 8, 'Pledged assets'	\$ 2, 691, 667
Unsecured borrowings	1. 9. 2024 ~ 9. 16. 2027	1. 33% ~ 2. 09%	None	5, 336, 492
				8, 028, 159
Less: Current portion				(943, 651)
				<u>\$ 7, 084, 508</u>

Type of borrowings	Maturity period	Interest rate range	Collateral	September 30, 2022
Long-term bank borrowings				
Secured borrowings	12. 21. 2022 ~ 8. 27. 2025	1. 35% ~ 1. 47%	Refer to Note 8, 'Pledged assets'	\$ 2, 400, 000
Unsecured borrowings	3. 21. 2023 ~ 9. 16. 2027	1. 17% ~ 1. 66%	None	5, 678, 714
				8, 078, 714
Less: Current portion				(1, 118, 651)
				<u>\$ 6, 960, 063</u>

For interest expense recognized in profit or loss for the three-month and nine-month periods ended September 30, 2023 and 2022, refer to Note 6(27).

(18) Pensions

- A. The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 15% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. The information on the Company's defined benefit

pension plan is as follows:

- (a) For the aforementioned pension plan, the Company recognized pension costs of \$906, \$1,704, \$2,717 and \$5,112 for the three-month and nine-month periods ended September 30, 2023 and 2022, respectively.
 - (b) Expected contributions to the defined benefit pension plan of the Company for the next year is \$24,054.
- B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Group for the three-month and nine-month periods ended September 30, 2023 and 2022 were \$6,199, \$5,991, \$18,317 and \$17,930, respectively.

(19) Share capital

- A. Movements in the number of the Company’s ordinary shares outstanding are as follows:
(Units: in thousand shares)

	<u>For the nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Beginnng and ending balance	<u>1, 656, 816</u>	<u>1, 656, 816</u>

- B. As of September 30, 2023, the Company’s authorized capital was \$20,000,000, and the paid-in capital was \$16,568,159 with a par value of \$10 (in dollars) per share. The 1,656,816 thousand shares were issued over several installments. All proceeds from shares issued have been collected.

(20) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(21) Retained earnings

- A. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company’s paid-in capital.

B. In accordance with the Company's Articles of Incorporation, as the Company operates in a mature industry with intense competition, the Board of Directors must determine earnings appropriation based on the Company's future capital expenditures and demand for capital, as well as the necessity of using retained earnings to meet capital needs, and set the amount of dividends to be distributed to stockholders and the portion of dividends to be paid in cash. The Company's current year earnings shall first be used to pay all taxes and offset prior years' operating losses, and then 10% of the remaining earnings shall be set aside as legal reserve, and a special reserve is set aside or reversed in accordance with relevant laws and regulations. The remaining balance along with the unappropriated earnings at the beginning of the period constitute the accumulated distributable earnings. Total dividends shall account for at least 20% of the distributable earnings of the current year. Cash dividends must account for at least 30% of total dividends distributed. Dividend payments are proposed by the Board of Directors and resolved by the stockholders. The Board of Directors is authorised by the Company to distribute whole or a part of the dividends and bonuses in the form of cash through special resolution, and such distribution shall be submitted to the shareholders during their meeting. The requirement for approval by the shareholders is not applicable for the above distribution.

C. Special reserve

- (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land. As of September 30, 2023, the balance of special reserve that was set aside on initial application of IFRSs was \$1,971,155.

D. For the nine-month periods ended September 30, 2023 and 2022, the Company recognised dividends distributed to owners amounting to \$579,886 (\$0.35 (in dollars) per share) and \$1,325,453 (\$0.8 (in dollars) per share), respectively.

(22) Other equity items

For the nine-month period ended September 30, 2023			
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	(\$ 627, 132)	\$ 382, 792	(\$ 244, 340)
Revaluation - gross			
–Group	–	320, 630	320, 630
–Associates	–	12, 313	12, 313
Transferred to retained earnings			
– Group	–	573	573
Currency translation differences			
–Group	217, 459	–	217, 459
–Associates	69, 700	–	69, 700
At September 30	<u>(\$ 339, 973)</u>	<u>\$ 716, 308</u>	<u>\$ 376, 335</u>
For the nine-month period ended September 30, 2022			
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	(\$ 1, 185, 712)	\$ 990, 415	(\$ 195, 297)
Revaluation-gross			
–Group	–	(575, 825)	(575, 825)
–Associates	–	21, 153	21, 153
Transferred to retained earnings			
– Group	–	319	319
Currency translation differences			
–Group	756, 034	–	756, 034
–Associates	111, 394	–	111, 394
At September 30	<u>(\$ 318, 284)</u>	<u>\$ 436, 062</u>	<u>\$ 117, 778</u>

(23) Operating revenue

		For the three-month periods ended September 30,	
		2023	2022
Revenue from contracts with customers		\$ 4,466,132	\$ 5,051,162
Rental income from commercial building		68,782	55,827
		<u>\$ 4,534,914</u>	<u>\$ 5,106,989</u>
		For the nine-month periods ended September 30,	
		2023	2022
Revenue from contracts with customers		\$ 14,821,325	\$ 16,338,583
Rental income from commercial building		196,175	158,659
		<u>\$ 15,017,500</u>	<u>\$ 16,497,242</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Sales revenue	Counters rental	Department	Management		
For the three-month period ended September 30, 2023	from textile products	income	stores revenue	income of public area	Others	Total
Revenue from contracts with customers	<u>\$ 4,159,035</u>	<u>\$ 220,825</u>	<u>\$ 53,799</u>	<u>\$ 29,837</u>	<u>\$ 2,636</u>	<u>\$ 4,466,132</u>
Timing of revenue recognition						
At a point in time	\$ 4,159,035	\$ –	\$ 53,799	\$ 12,176	\$ 2,636	\$ 4,227,646
Over time	–	220,825	–	17,661	–	238,486
	<u>\$ 4,159,035</u>	<u>\$ 220,825</u>	<u>\$ 53,799</u>	<u>\$ 29,837</u>	<u>\$ 2,636</u>	<u>\$ 4,466,132</u>

