

**MAKALOT INDUSTRIAL CO., LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2022 and 2021**

Address: 8F, No. 550, Sec. 4, Zhongxiao E. Rd., Taipei City
Telephone: (02)2345-5588

The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel	+ 886 2 8101 6666
傳真 Fax	+ 886 2 8101 6667
網址 Web	home.kpmg/tw

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Independent Auditors' Review Report

To the Board of Directors
Makalot Industrial Co., Ltd.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Makalot Industrial Co., Ltd. and its subsidiaries (the "Group") as of September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the changes in equity and cash flows for the nine months 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 the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the 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 conducted in accordance with the generally accepted auditing standards 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 stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$3,882,028 thousand and \$3,649,776 thousand, constituting 16.55% and 18.16% of the consolidated total assets; the total liabilities amounting to \$1,136,929 thousand and \$1,435,983 thousand, constituting 13.06% and 20.57% of the consolidated total liabilities as of September 30, 2022 and 2021, respectively; as well as the total comprehensive income (loss) amounting to \$144,984 thousand, \$29,081 thousand, \$277,062 thousand and \$(69,161) thousand, constituting 10.60%, 3.66%, 8.46% and (3.59)% of the consolidated total comprehensive income (loss), and the total net income (loss) amounting to \$73,717 thousand, \$25,903 thousand, \$127,760 thousand and \$(46,119) thousand, constituting 6.60%, 3.27%, 4.63% and (2.30)% of the consolidated total net income for the three months and nine months ended September 30, 2022 and 2021, respectively.

Furthermore, as stated in Note 6(e), investments accounted for using equity method of the Group amounting to \$288,069 thousand and \$228,552 thousand as of September 30, 2022 and 2021, respectively, and the share of profit (loss) of investments accounted for using equity method from these investee companies amounting to \$5,865 thousand, \$15,806 thousand, \$23,919 thousand and \$25,919 thousand for the three months and nine months ended September 30, 2022 and 2021, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, 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 of September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months then ended, as well as its consolidated cash flows for the nine months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Pei-Chi Chen and Heng-Shen Lin.

KPMG

Taipei, Taiwan (Republic of China)
November 3, 2022

Notes to Readers

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

The independent auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2022 and 2021

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2022, December 31, 2021, and September 30, 2021

(Expressed in thousands of New Taiwan Dollars)

		September 30, 2022		December 31, 2021		September 30, 2021	
		Amount	%	Amount	%	Amount	%
Assets							
Current assets:							
1100	Cash and cash equivalents (notes 6(a)(v))	\$ 2,465,885	10	2,642,635	12	2,443,296	12
1110	Current financial assets at fair value through profit or loss (notes 6(b)(v))	156,934	1	166,007	1	152,358	1
1170	Accounts receivable, net (notes 6(c)(s)(v))	1,578,799	7	1,160,282	5	749,144	4
1310	Inventories, manufacturing (note 6(d))	4,902,027	21	5,434,422	25	5,105,502	25
1476	Other financial assets-current (notes 6(c)(v) and 7)	7,551,855	32	6,480,654	29	5,251,795	26
1479	Other current assets-others (note 6(i))	398,999	2	275,851	1	289,704	2
		17,054,499	73	16,159,851	73	13,991,799	70
Non-current assets:							
1550	Investments accounted for using equity method (note 6(c))	288,069	1	239,485	1	228,522	1
1600	Property, plant and equipment (notes 6(g) and 8)	5,237,873	22	5,022,163	22	5,033,032	25
1755	Right-of-use assets (notes 6(h)(y))	435,712	2	388,113	2	415,692	2
1821	Other intangible assets, net (note 6(i))	30,694	-	33,963	-	36,112	-
1840	Deferred tax assets	151,000	1	134,210	1	142,694	1
1900	Other non-current assets (notes 6(j)(v) and 8)	259,799	1	245,043	1	253,706	1
		6,403,147	27	6,062,977	27	6,109,758	30
Liabilities and Equity							
Current liabilities:							
	Short-term borrowings (notes 6(k)(v) and 8)	\$ 1,621,115	7	1,866,306	8	1,358,622	7
	Current financial liabilities at fair value through profit or loss (notes 6(b)(v))	-	-	-	-	1,517	-
	Notes payable (note 6(v))	-	-	1	-	-	3
	Accounts payable (note 6(v))	1,950,640	8	2,162,914	10	2,134,484	11
	Accounts payable to related parties (notes 6(v) and 7)	98,679	-	74,431	-	61,136	-
	Other payables (note 6(v))	2,543,607	11	2,199,108	10	1,572,254	8
	Current tax liabilities	813,652	3	706,456	3	579,361	3
	Current provisions for employee benefits	55,426	-	52,807	-	47,094	-
	Other short-term provisions (note 6(m))	442,533	2	343,610	2	392,148	2
	Current lease liabilities (notes 6(n)(v)(y))	137,794	1	91,210	1	95,111	-
	Long-term borrowings, current portion (notes 6(l)(v))	187,284	1	81,685	-	49,509	-
	Other current liabilities-others	123,781	1	128,272	1	15,617	-
		7,974,511	34	7,706,800	35	6,306,856	31
Non-Current liabilities:							
	Long-term bank loans (notes 6(l)(v))	37,245	-	163,371	1	99,017	1
	Deferred tax liabilities	64,620	-	19,906	-	17,446	-
	Non-current lease liabilities (notes 6(n)(v)(y))	204,347	1	206,628	1	230,454	1
	Net defined benefit liability—non-current	402,132	2	327,603	1	323,896	2
	Other non-current liabilities-others	21,969	-	3,078	-	3,078	-
		730,313	3	720,586	3	673,891	4
		8,704,824	37	8,427,386	38	6,980,747	35
Total liabilities							
Equity (note 6(q))							
	Ordinary shares	2,418,566	10	2,418,566	11	2,418,566	12
	Capital surplus	6,214,704	27	6,214,704	28	6,214,704	31
	Retained earnings	5,898,995	25	5,459,349	25	4,767,340	24
	Exchange differences on translation of foreign financial statements	133,215	1	(380,119)	(2)	(359,361)	(2)
	Total equity attributable to owners of parent	14,665,480	63	13,712,500	62	13,041,249	65
	Non-controlling interests	87,342	-	82,942	-	79,561	-
	Total equity	14,752,822	63	13,795,442	62	13,120,810	65
Total liabilities and equity		\$ 23,457,646	100	22,222,828	100	20,101,557	100

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars , except for earnings per share)