For the three-month period ended September 30, 2022	Sales revenue from textile products	Counters rental income	Department stores revenue	Management income of public area	Others	Total
Revenue from contracts with customers	<u>\$ 4,768,896</u>	<u>\$ 198,076</u>	<u>\$ 52,950</u>	<u>\$ 28,389</u>	<u>\$ 2,851</u>	<u>\$ 5,051,162</u>
Timing of revenue recognition						
At a point in time	\$ 4,768,896	\$ –	\$ 52,950	\$ 11,595	\$ 2,851	\$ 4,836,292
Over time	<u>–</u>	<u>198,076</u>	<u>–</u>	<u>16,794</u>	<u>–</u>	<u>214,870</u>
	<u>\$ 4,768,896</u>	<u>\$ 198,076</u>	<u>\$ 52,950</u>	<u>\$ 28,389</u>	<u>\$ 2,851</u>	<u>\$ 5,051,162</u>
For the nine-month period ended September 30, 2023	Sales revenue from textile products	Counters rental income	Department stores revenue	Management income of public area	Others	Total
Revenue from contracts with customers	<u>\$ 13,834,075</u>	<u>\$ 657,627</u>	<u>\$ 236,094</u>	<u>\$ 86,038</u>	<u>\$ 7,491</u>	<u>\$ 14,821,325</u>
Timing of revenue recognition						
At a point in time	\$ 13,834,075	\$ –	\$ 236,094	\$ 33,351	\$ 7,491	\$ 14,111,011
Over time	<u>–</u>	<u>657,627</u>	<u>–</u>	<u>52,687</u>	<u>–</u>	<u>710,314</u>
	<u>\$ 13,834,075</u>	<u>\$ 657,627</u>	<u>\$ 236,094</u>	<u>\$ 86,038</u>	<u>\$ 7,491</u>	<u>\$ 14,821,325</u>
For the nine-month period ended September 30, 2022	Sales revenue from textile products	Counters rental income	Department stores revenue	Management income of public area	Others	Total
Revenue from contracts with customers	<u>\$ 15,500,984</u>	<u>\$ 536,804</u>	<u>\$ 212,874</u>	<u>\$ 80,434</u>	<u>\$ 7,487</u>	<u>\$ 16,338,583</u>
Timing of revenue recognition						
At a point in time	\$ 15,500,984	\$ –	\$ 212,874	\$ 30,493	\$ 7,487	\$ 15,751,838
Over time	<u>–</u>	<u>536,804</u>	<u>–</u>	<u>49,941</u>	<u>–</u>	<u>586,745</u>
	<u>\$ 15,500,984</u>	<u>\$ 536,804</u>	<u>\$ 212,874</u>	<u>\$ 80,434</u>	<u>\$ 7,487</u>	<u>\$ 16,338,583</u>

B. The Group has recognized the following revenue-related contract liabilities:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Contract liabilities:		
Receipts in advance	<u>\$ 346,578</u>	<u>\$ 302,702</u>
	<u>September 30, 2022</u>	<u>January 1, 2022</u>
Contract liabilities:		
Receipts in advance	<u>\$ 420,397</u>	<u>\$ 619,424</u>

Revenue recognized that was included in the contract liability balance at the beginning of the period:

	<u>For the three-month periods ended September 30,</u>	<u>For the three-month periods ended September 30,</u>
	<u>2023</u>	<u>2022</u>
Contract liabilities	<u>\$ 7,744</u>	<u>\$ 6,184</u>
	<u>For the nine-month periods ended September 30,</u>	<u>For the nine-month periods ended September 30,</u>
	<u>2023</u>	<u>2022</u>
Contract liabilities	<u>\$ 224,059</u>	<u>\$ 556,503</u>

(24) Interest income

	<u>For the three-month periods ended September 30,</u>	<u>For the three-month periods ended September 30,</u>
	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	<u>\$ 23,011</u>	<u>\$ 12,320</u>
Interest income from financial assets	<u>13,891</u>	<u>441</u>
at amortised cost	<u>\$ 36,902</u>	<u>\$ 12,761</u>
	<u>For the nine-month periods ended September 30,</u>	<u>For the nine-month periods ended September 30,</u>
	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	<u>\$ 89,533</u>	<u>\$ 19,935</u>
Interest income from financial assets	<u>18,810</u>	<u>1,616</u>
at amortised cost	<u>\$ 108,343</u>	<u>\$ 21,551</u>

(25) Other income

For the three-month periods ended September 30,		
	2023	2022
Dividend income	\$ 93,751	\$ 211,129
Rental income	116	732
Directors' remuneration and transportation allowance income	775	2,217
Others	29,675	27,917
	<u>\$ 124,317</u>	<u>\$ 241,995</u>
For the nine-month periods ended September 30,		
	2023	2022
Dividend income	\$ 138,164	\$ 280,517
Rental income	3,356	4,029
Directors' remuneration and transportation allowance income	26,500	142,335
Others	112,611	95,654
	<u>\$ 280,631</u>	<u>\$ 522,535</u>

(26) Other gains and losses

For the three-month periods ended September 30,		
	2023	2022
Net losses on financial assets at fair value through profit or loss	(\$ 19,397)	(\$ 45,540)
Net gains on foreign exchange	21,244	162,665
Gains (losses) on disposals of property, plant and equipment	13,644	(35,560)
Reversal of impairment loss on non-financial assets	–	43,084
Others	916	2,237
	<u>\$ 16,407</u>	<u>\$ 126,886</u>

	For the nine-month periods ended September 30,	
	2023	2022
Net losses on financial assets at fair value through profit or loss	(\$ 11,987)	(\$ 81,380)
Net gains on foreign exchange	41,645	398,382
Gains (losses) on disposals of property, plant and equipment	15,264	(37,915)
Reversal of impairment loss on non-financial assets	–	54,097
Others	4,099	9,090
	<u>\$ 49,021</u>	<u>\$ 342,274</u>

(27) Finance costs

	For the three-month periods ended September 30,	
	2023	2022
Interest expense	\$ 86,448	\$ 52,923
Interest expense on lease liabilities	2,981	3,047
Other financial expenses	2,743	1,620
Less: Capitalization of qualifying assets	(2,015)	(332)
	<u>\$ 90,157</u>	<u>\$ 57,258</u>

	For the nine-month periods ended September 30,	
	2023	2022
Interest expense	\$ 264,220	\$ 125,658
Interest expense on lease liabilities	8,918	9,020
Other financial expenses	10,186	3,408
Less: Capitalization of qualifying assets	(5,018)	(659)
	<u>\$ 278,306</u>	<u>\$ 137,427</u>

(28) Expenses by nature

	For the three-month period ended September 30, 2023		
	Operating cost	Operating expenses	Total
Employee benefit expenses	\$ 384,051	\$ 139,971	\$ 524,022
Depreciation	249,785	19,694	269,479
Amortisation	–	84	84
	<u>\$ 633,836</u>	<u>\$ 159,749</u>	<u>\$ 793,585</u>

	For the three-month period ended September 30, 2022		
	Operating cost	Operating expenses	Total
Employee benefit expenses	\$ 405,196	\$ 162,369	\$ 567,565
Depreciation	241,103	17,906	259,009
Amortisation	4	62	66
	<u>\$ 646,303</u>	<u>\$ 180,337</u>	<u>\$ 826,640</u>

	For the nine-month period ended September 30, 2023		
	Operating cost	Operating expenses	Total
Employee benefit expenses	\$ 1,263,402	\$ 408,358	\$ 1,671,760
Depreciation	730,993	57,092	788,085
Amortisation	–	267	267
	<u>\$ 1,994,395</u>	<u>\$ 465,717</u>	<u>\$ 2,460,112</u>

	For the nine-month period ended September 30, 2022		
	Operating cost	Operating expenses	Total
Employee benefit expenses	\$ 1,317,361	\$ 474,809	\$ 1,792,170
Depreciation	709,440	56,978	766,418
Amortisation	352	183	535
	<u>\$ 2,027,153</u>	<u>\$ 531,970</u>	<u>\$ 2,559,123</u>

(29) Employee benefit expense

	For the three-month period ended September 30, 2023		
	Operating cost	Operating expenses	Total
Wages and salaries	\$ 323,483	\$ 119,175	\$ 442,658
Labour and health insurance expenses	36,813	10,731	47,544
Pension costs	3,952	3,153	7,105
Other personnel expenses	19,803	6,912	26,715
	<u>\$ 384,051</u>	<u>\$ 139,971</u>	<u>\$ 524,022</u>

	For the three-month period ended September 30, 2022		
	Operating cost	Operating expenses	Total
Wages and salaries	\$ 344,184	\$ 141,199	\$ 485,383
Labour and health insurance expenses	37,192	10,676	47,868
Pension costs	4,216	3,479	7,695
Other personnel expenses	19,604	7,015	26,619
	<u>\$ 405,196</u>	<u>\$ 162,369</u>	<u>\$ 567,565</u>

	For the nine-month period ended September 30, 2023		
	Operating cost	Operating expenses	Total
Wages and salaries	\$ 1, 065, 191	\$ 344, 190	\$ 1, 409, 381
Labour and health insurance expenses	116, 044	33, 589	149, 633
Pension costs	11, 570	9, 464	21, 034
Other personnel expenses	70, 597	21, 115	91, 712
	<u>\$ 1, 263, 402</u>	<u>\$ 408, 358</u>	<u>\$ 1, 671, 760</u>

	For the nine-month period ended September 30, 2022		
	Operating cost	Operating expenses	Total
Wages and salaries	\$ 1, 127, 725	\$ 409, 611	\$ 1, 537, 336
Labour and health insurance expenses	106, 496	34, 191	140, 687
Pension costs	12, 722	10, 320	23, 042
Other personnel expenses	70, 418	20, 687	91, 105
	<u>\$ 1, 317, 361</u>	<u>\$ 474, 809</u>	<u>\$ 1, 792, 170</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 2% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- B. For the three-month and nine-month periods ended September 30, 2022, employees' compensation was accrued at \$12,000 and \$42,460, respectively; while directors' remuneration was accrued at \$7,050, and \$47,460, respectively. The aforementioned amounts were recognized in salary expenses. The employees' compensation and directors' remuneration were estimated and accrued based on 2% and 3% of distributable profit of current period, respectively. For the three-month and nine-month periods ended September 30, 2023, no employees' compensation and directors' remuneration was accrued because of losses incurred for the period. For 2022, the employees' compensation and directors' remuneration resolved by the Board of Directors amounted to \$28,096 and \$42,143, respectively, which were different from the estimated amounts recognized in the 2022 financial statements of \$28,086 and \$42,129, by \$24. Such difference has been recognized in profit or loss for the year ending December 31, 2023. In addition, employees' compensation and directors' and supervisors' remuneration for 2022 have been distributed in cash.

Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(30) Income tax

A. Income tax (benefit) expense

Components of income tax (benefit) expense

	For the three-month periods ended September 30,	
	2023	2022
Current tax:		
Current tax on profits for the period	(\$ 15,366)	\$ 632
Prior year income tax over estimation	(481)	(28)
Total current tax	(15,847)	604
Deferred tax:		
Origination and reversal of temporary differences	(27,727)	(14,176)
Income tax benefit	(\$ 43,574)	(\$ 13,572)
	For the nine-month periods ended September 30,	
	2023	2022
Current tax:		
Current tax on profits for the period	\$ 64,929	\$ 191,907
Tax on undistributed surplus earnings	27,105	66,462
Prior year income tax under (over) estimation	56,349	(7,593)
Total current tax	148,383	250,776
Deferred tax:		
Origination and reversal of temporary differences	(302,200)	133,824
Income tax (benefit) expense	(\$ 153,817)	\$ 384,600

- B. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. There were no disputes existing between the Company and the Tax Authority as of November 8, 2023.

(31) (Loss) earnings per share

For the three-month period ended September 30, 2023			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 73,831)	1,656,816	(\$ 0.04)
For the three-month period ended September 30, 2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 296,280	1,656,816	\$ 0.18
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 296,280	1,656,816	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	—	2,696	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 296,280	1,659,512	\$ 0.18
For the nine-month period ended September 30, 2023			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 620,694)	1,656,816	(\$ 0.37)

For the nine-month period ended September 30, 2022			
		Weighted average number of ordinary shares outstanding	Earnings per share
	<u>Amount after tax</u>	<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,472,932	1,656,816	\$ 0.89
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,472,932	1,656,816	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	—	3,433	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,472,932	1,660,249	\$ 0.89

(32) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the nine-month periods ended September 30,	
	2023	2022
Acquisition of property, plant and equipment	\$ 289,021	\$ 150,819
Add: Opening balance of payable for equipment	119,897	273,833
Less: Ending balance of payable for equipment	(91,642)	(135,390)
Capitalized interest	(5,018)	(659)
Cash paid for acquisition of property, plant and equipment	\$ 312,258	\$ 288,603

B. Investing activities with no cash flow effects

	For the nine-month periods ended September 30,	
	2023	2022
(a) Inventories transferred to prepayments for equipment	\$ 40,672	\$ 9,358
(b) Prepayments for equipment transferred to property, plant and equipment	\$ 158,314	\$ 59,883
(c) Prepayments for equipment transferred to intangible asset	\$ —	\$ 72