	For the three months ended September 30				For the nine months ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue, net (note 6(s))	\$ 9,407,338	100	8,296,420	100	24,719,886	100	21,234,202	100
5000 Operating costs (notes 6(d), (o), 7 and 12)	<u>7,204,093</u>	<u>77</u>	<u>6,551,944</u>	<u>79</u>	<u>18,600,628</u>	<u>75</u>	<u>16,526,420</u>	<u>78</u>
Gross profit from operations	2,203,245	23	1,744,476	21	6,119,258	25	4,707,782	22
Operating expenses (notes 6(n), (o), (t), 7 and 12):								
6100 Selling expenses	487,567	5	417,660	5	1,458,506	6	1,130,387	5
6200 Administrative expenses	422,195	4	321,002	4	1,290,134	5	1,018,256	5
6450 Impairment loss (reversal of impairment loss) in accordance with IFRS 9	<u>8,568</u>	<u>-</u>	<u>(9,092)</u>	<u>-</u>	<u>4,115</u>	<u>-</u>	<u>(28,191)</u>	<u>-</u>
Total operating expenses	<u>918,330</u>	<u>9</u>	<u>729,570</u>	<u>9</u>	<u>2,752,755</u>	<u>11</u>	<u>2,120,452</u>	<u>10</u>
Net operating income	<u>1,284,915</u>	<u>14</u>	<u>1,014,906</u>	<u>12</u>	<u>3,366,503</u>	<u>14</u>	<u>2,587,330</u>	<u>12</u>
Non-operating income and expenses:								
7100 Interest income (note 6(u))	10,823	-	4,482	-	25,712	-	11,901	-
7010 Other income (note 6(u))	156,284	2	12,324	-	180,917	1	37,965	-
7020 Other gains and losses (notes 6(u)(v))	125,413	1	1,599	-	129,164	1	(39,786)	-
7050 Finance costs (notes 6(n)(u))	(72,881)	(1)	(32,385)	-	(137,383)	(1)	(66,512)	-
7060 Share of profit (loss) of associates accounted for using equity method	<u>5,865</u>	<u>-</u>	<u>15,806</u>	<u>-</u>	<u>23,919</u>	<u>-</u>	<u>25,919</u>	<u>-</u>
Total non-operating income and expenses	<u>225,504</u>	<u>2</u>	<u>1,826</u>	<u>-</u>	<u>222,329</u>	<u>1</u>	<u>(30,513)</u>	<u>-</u>
7900 Profit before income tax	1,510,419	16	1,016,732	12	3,588,832	15	2,556,817	12
7950 Less: Income tax expenses (note 6(p))	<u>393,310</u>	<u>4</u>	<u>225,760</u>	<u>3</u>	<u>826,867</u>	<u>4</u>	<u>551,859</u>	<u>3</u>
Profit	<u>1,117,109</u>	<u>12</u>	<u>790,972</u>	<u>9</u>	<u>2,761,965</u>	<u>11</u>	<u>2,004,958</u>	<u>9</u>
8300 Other comprehensive income:								
8310 Items that will not be reclassified to profit or loss								
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	(461)	-
Components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	461	-
8360 Items that may be reclassified subsequently to profit or loss								
8361 Exchange differences on translation of foreign financial statements	250,966	3	2,885	-	513,762	2	(81,361)	-
8399 Income tax related to components of other comprehensive income that may be reclassified to profit or loss	-	-	-	-	-	-	-	-
Components of other comprehensive income that may be reclassified subsequently to profit or loss	<u>250,966</u>	<u>3</u>	<u>2,885</u>	<u>-</u>	<u>513,762</u>	<u>2</u>	<u>(81,361)</u>	<u>-</u>
8300 Other comprehensive income	<u>250,966</u>	<u>3</u>	<u>2,885</u>	<u>-</u>	<u>513,762</u>	<u>2</u>	<u>(80,900)</u>	<u>-</u>
Comprehensive income	<u>\$ 1,368,075</u>	<u>15</u>	<u>793,857</u>	<u>9</u>	<u>3,275,727</u>	<u>13</u>	<u>1,924,058</u>	<u>9</u>
Profit attributable to:								
Owners of parent	\$ 1,109,957	12	783,236	9	2,737,284	11	1,984,883	9
Non-controlling interests	<u>7,152</u>	<u>-</u>	<u>7,736</u>	<u>-</u>	<u>24,681</u>	<u>-</u>	<u>20,075</u>	<u>-</u>
	<u>\$ 1,117,109</u>	<u>12</u>	<u>790,972</u>	<u>9</u>	<u>2,761,965</u>	<u>11</u>	<u>2,004,958</u>	<u>9</u>
Comprehensive income attributable to:								
8710 Owners of parent	\$ 1,360,742	15	786,151	9	3,250,618	13	1,904,214	9
8720 Non-controlling interests	<u>7,333</u>	<u>-</u>	<u>7,706</u>	<u>-</u>	<u>25,109</u>	<u>-</u>	<u>19,844</u>	<u>-</u>
	<u>\$ 1,368,075</u>	<u>15</u>	<u>793,857</u>	<u>9</u>	<u>3,275,727</u>	<u>13</u>	<u>1,924,058</u>	<u>9</u>
Earnings per share (note 6(r))								
9750 Basic earnings per share (in dollars)	<u>\$ 4.59</u>		<u>3.24</u>		<u>11.32</u>		<u>8.43</u>	
9850 Diluted earnings per share (in dollars)	<u>\$ 4.57</u>		<u>3.23</u>		<u>11.25</u>		<u>8.40</u>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Total equity attributable to owners of parent	Non-controlling interests	Total equity	
	Retained earnings					Total				Exchange differences on translation of foreign financial statements
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings					
\$	2,198,566	3,447,704	2,015,850	116,245	2,584,754	4,716,849	10,084,888	79,276	10,164,164	
Profit	-	-	-	-	1,984,883	1,984,883	1,984,883	20,075	2,004,958	
Other comprehensive income	-	-	-	-	461	461	(81,130)	(231)	(80,900)	
Total comprehensive income	-	-	-	-	1,985,344	1,985,344	1,904,214	19,844	1,924,058	
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	205,477	-	(205,477)	-	-	-	-	
Special reserve	-	-	-	161,986	(161,986)	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(1,934,853)	(1,934,853)	(1,934,853)	-	(1,934,853)	
Capital increase by cash	220,000	2,767,000	-	-	-	-	2,987,000	-	2,987,000	
Changes in non-controlling interests	-	-	-	-	-	-	-	(19,559)	(19,559)	
\$	2,418,566	6,214,704	2,221,327	278,231	2,267,782	4,767,340	13,041,249	79,561	13,120,810	
\$	2,418,566	6,214,704	2,221,327	278,231	2,959,791	5,459,349	13,712,500	82,942	13,795,442	
Profit	-	-	-	-	2,737,284	2,737,284	2,737,284	24,681	2,761,965	
Other comprehensive income	-	-	-	-	-	-	513,334	428	513,762	
Total comprehensive income	-	-	-	-	2,737,284	2,737,284	3,250,618	25,109	3,275,727	
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	267,735	-	(267,735)	-	-	-	-	
Special reserve	-	-	-	101,888	(101,888)	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(2,297,638)	(2,297,638)	(2,297,638)	-	(2,297,638)	
Changes in non-controlling interests	-	-	-	-	-	-	-	(20,709)	(20,709)	
\$	2,418,566	6,214,704	2,489,062	380,119	3,029,814	5,898,995	14,665,480	87,342	14,752,822	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
Reviewed only, not audited in accordance with generally accepted auditing standards

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2022	2021
Cash flows from operating activities:		
Profit before tax	\$ 3,588,832	2,556,817
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	408,284	383,731
Amortization expense	8,899	13,085
Expected credit loss (gain)	4,115	(28,191)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	12,137	(8,454)
Interest expense	137,383	66,512
Interest income	(25,712)	(11,901)
Share of gains of investments accounted for using equity method	(23,919)	(25,919)
Loss on disposal of property, plant and equipment	4,650	692
Total adjustments to reconcile profit	525,837	389,555
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	(408,354)	1,752,518
Inventories	575,331	(1,079,437)
Other financial assets	(645,995)	(789,142)
Other operating assets	(93,592)	5,140
Total changes in operating assets	(572,610)	(110,921)
Changes in operating liabilities:		
Notes payable	(1)	(1,298)
Accounts payable	(268,581)	295,084
Accounts payable – related parties	24,248	38,002
Other payables	312,793	(241,766)
Other current liabilities	(4,491)	(4,332)
Accrued pension liabilities	74,529	(46,036)
Other operating liabilities	106,624	101,790
Total changes in operating liabilities	245,121	141,444
Total changes in operating assets and liabilities	(327,489)	30,523
Total adjustments	198,348	420,078
Cash inflow generated from operations	3,787,180	2,976,895
Interest received	28,371	9,475
Interest paid	(125,388)	(57,567)
Income taxes paid	(701,058)	(560,979)
Net cash flows from operating activities	2,989,105	2,367,824
Cash flows used in investing activities:		
Decrease (increase) in financial assets designated at fair value through profit or loss	(3,064)	21,510
Increase in long-term prepayments	-	(38,887)
Net cash flows used in acquisition of subsidiaries (less cash acquired)	(14,259)	-
Acquisition of property, plant and equipment	(193,425)	(299,813)
Proceeds from disposal of property, plant and equipment	2,327	2,037
Increase in refundable deposits	(19,582)	(2,639)
Acquisition of intangible assets	(7,957)	(13,481)
Increase in other financial assets	(414,489)	(1,023,651)
Net cash flows used in investing activities	(650,449)	(1,354,924)
Cash flows used in financing activities:		
Decrease in short-term borrowings	(266,924)	(1,990,213)
Increase in long-term borrowings	-	148,526
Repayments of long-term borrowings	(49,391)	-
Payment of lease liabilities	(63,867)	(94,581)
Cash dividends paid	(2,297,638)	(1,934,853)
Capital increase by cash	-	2,987,000
Cash dividends paid to non-controlling interests	(20,709)	(19,559)
Net cash flows used in financing activities	(2,698,529)	(903,680)
Effect of exchange rate changes on cash and cash equivalents	183,123	(32,983)
Net increase (decrease) in cash and cash equivalents	(176,750)	76,237
Cash and cash equivalents at beginning of period	2,642,635	2,367,059
Cash and cash equivalents at end of period	\$ 2,465,885	2,443,296

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)
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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars, unless otherwise specified)

(1) Company history

Makalot Industrial Co., Ltd. (the Company) was incorporated on January 10, 1990 and registered with the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is 8F, No.550, Sec. 4 Zhongxiao E. Rd., Taipei City. The Company and its subsidiaries (the Group) is primarily involved in the manufacturing and processing of garments.