(33) Changes in liabilities from financing activities

For the nine-month period ended September 30, 2023						
	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Long-term borrowings	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 5,766,122	\$ 350,000	\$ 345,482	\$ 8,028,159	\$ 76,397	\$ 14,566,160
Changes in cash flow from financing activities	874,602	310,000	(12,071)	(738,096)	3,468	437,903
Impact of changes in foreign exchange rate	42,531	—	5,691	—	—	48,222
At September 30	<u>\$ 6,683,255</u>	<u>\$ 660,000</u>	<u>\$ 339,102</u>	<u>\$ 7,290,063</u>	<u>\$ 79,865</u>	<u>\$ 15,052,285</u>
For the nine-month period ended September 30, 2022						
	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Long-term borrowings	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 5,150,895	\$ 340,000	\$ 336,365	\$ 8,450,952	\$ 70,430	\$ 14,348,642
Changes in cash flow from financing activities	235,319	(290,000)	(10,677)	(372,238)	3,177	(434,419)
Impact of changes in foreign exchange rate	200,514	—	32,101	—	—	232,615
At September 30	<u>\$ 5,586,728</u>	<u>\$ 50,000</u>	<u>\$ 357,789</u>	<u>\$ 8,078,714</u>	<u>\$ 73,607</u>	<u>\$ 14,146,838</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Nantex Industry Co., Ltd.	Associate
Nanmat Technology Co., Ltd.	Associate

(2) Significant related party transactions

A. Operating revenue: rental income from commercial building and counters

	<u>For the three-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Associates	\$ <u>1,024</u>	\$ <u>1,024</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Associates	\$ <u>3,070</u>	\$ <u>3,070</u>

The Company leased office space to the related party at the following address: Certain floors at 398, Section 1, Zhonghua East Road, East District, Tainan City. The lease agreement is effective from March 1, 2015 to February 28, 2035. The lease payments as specified in the agreement are collected at the beginning of every month.

B. Directors' remuneration (shown as "other income")

	<u>For the three-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Nantex Industry Co., Ltd.	\$ <u>–</u>	\$ <u>–</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Nantex Industry Co., Ltd.	\$ <u>23,609</u>	\$ <u>136,846</u>

(3) Key management compensation

	<u>For the three-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	\$ <u>7,388</u>	\$ <u>15,887</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	\$ <u>23,443</u>	\$ <u>76,683</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value			Purpose
	September 30, 2023	December 31, 2022	September 30, 2022	
Time deposit (Note 1)	\$ 1, 500	\$ 1, 500	\$ 1, 500	Performance bond
Listed company stock (Note 2)	149, 038	150, 263	144, 604	Guarantee for short-term borrowings
Land (Note 3)	4, 034, 213	4, 034, 213	4, 034, 213	Guarantee for long-term borrowings
Buildings and structures, net (Note 4)	20, 751	22, 276	22, 790	Guarantee for long-term borrowings
	<u>\$ 4, 205, 502</u>	<u>\$ 4, 208, 252</u>	<u>\$ 4, 203, 107</u>	

Note 1: Shown as "Financial assets at amortised cost – current".

Note 2: Shown as "Investments accounted for under equity method".

Note 3: Shown as "Property, plant and equipment" and "investment property, net".

Note 4: Shown as "Property, plant and equipment".

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

- (1) As of September 30, 2023, December 31, 2022 and September 30, 2022, the unused letters of credit amounted to \$403,763, \$447,964 and \$478,807, respectively.
- (2) As of September 30, 2023, December 31, 2022 and September 30, 2022, the remaining balance due for construction in progress and prepayments for equipment was \$346,540, \$563,420 and \$559,979, respectively.
- (3) As of September 30, 2023, December 31, 2022 and September 30, 2022, the amount of the endorsements and guarantees provided by the Group is as follows:

Guarantor	Guaranteed party	September 30, 2023	December 31, 2022	Purpose
Tainan Spinning Holding (Cayman Islands) Ltd.	Bao Minh Textile Joint Stock Company	<u>\$ 103, 188</u>	<u>\$ 98, 200</u>	Guarantee for finance
Guarantor	Guaranteed party		September 30, 2022	Purpose
Tainan Spinning Holding (Cayman Islands) Ltd.	Bao Minh Textile Joint Stock Company		<u>\$ 101, 525</u>	Guarantee for finance

As of September 30, 2023, December 31, 2022 and September 30, 2022, the actual amounts of the endorsements and guarantees provided by the Group were \$75,431, \$71,785 and \$74,216, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

The information on financial instruments by category are provided in Notes 6 and 12(3).

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and VND. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. However, the foreign currency assets and liabilities positions held by the Group were equal to the collection period. The Group adopted natural hedging to hedge foreign exchange risk.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and VND). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

September 30, 2023			
	Foreign currency amount		
	(In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
Monetary items			
USD:NTD	\$ 42,926	32.27	\$ 1,385,219
USD:VND	39,125	24,390	1,262,564
EUR:NTD	194	33.91	6,582
<u>Financial liabilities</u>			
Monetary items			
USD:VND	62,771	24,390	2,025,620
December 31, 2022			
	Foreign currency amount		
	(In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
Monetary items			
USD:NTD	\$ 57,418	30.71	\$ 1,763,296
USD:VND	30,238	23,600	928,609
EUR:NTD	120	32.72	3,930
<u>Financial liabilities</u>			
Monetary items			
USD:VND	69,757	23,600	2,142,238

	September 30, 2022		
	Foreign currency amount		
	(In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
Monetary items			
USD:NTD	\$ 87,982	31.75	\$ 2,793,441
USD:VND	31,576	23,820	1,002,538
EUR:NTD	123	31.26	3,844
<u>Financial liabilities</u>			
Monetary items			
USD:VND	80,298	23,820	2,549,462
CHF:VND	90	24,392	2,926
EUR:VND	29	23,451	907

Sensitivity analysis of foreign exchange risk mainly focuses on the foreign currency monetary items at the end of the financial reporting period. If the exchange rate of NTD to all foreign currencies had appreciated/depreciated by 1% with all other variables held constant, post-tax profit for the nine-month periods ended September 30, 2023 and 2022 would have increased/decreased by \$6,709 and \$9,187, respectively.

- v. The total exchange gains, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month periods ended September 30, 2023 and 2022 amounted to \$21,244, \$162,665, \$41,645 and \$398,382, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group meticulously assesses its investment activities and sets stop-loss points accordingly. As a result, the Group does not expect to incur significant losses from price fluctuations in the market.
- ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the nine-month periods ended September 30, 2023 and 2022 would have increased/decreased by \$3,053 and \$3,085, as a result of gains/losses on equity securities classified as at fair value through profit or loss, respectively. Other components of equity would have

increased/decreased by \$45,769 and \$42,966, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's borrowings are financial instruments at floating rates. Thus, future cash flows will fluctuate due to changes in market interest rates and further changes in effective rates of debt instruments. However, partial interest rate risk is offset by cash and cash equivalents held at variable rates.
- ii. As at September 30, 2023 and 2022, if the borrowing interest rate had increased/decreased by 1% with all other variables held constant, post-tax profit for the nine-month periods ended September 30, 2023 and 2022 would have decreased / increased by \$2,819 and \$1,517, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the assumption under IFRS 9, that is, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- v. The Group considers the characteristics of customer types and applies the simplified approach using the loss rate methodology to estimate expected credit loss under the provision matrix basis. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, and the expected loss rate is 0.3% ~ 100% to estimate allowance loss of accounts receivable. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	For the nine-month periods ended September 30,	
	2023	2022
At January 1	\$ –	\$ 9,305
Impact of changes in foreign exchange rate	–	903
At September 30	<u>\$ –</u>	<u>\$ 10,208</u>

(c) Liquidity risk

- i. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group has sufficient financial flexibility.
- ii. Group treasury invests surplus cash in interest bearing current accounts, time deposits, notes sold under repurchase agreements and beneficiary certificates, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, and they are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Group has the following undrawn borrowing facilities:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Floating rate:			
Expiring within one year	\$ 15,489,474	\$ 16,694,392	\$ 15,576,126
Expiring beyond one year	<u>5,963,987</u>	<u>4,502,491</u>	<u>2,460,571</u>
	<u>\$ 21,453,461</u>	<u>\$ 21,196,883</u>	<u>\$ 18,036,697</u>

Note: The facilities expiring within one year are annual facilities subject to review at various dates during 2023. The other facilities have been arranged to help finance the proposed operating activities and plant buildings of the Group.

- iv. The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

September 30, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Short-term borrowings	\$ 6,700,663	\$ –	\$ –	\$ –
Short-term notes and bills payable	660,000	–	–	–
Notes payable	7,369	–	–	–
Accounts payable	1,841,578	–	–	–
Other payables	849,603	–	–	–
Lease liabilities	14,941	15,126	47,787	261,248
Long-term borrowings	1,134,459	3,607,591	2,683,902	–
Guarantee deposits received	46,844	318	15,903	16,800
December 31, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Short-term borrowings	\$ 5,779,015	\$ –	\$ –	\$ –
Short-term notes and bills payable	350,000	–	–	–
Notes payable	60,508	–	–	–
Accounts payable	1,921,832	–	–	–
Other payables	1,038,103	–	–	–
Lease liabilities	16,073	14,617	46,135	268,651
Long-term borrowings	1,015,927	3,471,493	3,662,256	–
Guarantee deposits received	47,545	9,253	1,106	18,493

September 30, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
Short-term borrowings	\$ 5,595,842	\$ –	\$ –	\$ –
Short-term notes and bills payable	50,000	–	–	–
Notes payable	8,604	–	–	–
Accounts payable	1,937,634	–	–	–
Other payables	1,243,994	–	–	–
Lease liabilities	20,721	18,296	50,809	266,448
Long-term borrowings	1,280,812	6,702,773	3,138,513	–
Guarantee deposits received	27,743	27,958	1,106	16,800

- v. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with enough frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in emerging stocks, listed stocks and beneficiary certificates are included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in privately offered fund, factoring of account receivable and investment in stocks of unlisted bills finance companies are included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

- B. Fair value information of investment property at cost is provided in Note 6(12).

- C. Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and guarantee deposits received) are approximate to their fair values.

D. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

<u>September 30, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 29,547	\$ –	\$ –	\$ 29,547
Beneficiary certificates	34,104	302,770	–	336,874
Factoring of accounts receivable	–	22,067	–	22,067
Financial assets at fair value through other comprehensive income				
Equity securities	<u>2,210,487</u>	<u>496,900</u>	<u>1,907,648</u>	<u>4,615,035</u>
	<u>\$2,274,138</u>	<u>\$ 821,737</u>	<u>\$1,907,648</u>	<u>\$5,003,523</u>
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 40,076	\$ –	\$ –	\$ 40,076
Beneficiary certificates	35,262	289,546	–	324,808
Factoring of accounts receivable	–	22,598	–	22,598
Financial assets at fair value through other comprehensive income				
Equity securities	<u>2,018,372</u>	<u>470,686</u>	<u>1,795,316</u>	<u>4,284,374</u>
	<u>\$2,093,710</u>	<u>\$ 782,830</u>	<u>\$1,795,316</u>	<u>\$4,671,856</u>
<u>September 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 34,746	\$ –	\$ –	\$ 34,746
Beneficiary certificates	34,513	300,013	–	334,526
Factoring of accounts receivable	–	12,559	–	12,559
Financial assets at fair value through other comprehensive income				
Equity securities	<u>2,034,055</u>	<u>490,711</u>	<u>1,809,534</u>	<u>4,334,300</u>
	<u>\$2,103,314</u>	<u>\$ 803,283</u>	<u>\$1,809,534</u>	<u>\$4,716,131</u>

E. The methods and assumptions the Group used to measure fair value are as follows:

- (a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Emerging stocks</u>	<u>Listed shares</u>	<u>Closed-end fund</u>	<u>Open-end fund</u>
Market quoted price	Average trading price at the balance sheet date	Closing price	Closing price	Net asset value

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- (c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (d) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- (e) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

F. For the nine-month periods ended September 30, 2023 and 2022, there was no transfer between Level 1 and Level 2.

G. The following chart is the movement of Level 3 for the nine-month periods ended September 30, 2023 and 2022:

	Equity instruments	
	For the nine-month periods ended September 30,	
	2023	2022
Balance at January 1	\$ 1, 795, 316	\$ 1, 861, 535
Recognized in other comprehensive income	114, 147	156, 913
Acquired during the period	–	22, 064
Transferred out to level 3	– (	246, 792)
Proceeds from capital reduction of investee (	8, 350)	–
Proceeds from liquidation of investee	– (	33)
Effect of exchange rate changes	6, 535	15, 847
Balance at September 30	<u>\$ 1, 907, 648</u>	<u>\$ 1, 809, 534</u>

H. Because the financial assets at fair value through other comprehensive income - Jardine International Co., Ltd. was listed in the Taipei Exchange starting from March 2022, and has steady and certain degree of transaction amounts, and thus the Group has transferred the fair value from Level 3 into Level 1 in the month when the event occurred.