(2) Approval date and procedures of the consolidated financial statements

The consolidated financial statements were reported to the Board of Directors for issuance on November 3, 2022.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2021. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2021.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiary	Principal activity	Ownership %			Note
			September 30, 2022	December 31, 2021	September 30, 2021	
The Company	PT Crystal Garment (PT Crystal)	Manufacture of garments	99.776 %	99.776 %	99.776 %	
The Company	Global Trading Int'l Corp. (Global)	Investment holding	100.00 %	100.00 %	100.00 %	Note 2
The Company	Leader Garments Corp. (Leader PH)	Manufacture of garments	99.99 %	99.99 %	99.99 %	
The Company	Diamond Apparel Mfg., Inc. (Diamond)	Manufacture of garments	99.99 %	99.99 %	99.99 %	
The Company	Primeline Fashion, Inc. (Primeline)	Manufacture of garments	99.99 %	99.99 %	99.99 %	
The Company	Fortune Star Investment Limited (Fortune Star)	Investment holding	100.00 %	100.00 %	100.00 %	
The Company	Triple Int'l Corp. (Triple)	Investment holding	100.00 %	100.00 %	100.00 %	
The Company	Ecolot Textile Co., Ltd. (Ecolot)	Trade services	61.65 %	61.65 %	61.65 %	
The Company	Great Time Global Co., Ltd. (Great Time)	Manufacture and sales of garments	100.00 %	- %	- %	Note 3
The Company	Glida Athletics Co., Ltd. (Glida)	Manufacture and sales of garments	100.00 %	100.00 %	100.00 %	
Global	PT Glory Industrial Semarang (PT Glory)	Manufacture of garments	95.00 %	95.00 %	95.00 %	Note 1
Global	Makalot Garments (Cambodia) Co., Ltd. (Makalot Cambodia)	Manufacture of garments	100.00 %	100.00 %	100.00 %	
Global	Makalot Garments (Vietnam) Co., Ltd. (Makalot Vietnam)	Manufacture of garments	100.00 %	100.00 %	100.00 %	
Global	PT Starlight Garment Semarang (PT Starlight)	Manufacture of garments	5.00 %	5.00 %	5.00 %	
Fortune Star	Wintop Industrial Limited (Wintop)	Investment holding	100.00 %	100.00 %	100.00 %	
Fortune Star	Crown Era Industrial Limited (Crown Era)	Investment holding	100.00 %	100.00 %	100.00 %	
Fortune Star	Crownway International Development Limited (Crownway)	Investment holding	100.00 %	100.00 %	100.00 %	
Fortune Star	PT Starlight Garment Semarang (PT Starlight)	Manufacture of garments	95.00 %	95.00 %	95.00 %	
Fortune Star	PT Glory Industrial Semarang (PT Glory)	Manufacture of garments	5.00 %	5.00 %	5.00 %	Note 1
Triple	Moha Garments Co., Ltd. (Moha)	Manufacture of garments	100.00 %	100.00 %	100.00 %	
Triple	Triple Garment (Vietnam) Co., Limited (Triple Vietnam)	Manufacture of garments	100.00 %	100.00 %	100.00 %	
Triple	Top Trend Global Inc. (Top Trend)	Investment holding	100.00 %	100.00 %	100.00 %	

(Continued)

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Principal activity	Ownership %			Note
			September 30, 2022	December 31, 2021	September 30, 2021	
Top Trend	Leader Garment (Vietnam) Co., Ltd. (Leader Vietnam)	Manufacture of garments	100.00 %	100.00 %	100.00 %	
Crownway	Jiaxing Ruiyang Garment Co., Limited (CJR)	Manufacture of garments	100.00 %	100.00 %	100.00 %	
Crownway	Jiaxing Rising Garment Co., Limited (CJY)	Manufacture of garments	100.00 %	100.00 %	100.00 %	
Wintop	Shanghai Makalot Garment Co., Limited (CMK)	Manufacture of garments	100.00 %	100.00 %	100.00 %	
Crown Era	Jiaxing Suntex Garment Co., Limited (CMZ)	Manufacture of garments	100.00 %	100.00 %	100.00 %	
Ecolot	Top Shiny Industrial Limited (Top Shiny)	Investment holding	100.00 %	100.00 %	100.00 %	
Top Shiny	Eco-Lot Textile Co., Ltd. (CBS)	Trade services	100.00 %	100.00 %	100.00 %	

Note 1: The financial statements for the nine months ended September 30, 2022 and 2021 have been reviewed.

Note 2: The financial statements for the nine months ended September 30, 2022 have been reviewed.

Note 3: The Group acquired 100% of the shares in Great Time Global Co., Ltd. on June 1, 2022.

(ii) List of subsidiaries which are not included in the consolidated financial statements: None.

(c) Employee benefits

The pension cost in the interim period is calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year. Any material volatility of the market after the report date, material reimbursement and settlement or other material one-time events should be adjusted.

(d) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Except for the following, the preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2021. For the related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2021.

(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2021. Please refer to Note 6 of the 2021 annual consolidated financial statements.

(a) Cash and cash equivalents

	September 30, 2022	December 31, 2021	September 30, 2021
Cash	\$ 7,112	4,587	7,194
Checking accounts and demand deposits	1,085,803	1,295,283	2,154,269
Time deposits	1,372,970	1,342,765	281,833
	<u>\$ 2,465,885</u>	<u>2,642,635</u>	<u>2,443,296</u>

Please refer to note 6(v) for the sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(b) Financial assets and liabilities at fair value through profit or loss

	September 30, 2022	December 31, 2021	September 30, 2021
Mandatorily measured at fair value through profit or loss :			
Non-derivative financial assets			
Stocks listed on domestic markets	\$ 120,908	140,997	115,743
Fund	34,756	24,568	36,615
	<u>\$ 155,664</u>	<u>165,565</u>	<u>152,358</u>

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Held-for-trading financial assets			
Derivative instruments not used for hedging			
Foreign exchange swap	\$ <u>1,270</u>	<u>442</u>	<u>-</u>
Held-for-trading financial liabilities			
Derivative instruments not used for hedging			
Foreign exchange swap	\$ <u>-</u>	<u>-</u>	<u>1,517</u>

The Group holds derivative financial instruments to hedge certain foreign exchange risk the Group is exposed to, arising from its operating activities. The following derivative instruments, without the application of hedge accounting, were classified as held-for-trading financial assets and liabilities:

	<u>September 30, 2022</u>		
	<u>Amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>
Foreign exchange swap	USD 33,000	USD to TWD	2022.10.3
	<u>December 31, 2021</u>		
	<u>Amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>
Foreign exchange swap	USD 28,000	USD to TWD	2022.1.3
	<u>September 30, 2021</u>		
	<u>Amount (in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>
Foreign exchange swap	USD 32,000	USD to TWD	2021.10.1

(c) Accounts receivable

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accounts receivable — measured as amortized cost	\$ 1,596,732	1,174,100	757,774
Other financial assets — current	7,551,855	6,480,654	5,251,795
Less: loss allowance	<u>(17,933)</u>	<u>(13,818)</u>	<u>(8,630)</u>
	<u>\$ 9,130,654</u>	<u>7,640,936</u>	<u>6,000,939</u>

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of September 30, 2022, December 31, 2021 and September 30, 2021, other financial asset—current comprised time deposits with maturity of more than three months, amounting to \$3,216,770 thousand, \$2,819,846 thousand and \$1,892,054 thousand, respectively.

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

The loss allowance provision was determined as follows:

September 30, 2022			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,541,900	1%~1.2%	17,876
1 to 30 days past due	48,698	1%~1.2%	33
More than 31 days past due	6,134	1%~1.2%	24
	\$ 1,596,732		17,933
December 31, 2021			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 1,169,907	1%~1.2%	13,769
1 to 30 days past due	3,354	1%~1.2%	40
More than 31 days past due	839	1%~1.2%	9
	\$ 1,174,100		13,818
September 30, 2021			
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 739,779	1%~1.2%	8,426
1 to 30 days past due	17,712	1%~1.2%	201
Past due 31-60 days	283	1%~1.2%	3
	\$ 757,774		8,630

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The movement in the allowance for accounts receivable was as follows:

	For the nine months ended September 30	
	2022	2021
Balance on January 1	\$ 13,818	36,821
Impairment losses recognized (reversed)	4,115	(28,191)
Balance on September 30	<u><u>\$ 17,933</u></u>	<u><u>8,630</u></u>

None of the accounts receivable held by the Group were pledged or collateralized as of September 30, 2022, December 31, 2021 and September 30, 2021.

Accounts receivable of the Group had been insured accounts receivable credit risk. The insured amounts were \$449,592 thousand, \$405,714 thousand and \$238,954 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

The Group has signed accounts receivable factoring contracts with financial institution. The terms of the contracts do not meet the criteria of derecognition of financial assets. Factored accounts receivable which were not derecognized as of the report date were as follows:

September 30, 2022					
Counterparty	Factored amount	Acceptable advances	Amount collected in advance	Interest rate	Pledged items
HSBC Bank	<u>29,169</u>	USD <u>3,000</u> thousand	<u>\$ -</u>	0.51%~2.89%	Promissory note USD223,200 thousand (Note 1)
December 31, 2021					
Counterparty	Factored amount	Acceptable advances	Amount collected in advance	Interest rate	Pledged items
HSBC Bank	<u>44,880</u>	USD <u>3,000</u> thousand	<u>\$ -</u>	0.51%~0.64%	Promissory note USD74,580 thousand (Note 1)
September 30, 2021					
Counterparty	Factored amount	Acceptable advances	Amount collected in advance	Interest rate	Pledged items
HSBC Bank	<u>19,805</u>	USD <u>3,000</u> thousand	<u>\$ 1,827</u>	0.53%~0.96%	Promissory note USD74,580 thousand (Note 1)

Note 1: The aggregate credit limit of the promissory note includes letters of credit, export bill negotiations, borrowings, derivative, and accounts receivable factored.

The Group entered into separate factoring agreements with different financial institutions to sell its accounts receivable. Under the agreement the Group does not have the responsibility to assume the default risk of the transferred accounts receivable within the factoring credit limit. The factored accounts receivable conform to the derecognition criteria when the ownership and the significant risks of the factored accounts receivable are transferred to the financial institutions. As of September 30, 2022, December 31, 2021 and September 30, 2021, the factored accounts receivable were \$3,765,418 thousand, \$3,403,202 thousand and \$3,101,796 thousand, respectively, and they were included in “other financial assets – current” in the accompanying balance sheets.

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of September 30, 2022, December 31, 2021 and September 30, 2021, the relevant information on derecognized accounts receivable factored was as follows:

September 30, 2022							
Factoring financial institution	Factoring credit limit	Advance amount credit limit	Factored amount (Derecognized amount)	Advance amount	interest rate	Important derecognized provision	Collateral
HSBC Bank	USD 175,000 thousand	USD 157,500 thousand	\$ 3,666,381	722,498	(Note 2)	(Note 1)	Promissory note USD223,200 thousand (Note 3)
CTBC Bank	USD 148,500 thousand	USD 126,370 thousand	2,751,162	2,037,876	"	"	Promissory note USD7,000 thousand
Bank Mizuho	USD 7,000 thousand	USD 6,300 thousand	44,352	-	"	"	None
Sumitomo Mitsui Bank	USD 10,000 thousand	USD 10,000 thousand	61,320	-	"	"	None
Bank SinoPac	USD 3,000 thousand	USD - thousand	59	-	"	"	None
Cathay United Bank	USD 2,000 thousand	USD 1,800 thousand	2,518	-	"	"	Promissory note USD1,800 thousand
Total			<u>\$ 6,525,792</u>	<u>2,760,374</u>			

December 31, 2021							
Factoring financial institution	Factoring credit limit	Advance amount credit limit	Factored amount (Derecognized amount)	Advance amount	interest rate	Important derecognized provision	Collateral
HSBC Bank	USD 43,200 thousand	USD 38,880 thousand	\$ 158,684	105,612	(Note 2)	(Note 1)	Promissory note USD74,580 thousand (Note 3)
CTBC Bank	USD 285,700 thousand	USD 250,630 thousand	5,679,314	2,566,774	"	"	None
Bank Mizuho	USD 7,000 thousand	USD 6,300 thousand	138,177	-	"	"	None
Sumitomo Mitsui Bank	USD 10,000 thousand	USD 10,000 thousand	55,912	-	"	"	None
Bank SinoPac	USD 3,000 thousand	USD - thousand	15,913	-	"	"	None
Cathay United Bank	USD 2,000 thousand	USD 1,800 thousand	27,588	-	"	"	Promissory note USD1,800 thousand
Total			<u>\$ 6,075,588</u>	<u>2,672,386</u>			

September 30, 2021							
Factoring financial institution	Factoring credit limit	Advance amount credit limit	Factored amount (Derecognized amount)	Advance amount	interest rate	Important derecognized provision	Collateral
HSBC Bank	USD 43,200 thousand	USD 38,880 thousand	\$ 514,903	307,110	(Note 2)	(Note 1)	Promissory note USD74,580 thousand (Note 3)
CTBC Bank	USD 237,440 thousand	USD 208,272 thousand	5,064,863	2,634,393	"	"	None
Bank Mizuho	USD 32,000 thousand	TWD 28,800 thousand	468,938	55,047	"	"	None
Sumitomo Mitsui Bank	USD 10,000 thousand	USD 10,000 thousand	35,427	-	"	"	None
Bank SinoPac	USD 3,000 thousand	USD - thousand	14,215	-	"	"	None
Total			<u>\$ 6,098,346</u>	<u>2,996,550</u>			

Note 1: According to the accounts receivable purchase agreements or the approval letters issued by the factoring financial institutions, the accounts receivable were factored without recourse. The funds are transferred to the appointed reserve accounts or directly to the factoring financial institutions.

Note 2: For the three months and nine months ended September 30, 2022 and 2021, the average interest rates on factored accounts receivable were 2.00%~3.86%, 0.45%~0.68%, 0.47%~3.86% and 0.45%~0.68%, respectively.

Note 3: The aggregate credit limit of the promissory note includes letters of credit, export bill negotiations, borrowings, derivatives, and accounts receivable factored.

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Inventories

	September 30, 2022	December 31, 2021	September 30, 2021
Raw materials	\$ 3,919,266	4,384,199	4,218,246
Work in progress	291,044	371,612	236,476
Finished goods (including merchandise)	691,717	678,611	650,780
	<u>\$ 4,902,027</u>	<u>5,434,422</u>	<u>5,105,502</u>

During the nine months ended September 30, 2022 and the three months ended September 30, 2021, the write-downs of inventories amounted to \$5,994 thousand and \$1,013 thousand, respectively. During the three months ended September 30, 2022 and the nine months ended September 30, 2021, the reversal of write-downs amounted to \$5,113 thousand and \$52,764 thousand, respectively. The write-downs and reversals are included in cost of sales.

None of the inventories held by the Group were pledged as collateral as of September 30, 2022, December 31, 2021 and September 30, 2021.

(e) Investments accounted for using equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Associates	\$ <u>288,069</u>	<u>239,485</u>	<u>228,522</u>

The Group's investments in the associate companies were not listed and none of the investment accounted for using equity method held by the Group was pledged as collateral.

Investments were accounted for by the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

(f) Acquisition of subsidiary

To expand its business, the Group acquired its entire shares in Great Time Global Co., Ltd., a company who mainly engaged in manufacture and sale of garments, at the amount of \$50,000 thousand, in June 2022.

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Property, plant and equipment

The cost, depreciation and impairment loss of the property, plant and equipment of the Group were as follows:

	Land	Buildings	Machinery	Office and other equipment	construction in progress	Total
Cost :						
Balance at January 1, 2022	\$ 2,732,075	1,887,031	2,082,932	1,416,407	118,943	8,237,388
Additions	-	44,947	121,368	48,935	12,712	227,962
Disposals	-	(114)	(62,337)	(14,837)	-	(77,288)
Reclassification	102,529	17,128	(79,081)	156,973	(109,405)	88,144
Exchange difference on translation	41,325	189,045	276,677	204,188	4,071	715,306
Balance at September 30, 2022	<u>\$ 2,875,929</u>	<u>2,138,037</u>	<u>2,339,559</u>	<u>1,811,666</u>	<u>26,321</u>	<u>9,191,512</u>
Balance at January 1, 2021	\$ 2,725,594	1,639,187	2,046,102	1,357,025	251,204	8,019,112
Additions	8,615	22,467	111,242	60,588	102,540	305,452
Disposals	-	-	(43,282)	(10,916)	-	(54,198)
Reclassification	133	198,229	1,487	18,792	(218,641)	-
Exchange difference on translation	(4,213)	(23,356)	(43,401)	(26,551)	(5,168)	(102,689)
Balance at September 30, 2021	<u>\$ 2,730,129</u>	<u>1,836,527</u>	<u>2,072,148</u>	<u>1,398,938</u>	<u>129,935</u>	<u>8,167,677</u>
Depreciation and impairment loss:						
Balance at January 1, 2022	\$ -	586,074	1,527,927	1,101,224	-	3,215,225
Depreciation	-	74,369	125,960	104,907	-	305,236
Disposals	-	-	(57,406)	(12,905)	-	(70,311)
Reclassification	-	7,412	(69,447)	145,252	-	83,217
Exchange difference on translation	-	47,945	207,353	164,974	-	420,272
Balance at September 30, 2022	<u>\$ -</u>	<u>715,800</u>	<u>1,734,387</u>	<u>1,503,452</u>	<u>-</u>	<u>3,953,639</u>
Balance at January 1, 2021	\$ -	505,373	1,423,959	1,012,434	-	2,941,766
Depreciation	-	64,357	143,345	94,109	-	301,811
Disposals	-	-	(40,150)	(11,319)	-	(51,469)
Exchange difference on translation	-	(6,794)	(30,739)	(19,930)	-	(57,463)
Balance at September 30, 2021	<u>\$ -</u>	<u>562,936</u>	<u>1,496,415</u>	<u>1,075,294</u>	<u>-</u>	<u>3,134,645</u>
Carrying amounts:						
Balance at January 1, 2022	<u>\$ 2,732,075</u>	<u>1,300,957</u>	<u>555,005</u>	<u>315,183</u>	<u>118,943</u>	<u>5,022,163</u>
Balance at September 30, 2022	<u>\$ 2,875,929</u>	<u>1,422,237</u>	<u>605,172</u>	<u>308,214</u>	<u>26,321</u>	<u>5,237,873</u>
Balance at January 1, 2021	<u>\$ 2,725,594</u>	<u>1,133,814</u>	<u>622,143</u>	<u>344,591</u>	<u>251,204</u>	<u>5,077,346</u>
Balance at September 30, 2021	<u>\$ 2,730,129</u>	<u>1,273,591</u>	<u>575,733</u>	<u>323,644</u>	<u>129,935</u>	<u>5,033,032</u>

Please refer to Note 8 for assets pledged as collateral for loans as of September 30, 2022, December 31, 2021 and September 30, 2021.