I. Accounting segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

J. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at September 30, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted stocks	\$ 264,807	Discounted cash flow	The weighted average cost of capital	7.85%~ 39%	The higher the weighted average cost of capital, the lower the fair value
			Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value
Unlisted stocks	\$ 1,642,841	Net asset value	Not applicable	—	Not applicable
	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted stocks	\$ 259,199	Discounted cash flow	The weighted average cost of capital	8.88%~ 26.08%	The higher the weighted average cost of capital, the lower the fair value
			Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value
Unlisted stocks	\$ 1,536,117	Net asset value	Not applicable	—	Not applicable

	Fair value at September 30, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted stocks	\$ 263,555	Discounted cash flow	The weighted average cost of capital	5.75%~ 11.15%	The higher the weighted average cost of capital, the lower the fair value
			Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value
Unlisted stocks	\$ 1,545,979	Net asset value	Not applicable	—	Not applicable

K. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		September 30, 2023					
		Recognized in profit or loss		Recognized in other comprehensive income			
		Favourable change	Unfavourable change	Favourable change	Unfavourable change		
	Input	Change					
Financial assets							
Equity instrument	The weighted average cost of capital	±10%	\$ —	\$ —	\$ 14,905	(\$ 11,245)	
	Discount for lack of marketability	±10%	—	—	214,303	(213,801)	
			<u>\$ —</u>	<u>\$ —</u>	<u>\$ 229,208</u>	<u>(\$ 225,046)</u>	

			December 31, 2022			
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change				
Financial assets						
Equity instrument	The weighted average cost of capital	±10%	\$ -	\$ -	\$ 13,890	(\$ 10,372)
	Discount for lack of marketability	±10%	-	-	206,597	(205,207)
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 220,487</u>	<u>(\$ 215,579)</u>
			September 30, 2022			
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change				
Financial assets						
Equity instrument	The weighted average cost of capital	±10%	\$ -	\$ -	\$ 12,750	(\$ 9,186)
	Discount for lack of marketability	±10%	-	-	208,552	(207,301)
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,302</u>	<u>(\$ 216,487)</u>

13. SUPPLEMENTARY DISCLOSURES

(According to the regulatory requirement, the Group is only required to disclose the information for the nine-month period ended September 30, 2023.)

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 4.

(3) Information on investments in Mainland China

As of September 30, 2023, the Group did not invest in Mainland China through any investment method.

(4) Major shareholders information

Major shareholders information: Refer to table 5.

14. SEGMENT INFORMATION

(1) General information

The management of the Group has identified the reportable operating segments based on information provided to the Group's chief operating decision-maker in order to make strategic decisions. The Group's chief operating decision-maker manages the business from an entity's perspective, and reviews the results of its operations and evaluates the performance of the operating segments.

(2) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

For the nine-month period ended September 30, 2023

	Tainan Spinning Co., Ltd.	Tainan Spinning Co., Ltd. (Vietnam)	Nan Fan Housing Development Co., Ltd.	Tainan Spinning Retail and Distribution Co., Ltd.	Others	Total
Total segment revenue	\$ 7,172,732	\$ 7,494,684	\$ 3,150	\$ 979,759	\$ –	\$ 15,650,325
Inter-segment revenue	(563,376)	(66,299)	(3,150)	–	–	(632,825)
Revenue from external customers	<u>\$ 6,609,356</u>	<u>\$ 7,428,385</u>	<u>\$ –</u>	<u>\$ 979,759</u>	<u>\$ –</u>	<u>\$ 15,017,500</u>
Interest income	\$ 29,551	\$ 270	\$ 1,808	\$ 6,963	\$ 69,751	\$ 108,343
Depreciation and amortisation	374,343	387,771	224	26,014	–	788,352
Interest expense	162,436	115,870	–	–	–	278,306
Share of profit of associates and joint ventures accounted for under equity method	141,546	–	43,803	–	–	185,349
Segment income (loss) before tax	(50,236)	(1,095,377)	40,237	141,167	59,734	(904,475)
Investments accounted for under equity method	3,286,636	–	915,481	–	–	4,202,117
Segment assets	33,532,526	9,077,793	1,663,489	1,698,241	3,328,583	49,300,632
Capital expenditure for non-current assets	333,408	214,624	100	50,696	–	598,828
Segment liabilities	17,271,602	3,893,329	1,213	1,242,000	120	22,408,264

For the nine-month period ended September 30, 2022

	Tainan Spinning Co., Ltd.	Tainan Spinning Co., Ltd. (Vietnam)	Nan Fan Housing Development Co., Ltd.	Tainan Spinning Retail and Distribution Co., Ltd.	Others	Total
Total segment revenue	\$ 8,449,383	\$ 8,312,353	\$ 1,950	\$ 830,112	\$ –	\$ 17,593,798
Inter-segment revenue	(1,028,771)	(65,835)	(1,950)	–	–	(1,096,556)
Revenue from external customers	<u>\$ 7,420,612</u>	<u>\$ 8,246,518</u>	<u>\$ –</u>	<u>\$ 830,112</u>	<u>\$ –</u>	<u>\$ 16,497,242</u>
Interest income	\$ 14,424	\$ 363	\$ 841	\$ 1,704	\$ 4,219	\$ 21,551
Depreciation and amortisation	373,098	373,293	204	20,358	–	766,953
Interest expense	97,694	39,690	43	–	–	137,427
Share of profit of associates and joint ventures accounted for under equity method	250,488	–	61,466	–	–	311,954
Segment income (loss) before tax	1,749,658	710,995	119,206	68,212	(76,342)	2,571,729
Investments accounted for under equity method	3,310,513	–	794,840	–	–	4,105,353
Segment assets	35,385,129	10,737,521	2,473,295	1,376,893	1,798,983	51,771,821
Capital expenditure for non-current assets	174,861	273,055	57	42,616	–	490,589
Segment liabilities	17,986,131	3,647,624	1,212	1,159,167	–	22,794,134

(3) Reconciliation for segment income (loss), assets and liabilities

- A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the nine-month periods ended September 30, 2023 and 2022 is provided as follows:

	For the nine-month periods ended September 30,	
	2023	2022
Reportable segments (loss) income before tax	(\$ 964,209)	\$ 2,648,071
Other segments income (loss) before tax	59,734	(76,342)
Write-offs of inter-segment income (loss)	191,618	(688,155)
(Loss) profit before income tax	(\$ 712,857)	\$ 1,883,574