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Notes to the Consolidated Financial Statements

(h) Right-of-use assets

The cost and depreciation of leased land and buildings of the Group were as follows :

	<u>Land</u>	<u>Buildings</u>	<u>Other</u>	<u>Total</u>
Cost:				
Balance at January 1, 2022	\$ 238,544	282,078	4,713	525,335
Additions	1,526	96,346	-	97,872
Reductions	(1,596)	(41,004)	-	(42,600)
Exchange difference on translation	32,981	44,805	-	77,786
Balance at September 30, 2022	<u>\$ 271,455</u>	<u>382,225</u>	<u>4,713</u>	<u>658,393</u>
Balance at January 1, 2021	\$ 153,008	232,252	-	385,260
Additions	130,568	168,210	4,713	303,491
Reductions	(555)	(112,690)	-	(113,245)
Exchange difference on translation	(2,932)	(4,180)	-	(7,112)
Balance at September 30, 2021	<u>\$ 280,089</u>	<u>283,592</u>	<u>4,713</u>	<u>568,394</u>
Depreciation:				
Balance at January 1, 2022	\$ 34,273	101,640	1,309	137,222
Depreciation for the period	23,970	77,900	1,178	103,048
Reductions	(1,596)	(41,004)	-	(42,600)
Exchange difference on translation	6,945	18,066	-	25,011
Balance at September 30, 2022	<u>\$ 63,592</u>	<u>156,602</u>	<u>2,487</u>	<u>222,681</u>
Balance at January 1, 2021	\$ 49,457	143,905	-	193,362
Depreciation	21,561	59,443	916	81,920
Reductions	(555)	(112,690)	-	(113,245)
Exchange difference on translation	(510)	(8,825)	-	(9,335)
Balance at September 30, 2021	<u>\$ 69,953</u>	<u>81,833</u>	<u>916</u>	<u>152,702</u>
Carrying amounts:				
Balance at January 1, 2022	<u>\$ 204,271</u>	<u>180,438</u>	<u>3,404</u>	<u>388,113</u>
Balance at September 30, 2022	<u>\$ 207,863</u>	<u>225,623</u>	<u>2,226</u>	<u>435,712</u>
Balance at January 1, 2021	<u>\$ 103,551</u>	<u>88,347</u>	<u>-</u>	<u>191,898</u>
Balance at September 30, 2021	<u>\$ 210,136</u>	<u>201,759</u>	<u>3,797</u>	<u>415,692</u>

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Intangible assets

	<u>Intangible assets</u>
Carrying amounts:	
Balance at January 1, 2022	\$ <u>33,963</u>
Balance at September 30, 2022	\$ <u>30,694</u>
Balance at January 1, 2021	\$ <u>35,948</u>
Balance at September 30, 2021	\$ <u>36,112</u>

There were no significant additions, disposals, and reversal of impairment losses of intangible assets for the nine months ended September 30, 2022 and 2021. Information on amortization for the period is discussed in Note 12. Please refer to Note 6(h) of the 2021 annual consolidated financial statements for other related information.

(j) Other current and other non-current assets

The details of other current and other non-current assets were as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Prepayments for land and equipment	\$ 10,703	34,372	41,423
Prepaid and overpaid sales tax	208,294	134,052	130,859
Refundable deposits	104,795	85,136	85,681
Other financial assets—non-current (restricted time deposits)	144,411	125,535	126,602
Prepayment for purchase	73,225	72,335	42,634
Other	117,370	69,464	116,211
	<u>\$ 658,798</u>	<u>520,894</u>	<u>543,410</u>

Non-current financial assets derived from the earnings distributed by the investee companies, Loyal and Global, in accordance with the Management, Utilization, and Taxation of Repatriated Offshore Funds Act. The funds should be deposited in the segregated foreign exchange deposit account for five years. After the expiry of the said period, the funds could be withdrawn over a period of three years according to the aforementioned regulations. The funds shall not be used for purposes other than those specified in the aforementioned regulations, nor pledged, nor provided as security, nor by any other use which reduce their value.

Please refer to Note 8 for pledged as refundable deposits.

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Short-term borrowings

The details of short-term borrowings were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured bank loans	\$ <u>1,621,115</u>	<u>1,866,306</u>	<u>1,358,622</u>
Unused facilities	\$ <u>10,298,663</u>	<u>6,881,025</u>	<u>6,658,454</u>
Range of interest rates	<u>0.46%~4.02%</u>	<u>0.38%~0.96%</u>	<u>0.39%~0.96%</u>

Please refer to Note 8 for assets pledged as collateral for loans.

(l) Long-term bank loans

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured bank loans	\$ 224,529	245,056	148,526
Less: Current portion	<u>187,284</u>	<u>81,685</u>	<u>49,509</u>
Total	\$ <u>37,245</u>	<u>163,371</u>	<u>99,017</u>
Unused credit facilities	\$ <u>-</u>	<u>-</u>	<u>-</u>
Interest rate	<u>0.581%~3.901%</u>	<u>0.581%~0.603%</u>	<u>0.603%</u>

For the year ended December 31, 2021, the Group's proceeds from long-term bank loans amounted to US\$5,330 thousand and US\$3,520 thousand with the interest rates of 0.603%~3.901% and 0.581%~2.378%, maturing in July 2023 and November 2023, respectively.

For the nine months ended September 30, 2022, the Group's repayments of long-term bank loans amounted to US\$1,777 thousand.

(m) Provisions

Carrying amounts:

Balance at January 1, 2022	\$ <u>343,610</u>
Balance at September 30, 2022	\$ <u>442,533</u>
Balance at January 1, 2021	\$ <u>295,508</u>
Balance at September 30, 2021	\$ <u>392,148</u>

There was no significant movement for the nine months ended September 30, 2022 and 2021. Please refer to Note 6(l) of the 2021 annual consolidated financial statements for other related information.

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Lease liabilities

The Group's lease liabilities were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Current	\$ <u>137,794</u>	<u>91,210</u>	<u>95,111</u>
Non-current	\$ <u>204,347</u>	<u>206,628</u>	<u>230,454</u>

For the maturity analysis, please refer to note 6(v).

The amounts recognized in profit or loss were as follows :

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Interest on lease liabilities	\$ <u>3,344</u>	<u>3,457</u>	<u>10,300</u>	<u>8,798</u>
Expenses relating to short-term leases	\$ <u>6,529</u>	<u>11,197</u>	<u>18,999</u>	<u>31,413</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>1,194</u>	<u>857</u>	<u>2,828</u>	<u>2,065</u>

The amounts recognized in the statement of cash flows in financing activities for the Group was as follows:

	For the nine months ended September 30	
	2022	2021
Total cash outflow for leases	\$ <u>63,867</u>	<u>94,581</u>

(i) Real estate leases

The Group leases land and buildings for its office, factory facilities and warehouses. The leases of land typically run for 3 to 50 years, and of buildings for 2 to 8 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices.

Some leases of office buildings contain extension options exercisable by the Group before the end of the non-cancellable contract period. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options are exercisable only by the Group and not by the lessors. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2021 and 2020.

The Group's pension costs(benefit) under the defined pension plans amounted to \$18,840 thousand, \$(68,402) thousand, \$55,285 thousand and \$(26,976) thousand for the three months and nine months ended September 30, 2022 and 2021, respectively.

(ii) Defined contribution plans

The Group's pension costs under the defined contribution pension plans amounted to \$12,443 thousand, \$16,848 thousand, \$38,179 thousand and \$46,684 thousand for the three months and nine months ended September 30, 2022 and 2021, respectively.

(p) Income tax

(i) The components of income tax for the three months and nine months ended September 30, 2022 and 2021 were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Current income tax expense	\$ 355,609	226,070	798,943	526,686
Deferred income tax expense (benefit)	37,701	(310)	27,924	25,173
Total income tax expense	<u>\$ 393,310</u>	<u>225,760</u>	<u>826,867</u>	<u>551,859</u>

(ii) The amount of income tax (benefit) recognized in other comprehensive income for the three months and nine months ended September 30, 2022 and 2021 were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Items that will not be reclassified subsequently to profit or losses:				
Re-measurement of defined benefit plans	\$ -	-	-	<u>(461)</u>

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Assessment of income tax

The Company's income tax returns of the year through 2019 were assessed by the Taipei National tax Administration.

(q) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the nine months ended September 30, 2022 and 2021. For the related information, please refer to note 6(p) of the consolidated financial statements for the year ended December 31, 2021.

(i) Ordinary shares

The issuance of 22,000 thousand shares through cash capital increase was resolved by the Board of Directors on November 24, 2020. The issue price is \$136 per share, with March 19, 2021 as the date of capital increase. The relevant statutory registration procedures have been completed.

As of September 30, 2022, December 31, 2021 and September 30, 2021, the authorized capital of the Company all amounted to \$3,000,000 thousand, consisting of 300,000 thousand shares, with par value of \$10 per share, and the issued capital all consisted of 241,857 thousand shares. All proceeds from the shares issued have been collected.

The movements in outstanding shares for the nine months ended September 30, 2022 and 2021 were as follows:

	Ordinary shares (thousand shares)	
	2022	2021
Beginning balance at January 1	\$ 241,857	219,857
Addition: capital increase by cash	-	22,000
Ending balance at September 30	<u><u>\$ 241,857</u></u>	<u><u>241,857</u></u>

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Capital surplus

The components of capital surplus were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Surplus arising from bond conversion option	\$ 1,618,137	1,618,137	1,618,137
Paid-in capital in excess of par value	4,505,919	4,505,919	4,505,919
Capital surplus — premium from combination	593	593	593
Capital surplus — interest payable reimbursement	17,181	17,181	17,181
Expired stock options	43,950	43,950	43,950
Gain or loss on disposal of subsidiaries	4,914	4,914	4,914
Adjustments to share of changes in equity of subsidiaries	24,010	24,010	24,010
	<u>\$ 6,214,704</u>	<u>6,214,704</u>	<u>6,214,704</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

According to the Company's articles of incorporation, 10% of annual net earnings (net of income taxes), after deducting accumulated deficits, must be set aside as legal reserve. Unless and until the accumulated legal reserve equals the Company's total capital, the Company may set aside a special reserve in accordance with Article 41 of the Securities and Exchange Act. The board of directors considers the Company's budget for funding needs, financial structure, current-period earnings, and steady profit distribution when proposing the distribution of earnings. For the issuance of new shares, the proposal should be resolved during the shareholders' meeting. In accordance with the Article 240, paragraph 5 of the Company Act, the Company authorizes the Board of Directors, with the presence of more than two-thirds of the directors and the approval of a majority of the directors, to distribute all or part of the dividends and bonuses payable by way of cash, and to report to the shareholders' meeting.

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company is now in the growth stage, and profits may be distributed by cash dividends or stock dividends. The type of dividend distribution will be based on the future capital needs and the capital dilution. Cash dividends shall not be lower than 10% of the total distribution.

On March 22, 2022 and March 22, 2021, the Company's Board of Directors resolved to distribute the 2021 and 2020 earnings. The relevant dividend distributions to the shareholders were as follows:

	2021		2020	
	Amount per share (in dollars)	Total amount	Amount per share (in dollars)	Total amount
Cash	\$ 9.50	<u><u>2,297,638</u></u>	8.00	<u><u>1,934,853</u></u>

(r) Earnings per share

The Company's basic and diluted earnings per share were calculated as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Basic earnings per share:				
Profit attributable to ordinary shareholders of the Company	\$ <u><u>1,109,957</u></u>	<u><u>783,236</u></u>	<u><u>2,737,284</u></u>	<u><u>1,984,883</u></u>
Weighted-average number of outstanding ordinary shares (in thousands)	<u><u>241,857</u></u>	<u><u>241,857</u></u>	<u><u>241,857</u></u>	<u><u>235,571</u></u>
Basic earnings per share (in dollars)	\$ <u><u>4.59</u></u>	<u><u>3.24</u></u>	<u><u>11.32</u></u>	<u><u>8.43</u></u>
Diluted earnings per share:				
Profit attributable to ordinary shareholders of the Company (basic)	\$ <u><u>1,109,957</u></u>	<u><u>783,236</u></u>	<u><u>2,737,284</u></u>	<u><u>1,984,883</u></u>
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u><u>1,109,957</u></u>	<u><u>783,236</u></u>	<u><u>2,737,284</u></u>	<u><u>1,984,883</u></u>
Weighted-average number of outstanding ordinary shares (basic) (in thousands)	241,857	241,857	241,857	235,571
Effect of employee stock dividends (in thousands)	<u>1,085</u>	<u>585</u>	<u>1,374</u>	<u>793</u>
Weighted-average number of outstanding ordinary shares (diluted) (in thousands)	<u><u>242,942</u></u>	<u><u>242,442</u></u>	<u><u>243,231</u></u>	<u><u>236,364</u></u>
Diluted earnings per share (in dollars)	\$ <u><u>4.57</u></u>	<u><u>3.23</u></u>	<u><u>11.25</u></u>	<u><u>8.40</u></u>

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Revenue from contracts with the customers

(i) Disaggregation of revenue

For the three months ended September 30, 2022			
	Selling and manufacturing of garments	Other segments	Total
Primary geographical markets:			
American region	\$ 6,674,843	13,603	6,688,446
Others	<u>2,598,532</u>	<u>120,360</u>	<u>2,718,892</u>
	<u>\$ 9,273,375</u>	<u>133,963</u>	<u>9,407,338</u>

For the three months ended September 30, 2021			
	Selling and manufacturing of garments	Other segments	Total
Primary geographical markets:			
American region	\$ 6,600,600	-	6,600,600
Others	<u>1,514,671</u>	<u>181,149</u>	<u>1,695,820</u>
	<u>\$ 8,115,271</u>	<u>181,149</u>	<u>8,296,420</u>

For the nine months ended September 30, 2022			
	Selling and manufacturing of garments	Other segments	Total
Primary geographical markets:			
American region	\$ 18,090,626	13,603	18,104,229
Others	<u>6,051,420</u>	<u>564,237</u>	<u>6,615,657</u>
	<u>\$ 24,142,046</u>	<u>577,840</u>	<u>24,719,886</u>

For the nine months ended September 30, 2021			
	Selling and manufacturing of garments	Other segments	Total
Primary geographical markets:			
American region	\$ 16,013,779	-	16,013,779
Others	<u>4,692,812</u>	<u>527,611</u>	<u>5,220,423</u>
	<u>\$ 20,706,591</u>	<u>527,611</u>	<u>21,234,202</u>

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balances

	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable	\$ 1,596,732	1,174,100	757,774
Less: allowance for impairment	(17,933)	(13,818)	(8,630)
	<u>\$ 1,578,799</u>	<u>1,160,282</u>	<u>749,144</u>

For details on accounts receivable and allowance for impairment, please refer to Note 6(c).

(iii) Transaction price allocated to the remaining performance obligations

The contract has an original expected duration of less than one year, thus the Group applies the practical expedient of IFRS 15 and does not disclose information about the transaction price allocated to the remaining performance obligations of the contract.

(t) Employee compensation and directors' remuneration

In accordance with the Articles of incorporation, the Company should contribute at least 1% and not more than 8% of the profit as employee remuneration and not exceed 5% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

For the three months and nine months ended September 30, 2022 and 2021, the Company estimated its employee remuneration amounting to \$81,391 thousand, \$58,121 thousand, \$199,155 thousand and \$144,308 thousand, respectively. For the three months and nine months ended September 30, 2022 and 2021, the directors' remuneration amounting to \$34,925 thousand, \$24,940 thousand, \$85,458 thousand and \$61,923 thousand, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding remuneration to employee and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. The remunerations were expensed under operating expenses for each period. The differences between the amounts approved in the shareholders' meeting and those recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in next year.

The amounts of employees' remuneration, as estimated in consolidated financial statements, were identical to those amount approved for 2021 and 2020.

The differences between actual approved amount directors' remuneration and those estimated in the financial statements in 2021 and 2020 were as follows:

	2021			2020		
	Actual approved amount	Estimated amount in financial statement	Difference	Actual approved amount	Estimated amount in financial statement	Difference
Directors' remuneration	\$ 63,950	83,008	(19,058)	53,375	65,920	(12,545)

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The information of employees' and directors' remuneration approved by the Board of Directors is available on the Market Observation Post System website.