- B. The amounts provided to the chief operating decision-maker with respect to total assets are measured in a manner consistent with that of the financial statements. A reconciliation of assets of reportable segment and total assets is as follows:

	September 30, 2023	September 30, 2022
Assets of reportable segments	\$ 45,972,049	\$ 49,972,838
Assets of other operating segments	3,328,583	1,798,983
Write-offs of inter-segment transactions	329,529	(1,043,199)
Total assets	\$ 49,630,161	\$ 50,728,622

- C. The amounts provided to the chief operating decision-maker with respect to total liabilities are measured in a manner consistent with that of the financial statements. A reconciliation of liabilities of reportable segment and total liabilities is as follows:

	September 30, 2023	September 30, 2022
Liabilities of reportable segments	\$ 22,408,144	\$ 22,794,134
Liabilities of other operating segments	120	-
Write-offs of inter-segment transactions	(170,641)	(551,854)
	\$ 22,237,623	\$ 22,242,280

TAINAN SPINNING CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the nine-month period ended September 30, 2023

Table 1

Expressed in thousands of NTD

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee	Outstanding endorsement/ guarantee	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Note
		Company name	Relationship (Note 1)											
1	Tainan Spinning Holding (Cayman Islands) Ltd.	Bao Minh Textile Joint Stock Company	6	\$ 136,520	\$ 103,188	\$ 103,188	\$ 75,431	\$ –	76%	\$ 136,520	N	N	N	—

Note 1: The following code represents the relationship with Company :

1. Trading partner.
2. Majority owned subsidiary .
3. The Company and subsidiary owns over 50% ownership of the investee company.
4. A subsidiary jointly owned over 50% by the Company and the Company's directly-owned subsidiary.
5. Guaranteed by the Company according to the construction contract.
6. An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.

Note 2: The total amount of transactions of endorsement equals to 100% of the net worth of Tainan Spinning Holding (Cayman Islands) Ltd., the limit of endorsement for any single entity is 100% of the net worth of Tainan Spinning Holding (Cayman Islands) Ltd., and all of the related transactions are to be submitted to the stockholders' meeting for reference.

Note 3: Foreign currencies are translated into New Taiwan Dollars. Exchange rates of foreign currencies indicated as of report date were as follows: USD:NTD 1:32.27.

TAINAN SPINNING CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

September 30, 2023

Table 2

Expressed in thousands of NTD

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of September 30, 2023				Note
				Number of shares	Book value	Ownership (%)	Fair value	
Tainan Spinning Co., Ltd.	Fine Point Finance Ltd.	—	Financial assets at fair value through other comprehensive income- non-current	—	\$ 41, 239	11. 76%	\$ 41, 239	—
	T.Y. President Corp.	The Company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	—	13, 746	11. 76%	13, 746	—
	President International Development Corp.	The Company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	119, 070	1, 171, 568	9. 00%	1, 171, 568	—
	Grand Bills Finance Corp.	The Company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	43, 999	496, 900	8. 14%	496, 900	—
	Universal Venture Capital Investment Corporation	The Company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	4, 300	44, 600	3. 57%	44, 600	—
	Uni-President Asset Management Corp.	—	Financial assets at fair value through other comprehensive income- non-current	1, 171	10, 010	3. 34%	10, 010	—
	ScinoPharm Taiwan Ltd.	The Company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	23, 606	649, 163	2. 99%	649, 163	—
	President Securities Corp.	—	Financial assets at fair value through other comprehensive income- non-current	34, 096	639, 302	2. 34%	639, 302	—
	ChinaTrust Investment Co. Ltd.	—	Financial assets at fair value through other comprehensive income- non-current	1, 253	36, 151	0. 66%	36, 151	—
	Q-ware Systems & Services Corp.	The Company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	172	1, 724	0. 61%	1, 724	—
	Taian Insurance Co., Ltd.	—	Financial assets at fair value through other comprehensive income- non-current	686	—	0. 23%	—	—

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of September 30, 2023				Note
				Number of shares	Book value	Ownership (%)	Fair value	
Tainan Spinning Holding (Cayman Islands) Ltd.	Bao Minh Textile Joint Stock Company	—	Financial assets at fair value through other comprehensive income- non-current	—	\$ 135,212	8.50%	\$ 135,212	—
Nan Fan International Investment (Cayman Islands) Co., Ltd.	Uni-President China Holdings Ltd.	—	Financial assets at fair value through profit and loss- current	1,304	29,547	—	29,547	—
Tainan Spinning (Singapore) Pte. Ltd.	All-Stars Investment Private Partners Fund L.P.	—	Financial assets at fair value through profit and loss- non-current	—	136,695	—	136,695	—
	Ally Bridge Group-WTT Global Life Science Capital Partners Growth-Capital Life Science Fund	—	Financial assets at fair value through profit and loss- non-current	—	139,360	—	139,360	—
Nan Fan Housing Development Co., Ltd.	Millerful No.1 Real Estate Invest Trust	—	Financial assets at fair value through profit and loss- current	3,407	34,104	—	34,104	—
	TGVest Capital II, Ltd.	—	Financial assets at fair value through profit and loss- non-current	—	26,715	—	26,715	—
	Eten Technologies Inc.	Subsidiary of the Company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	3,159	5,885	19.29%	5,885	—
	Renaissance Capital Limited Partnership	Subsidiary of the Company is the limited partner	Financial assets at fair value through other comprehensive income- non-current	—	50,000	6.41%	50,000	—
	Jardine International Co., Ltd.	—	Financial assets at fair value through other comprehensive income- non-current	7,308	183,434	7.42%	183,434	—
	Prince Housing & Development Corp.	The chairman of the Company is the juristic director's representative	Financial assets at fair value through other comprehensive income- non-current	57,735	617,770	3.56%	617,770	—

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of September 30, 2023				Note
				Number of shares	Book value	Ownership (%)	Fair value	
Nan Fan Housing Development Co., Ltd.	President International Development Corp.	The Company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	39,690	\$ 390,522	3.00%	\$ 390,522	—
	Q-ware Systems & Services Corp.	The Company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	699	6,991	2.49%	6,991	—
	ScinoPharm Taiwan Ltd.	The Company is the juristic director	Financial assets at fair value through other comprehensive income- non-current	539	14,818	0.07%	14,818	—
	BIOTEQUE CORPORATION	—	Financial assets at fair value through other comprehensive income- non-current	1,000	106,000	1.44%	106,000	—

Note: Foreign currencies are translated into New Taiwan Dollars. Exchange rates of foreign currencies indicated as of report date were as follows: USD:NTD 1:32.27 ; HKD:NTD 1:4.123.