(u) Non-operating income and expenses

(i) Interest income

The Group's interest income was as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Interest income from bank deposits \$	<u>10,823</u>	<u>4,482</u>	<u>25,712</u>	<u>11,901</u>

(ii) Other income

The Group's other income was as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Rental income	\$ 3,839	5,410	11,702	13,379
Dividend income	7,060	5,029	7,354	5,548
Subsidy income and others	<u>145,385</u>	<u>1,885</u>	<u>161,861</u>	<u>19,038</u>
\$	<u>156,284</u>	<u>12,324</u>	<u>180,917</u>	<u>37,965</u>

(iii) Other gains and losses

The Group's other gains and losses were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Foreign exchange gain (loss)	\$ 129,180	5,559	200,553	(16,124)
Gain on disposals of investments	1	18,167	2,066	19,087
Net gains (loss) on financial assets at fair value through profit or loss	(1,749)	(18,537)	(12,965)	9,971
Valuation gains (loss) on derivative financial assets at fair value through profit or loss	1,270	(1,517)	828	(1,517)
Net gains on derivative financial assets at fair value through profit or loss-realized	-	1,842	6,315	3,801
Loss on disposals of property, plant and equipment	(3,871)	(713)	(4,650)	(692)
Others	<u>582</u>	<u>(3,202)</u>	<u>(62,983)</u>	<u>(54,312)</u>
\$	<u>125,413</u>	<u>1,599</u>	<u>129,164</u>	<u>(39,786)</u>

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Finance costs

The Group's of finance expenses were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
Interest expense — bank borrowings\$	(36,087)	(7,708)	(59,398)	(18,766)
Expenses from accounts receivable factoring	(22,424)	(21,045)	(56,659)	(38,527)
Interest expense — lease	(3,344)	(3,457)	(10,300)	(8,798)
Interest expense — others	(11,026)	(175)	(11,026)	(421)
	<u>\$ (72,881)</u>	<u>(32,385)</u>	<u>(137,383)</u>	<u>(66,512)</u>

(v) Financial Instruments

Except for the following disclosures, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to Note 6(v) of the consolidated financial statements for the year ended December 31, 2021.

(i) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including the estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flow	Within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
September 30, 2022							
Non-derivative financial liabilities							
Short-term borrowings	\$ 1,621,115	(1,628,318)	(1,628,318)	-	-	-	-
Accounts payable and other payables	4,592,926	(4,592,926)	(4,592,926)	-	-	-	-
Lease liabilities	342,141	(382,633)	(70,795)	(77,937)	(116,723)	(73,830)	(43,348)
Long-term bank loans (including current portion)	224,529	(228,329)	(97,320)	(93,764)	(37,245)	-	-
	<u>\$ 6,780,711</u>	<u>(6,832,206)</u>	<u>(6,389,359)</u>	<u>(171,701)</u>	<u>(153,968)</u>	<u>(73,830)</u>	<u>(43,348)</u>
December 31, 2021							
Non-derivative financial liabilities							
Short-term borrowings	\$ 1,866,306	(1,867,521)	(1,867,521)	-	-	-	-
Accounts payable and other payables	4,436,454	(4,436,454)	(4,436,454)	-	-	-	-
Lease liabilities	297,838	(338,706)	(51,527)	(49,881)	(95,973)	(100,323)	(41,002)
Long-term bank loans (including current portion)	245,056	(246,772)	(736)	(82,263)	(163,773)	-	-
	<u>\$ 6,845,654</u>	<u>(6,889,453)</u>	<u>(6,356,238)</u>	<u>(132,144)</u>	<u>(259,746)</u>	<u>(100,323)</u>	<u>(41,002)</u>

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Carrying amount	Contractual cash flow	Within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
September 30, 2021							
Non-derivative financial liabilities							
Short-term borrowings	\$ 1,358,622	(1,359,732)	(1,359,732)	-	-	-	-
Accounts payable and other payables	3,767,877	(3,767,877)	(3,767,877)	-	-	-	-
Lease liabilities	325,565	(369,308)	(54,944)	(51,205)	(98,088)	(123,412)	(41,659)
Long-term bank loans(including current portion)	148,526	(149,888)	(666)	(49,892)	(99,330)	-	-
Derivatives financial liabilities							
Foreign exchange contracts:							
Outflow	1,517	(1,517)	(1,517)	-	-	-	-
	<u>\$ 5,602,107</u>	<u>(5,648,322)</u>	<u>(5,184,736)</u>	<u>(101,097)</u>	<u>(197,418)</u>	<u>(123,412)</u>	<u>(41,659)</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(ii) Market risk

1) Exposure to currency risk

The Group's significant exposure to foreign currency risk was as follows:

	September 30, 2022			December 31, 2021			September 30, 2021		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
<u>Monetary items</u>									
USD	\$ 183,608	31.743	5,828,273	185,000	27.690	5,122,653	167,267	27.866	4,661,065
CNY	25,057	4.4898	112,502	24,581	4.3469	106,850	22,823	4.3070	98,301
IDR	53,115,170	0.002084	110,690	65,672,117	0.001939	127,338	62,415,797	0.001946	121,461
VND	99,254,833	0.001338	132,771	62,100,273	0.001221	75,824	17,211,089	0.001225	21,084
<u>Non-monetary items</u>									
USD	9,075	31.743	288,069	8,649	27.690	239,485	8,201	27.866	228,522
Financial liabilities									
<u>Monetary items</u>									
USD	126,381	31.743	4,011,725	166,661	27.690	4,614,847	147,019	27.886	4,096,830
CNY	41,589	4.4898	186,726	23,719	4.3469	103,104	32,875	4.3070	141,591
IDR	217,097,120	0.002084	452,423	238,161,607	0.001939	461,795	222,371,388	0.001946	432,735
VND	227,848,800	0.001338	304,787	285,310,644	0.001221	348,364	196,003,172	0.001225	240,104

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans, accounts payable, and other payables. A 1% depreciation or appreciation of the TWD against the USD, CNY, IDR and VND as of September 30, 2022 and 2021, would have increased or decreased the net income after tax by \$12,286 thousand, and decreased or increased the net income after tax by \$93 thousand, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months and nine months ended September 30, 2022 and 2021, foreign exchange gain (loss), including realized and unrealized, amounted to \$129,180 thousand, \$5,559 thousand, \$200,553 thousand and \$(16,124) thousand, respectively.

2) Interest rate analysis

The following sensitivity analysis is based on the exposure to interest rate risk for derivative and non-derivative financial instruments on the reporting date. For variable-rate liabilities, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year.

If the interest rate increase/decrease by 0.25%, the Group's net income before tax would have decreased/increased by \$3,461 thousand and \$2,826 thousand for the nine months ended September 30, 2022 and 2021, respectively, assuming all other variable factors had remained constant. This is mainly due to the Group's variable rate borrowing.

(iii) Fair value of financial instruments

1) Fair value hierarchy

The Group's financial assets at fair value through profit or loss were measured by fair value based on duplication. The carrying amount, fair value, and fair value hierarchy for the financial assets and financial liabilities of the Group were as followed (excluding the disclosure of financial assets and liabilities for which the book value is close to this fair value, and lease liabilities):

	September 30, 2022				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 155,664	155,664	-	-	155,664
Derivative financial assets measured at fair value through profit or loss	1,270	-	1,270	-	1,270
Subtotal	156,934	155,664	1,270	-	156,934
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 2,465,885	-	-	-	-
Accounts receivable	1,578,799	-	-	-	-
Other financial assets—current	7,551,855	-	-	-	-
Other financial assets—non-current	144,411	-	-	-	-
Subtotal	11,740,950	-	-	-	-
Refundable deposit	104,795	-	-	-	-
Financial liabilities measured at amortized cost:					
Short-term borrowings	\$ 1,621,115	-	-	-	-
Long-term bank loans (including current portion)	224,529	-	-	-	-
Accounts payable and other payables	4,592,926	-	-	-	-
Subtotal	6,438,570	-	-	-	-

(Continued)

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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December 31, 2021					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 165,565	165,565	-	-	165,565
Derivative financial assets measured at fair value through profit or loss	442	-	442	-	442
Subtotal	166,007	165,565	442	-	166,007
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 2,642,635	-	-	-	-
Accounts receivable	1,160,282	-	-	-	-
Other financial assets — current	6,480,654	-	-	-	-
Other financial assets — non-current	125,535	-	-	-	-
Subtotal	10,409,106	-	-	-	-
Refundable deposit	85,136	-	-	-	-
Financial liabilities measured at amortized cost:					
Short-term borrowings	\$ 1,866,306	-	-	-	-
Long-term bank loans (including current portion)	245,056	-	-	-	-
Accounts payable and other payable	4,436,454	-	-	-	-
Subtotal	6,547,816	-	-	-	-
September 30, 2021					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 152,358	152,358	-	-	152,358
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 2,443,296	-	-	-	-
Accounts receivable	749,144	-	-	-	-
Other financial assets — current	5,251,795	-	-	-	-
Other financial assets — non-current	126,602	-	-	-	-
Subtotal	8,570,837	-	-	-	-
Refundable deposit	85,681	-	-	-	-
Financial liabilities at fair value through profit or loss:					
Derivatives financial liabilities measured at fair value through profit or loss	\$ 1,517	-	1,517	-	1,517
Financial liabilities measured at amortized cost:					
Short-term borrowings	\$ 1,358,622	-	-	-	-
Long-term bank loans(including current portion)	148,526	-	-	-	-
Accounts payable and other payables	3,767,877	-	-	-	-
Subtotal	5,275,025	-	-	-	-

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Except for the aforementioned financial instruments, the fair value of other financial instruments is determined by using valuation techniques or the quoted price from a counterparty. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation techniques including a model using observable market data at the reporting date.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants. The fair value of a forward exchange contract is usually determined by the forward exchange rate. Measurement of the fair value of an embedded derivative financial instrument is based on an option pricing model or other valuation technique.