TAINAN SPINNING CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the nine-month period ended September 30, 2023

Table 3

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Tainan Spinning Co., Ltd.	Tainan Spinning Co., Ltd. (Vietnam)	1	Sales	\$ 72,545	180 days after shipment, L/C	—
			1	Accounts receivable	34,029	—	—
		Tainan Textile Co., Ltd.	1	Sales	82,077	180 days after shipment, L/C	1%
			1	Accounts receivable	53,789	—	—
		Tainan Spinning Retail and Distribution Co., Ltd.	1	Rental income	408,492	According to contract	3%
			1	Accounts receivable	39,695	—	—
1	Tainan Spinning Co., Ltd. (Vietnam)	Namtex Co., Ltd.	3	Sales	59,840	60 days after shipment, T/T	—

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: The relationships among the transaction parties are as follows:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: The percentage of transaction amount over consolidated total revenues or total assets is as follows: Assets and liabilities are calculated using the ending balance over the consolidated total assets at period end; Profit or loss items are calculated using the amount of the period over the consolidated total revenue of the period.

Note 4: Transactions among the company and subsidiaries with amount \$10,000 thousand and one side of the transaction are disclosed.

TAINAN SPINNING CO., LTD. AND SUBSIDIARIES

Information on investees

For the nine-month period ended September 30, 2023

Table 4

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2023			Net profit (loss) of the investee for the period	Investment income (loss) recognised by the Company	Note
				Balance as at September 30, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
Tainan Spinning Co., Ltd.	Tainan Spinning Co., Ltd. (Vietnam)	Vietnam	Manufacturing and sales of cotton yarn	\$ 2,910,166	\$ 2,910,166	145,000,000	100.00	\$ 4,051,876	(\$ 1,067,984)	(\$ 1,061,716)	Subsidiary
	Nan Fan Development Co., Ltd.	Taiwan	Land development	130,000	130,000	13,000,000	100.00	127,768	(82)	(82)	Subsidiary
	Tainan Spinning Holding (Cayman Islands) Ltd.	Cayman Islands	Professional investments	104,447	104,447	3,337,380	100.00	136,520	(208)	(208)	Subsidiary
	Nan Fan International Investment (Cayman Islands) Co., Ltd.	Cayman Islands	Professional investments	29,113	29,113	950,000	100.00	73,285	(10,310)	(10,310)	Subsidiary
	Tainan Spinning (Singapore) Pte. Ltd.	Singapore	Professional investments	2,964,523	2,964,523	94,000,002	100.00	2,990,891	19,025	19,025	Subsidiary
	Tainan Spinning Retail and Distribution Co., Ltd.	Taiwan	Operating department stores	702,628	702,628	50,000,000	100.00	456,241	191,167	191,167	Subsidiary
	Nan Fan Housing Development Co., Ltd.	Taiwan	Commissioned to build public housing and the rental and sale of commercial property	189,793	189,793	187,500,641	99.99	2,936,546	145,211	145,196	Subsidiary
	Nantex Industry Co., Ltd.	Taiwan	Manufacturing, processing and trading of lotions and rubber	156,000	156,000	105,549,052	21.43	3,076,958	611,304	129,746	—
	Howard Beach Resort Kenting Co., Ltd.	Taiwan	Hotels and catering	80,000	80,000	12,000,000	20.00	209,678	59,130	11,800	—
Tainan Spinning Co., Ltd. (Vietnam)	Tainan Textile Co., Ltd.	Vietnam	Manufacturing and sales of cotton, yarn etc.	2,742,950	2,742,950	85,000,000	85.00	2,349,209	(327,765)	—	Subsidiary (Note 1)
Tainan Spinning (Singapore) Pte. Ltd.	Tainan Textile Co., Ltd.	Vietnam	Manufacturing and sales of cotton, yarn etc.	455,857	455,857	15,000,000	15.00	414,588	(327,765)	—	Subsidiary (Note 1)
	Tainan Spinning Trading Pte. Ltd.	Singapore	International trade	—	—	—	100.00	—	—	—	Subsidiary (Note 1)
Nan Fan Housing Development Co., Ltd.	Federal Holding Limited	Samoa	Professional investments	211,841	211,841	6,650,000	100.00	369,353	59,980	—	Subsidiary (Note 1)
	Nantex Industry Co., Ltd.	Taiwan	Manufacturing, processing and trading of lotions and rubber	195,102	195,102	27,362,884	5.56	815,621	611,304	—	(Note 1)
	Nantai Royal Co., Ltd.	Taiwan	Hotels and catering	5,000	5,000	500,000	50.00	3,504	51	—	(Note 1)
	Nanmat Technology Co., Ltd.	Taiwan	Development, production and sales of chemical materials, products, production process and services.	85,262	85,262	1,875,757	3.60	96,356	280,963	—	(Note 1)
Federal Holding Limited	United investment Pte. Ltd.	Singapore	Professional investments	211,369	211,369	6,550,000	100.00	366,728	60,028	—	Subsidiary (Note 1)
United Investment Pte. Ltd.	Namtex Co., Ltd.	Vietnam	Businesses related to wearing, dyeing and sorting of yarns	191,780	191,780	10,121,316	50.00	359,030	123,271	—	Subsidiary (Note 1)

Note 1: According to the related regulations, it is not required to disclose income (loss) recognized by the Company.

Note 2: Foreign currencies are translated into New Taiwan Dollars. Exchange rates of foreign currencies indicated as of report date were as follows: USD:NTD 1:32.27 ; VND:NTD 1:0.001323.

Investment gains or losses were translated using the average rates for the nine-month period ended September 30, 2023 as follows: USD:NTD 1:30.93; VND:NTD 1:0.001307.

TAINAN SPINNING CO., LTD. AND SUBSIDIARIES

Major stockholders information

September 30, 2023

Table 5

Unit:shares

<u>Name of the major stockholders</u>	<u>Number of shares</u>	<u>Ownership (%)</u>
HOU BO YU	103, 636, 652	6. 25%
HOU BO YI	102, 000, 691	6. 15%

Notes:The information on major stockholders presented in the above table lists the major stockholders whose combined shareholdings of ordinary and preference shares are at least 5% of the Company's total shares, as calculated by the Taiwan Depository & Clearing Corporation based on the number of dematerialized shares (including treasury shares) which have been registered and delivered on the last working day of the current quarter. The number of shares recorded in the Company's financial statements may be different from the number of dematerialized shares which have completed registration and delivery due to differences in the basis of preparation and calculation.