3) Transfer between fair value hierarchy

There were no transfers in either direction for the nine months ended September 30, 2022 and 2021.

(w) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(w) of the consolidated financial statements for the year ended December 31, 2021.

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(x) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2021. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2021. Please refer to Note 6(x) of the consolidated financial statements for the year ended December 31, 2021 for further details.

(y) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the cash flow in the nine months ended September 30, 2022 were acquisition of right-of-use assets by leasing. Please refer to note 6(h) and (n).

(7) Related-party transactions

(a) Parent company and ultimate controlling Company

The Company is the ultimate controlling party of the Company and its subsidiaries.

(b) Names and relationship with related parties

The followings are entities that have had transactions with the Group during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Namtex Co., Ltd. (Namtex)	An associate
Makalot Humanities Development Education Foundation (Makalot Foundation)	Some Directors of the Company served as Directors of the foundation

(c) Significant transactions with related parties

(i) Purchasing

The amounts of significant purchases by the Group from related parties were as follows:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Associates	\$ <u>179,839</u>	<u>86,565</u>	<u>477,964</u>	<u>191,994</u>

Purchasing prices and payment terms with associates were not significantly different from those of general purchases.

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Related-party payables

<u>Account name</u>	<u>Types of related parties</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accounts payable — related parties	Associates	\$ <u>98,679</u>	<u>74,431</u>	<u>61,136</u>

(iii) Related-party receivables

<u>Account name</u>	<u>Types of related parties</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Other financial assets — current	Associates	\$ <u>382</u>	<u>327</u>	<u>331</u>

(iv) Donations

Details of donations to related parties were as follows:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Makalot Foundation	\$ <u>296</u>	<u>296</u>	<u>1,942</u>	<u>442</u>

(v) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 55,340	43,325	146,911	117,282
Post-employment benefits	19	19	59	57
	<u>\$ 55,359</u>	<u>43,344</u>	<u>146,970</u>	<u>117,339</u>

(8) Pledged assets

The Group's pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Land	Security of bank loans facility	\$ 2,484,818	2,484,818	2,484,818
Property, plant and equipment	Security of bank loans facility	195,329	207,370	211,384
Refundable deposits	Lease deposit, etc.	104,795	85,136	85,681
		<u>\$ 2,784,942</u>	<u>2,777,324</u>	<u>2,781,883</u>

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Commitments and contingencies

Unrecognized significant commitments:

- (a) Unused letters of credit

	September 30, 2022	December 31, 2021	September 30, 2021
Unused letters of credit	\$ <u>309,423</u>	<u>642,024</u>	<u>585,491</u>

- (b) The Group issued promissory notes to the banks to apply for borrowings, export bills negotiation, derivatives, and factoring of accounts receivable. The issued promissory notes were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Issued promissory notes	\$ <u>16,353,200</u>	<u>11,276,901</u>	<u>10,301,705</u>

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

- (a) For the demand of medium and long-term growth in production capacity, the Board of Directors resolved to invest and establish a Bangladesh subsidiary, amounting to US\$14,300 thousand, on October 18, 2022.
- (b) For the demand of production capacity in responses to the growth of business, the Board of Directors resolved to increase the investment in PT Glory in Indonesia, amounting to US\$28,750 thousand, on November 3, 2022.

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function By item	For the three months ended September 30					
	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	1,069,497	516,991	1,586,488	1,021,252	346,110	1,367,362
Labor and health insurance	68,058	28,900	96,958	66,291	27,694	93,985
Pension	20,196	11,087	31,283	(58,715)	7,161	(51,554)
Directors' remuneration	-	35,241	35,241	-	25,196	25,196
Others	70,014	24,601	94,615	59,934	26,436	86,370
Depreciation	110,844	26,149	136,993	103,244	27,074	130,318
Amortization	575	2,519	3,094	1,761	2,380	4,141

By function By item	For the nine months ended September 30					
	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	3,105,535	1,672,195	4,777,730	2,948,394	1,118,238	4,066,632
Labor and health insurance	197,051	79,396	276,447	202,844	81,169	284,013
Pension	60,907	32,557	93,464	(8,201)	27,909	19,708
Directors' remuneration	-	86,594	86,594	-	62,871	62,871
Others	211,282	71,068	282,350	196,502	68,709	265,211
Depreciation	328,644	79,640	408,284	303,972	79,759	383,731
Amortization	1,642	7,257	8,899	6,183	6,902	13,085

(Continued)

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures

(a) Information on significant transactions:

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the nine months ended September 30, 2022:

(i) Lending to other parties :

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount of business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	PT Glory	Other receivable-related parties	Yes	799,922	799,922	799,922	2%~3%	1	Processing 2,024,151	None	-	None	-	2,024,151	5,866,192
0	The Company	PT Starlight	Other receivable-related parties	Yes	190,141	190,141	190,141	2%~3%	1	Processing 623,533	None	-	None	-	623,533	5,866,192
0	The Company	Makalot Cambodia	Other receivable-related parties	Yes	220,587	220,587	220,587	2%~3%	1	Processing 1,496,925	None	-	None	-	1,496,925	5,866,192
0	The Company	Moha	Other receivable-related parties	Yes	277,434	277,434	277,434	2%~3%	1	Processing 831,422	None	-	None	-	831,422	5,866,192
0	The Company	Makalot Vietnam	Other receivable-related parties	Yes	317,430	317,430	317,430	2%~3%	1	Processing 1,634,122	None	-	None	-	1,634,122	5,866,192
0	The Company	Triple Vietnam	Other receivable-related parties	Yes	79,358	79,358	79,358	2%~3%	1	Processing 510,306	None	-	None	-	510,306	5,866,192
0	The Company	Leader Vietnam	Other receivable-related parties	Yes	444,133	407,898	312,669	2%~3%	1	Processing 412,677	None	-	None	-	412,677	5,866,192
1	CMZ (Note 4)	CJR (Note 4)	Other receivable	Yes	22,573	13,469	-	3.85%	2	-	Operating capital	-	None	-	31,193	51,989

Note: The ceiling on total loans granted by the Company to all parties is 40% of its net assets in the financial statements; the ceiling on the short-term financing for each entity's operating capital granted by the Company is 20% of its net assets in the financial statements; the ceiling on the loan granted by the Company to each entity which has business transactions with the Company is the transaction amount within a year. The policy for loans granted mutually between its overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows:

The ceiling on total loans granted by an overseas subsidiary to all overseas subsidiaries is 50% of the lender's net assets in the most currently financial statement audited or reviewed by independent auditors; the limit on loans granted by an overseas subsidiary to each overseas subsidiary is 30% of the lender's net assets in the most currently financial statement audited or reviewed by independent auditors.

Note 1: Nature of financing: 1. Business transaction purpose. 2. Short-term financing purpose.

Note 2: Ending facility balance approved by BOD.

Note 3: The trading companies purchase materials from the Company and sell the final products back to the Company after processing. The Company provides the materials to its subsidiaries for productions. According to the regulation, the Company only discloses the amount of processing; however, the ceiling on the loan to the above entities is the actual amount of the transactions involving the final products.

Note 4: The credit limit between subsidiaries in China.

Note 5: The aforementioned transactions have been eliminated when preparing the consolidated financial statements.

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Makalot Vietnam	2	2,933,096	884,400	634,860	317,430	-	4.33 %	7,332,740	Y	N	N

Note: The ceiling on guarantees and endorsements by the Company to all parties is 50% of its net assets in the financial statements ; the ceiling on guarantees and endorsements by the Company to each entity is 20% of its net assets in the financial statements.

Note 1: Relationship between guarantee provider and receiver is as follows:

- (1) The company having transaction with the counterparty.
- (2) The company holding more than 50% of common shares of the subsidiary.
- (3) The company and its subsidiaries holding more than 50% of the common shares of the investee company.
- (4) The parent company holding more than 50% of the outstanding common shares of the investee company, directly or indirectly through a subsidiary.
- (5) Companies in same type of business and providing mutual endorsement and / or guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project.
- (6) Shareholders making endorsements and/or guarantees for their mutually invested company in proportion to their shareholding percentage.

(iii) Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included):

(In thousands of New Taiwan Dollars/thousand shares)

Name of holder	Category and name of security	Relationship with company	Account title	September 30, 2022			Fair value	Note
				Shares	Carrying value	Percentage of ownership (%)		
The Company	Dimerco Data System Corporation (DDSC)	None	Financial assets at fair value through profit or loss — current	1,669	114,127	2.35 %	114,127	
The Company	Yuanta/P shares	None	"	92	9,517	-	9,517	
The Company	Taiwan Top 50 ETF	None	"	979	25,239	-	25,239	
The Company	Yuanta/P shares	None	"					
The Company	Taiwan Dividend Plus ETF	None	"					
The Company	Kindom Development Co., Ltd. (Kindom)	None	"	100	2,530	0.02 %	2,530	
The Company	CTBC Financial Holding Co., Ltd. (CTBC Holding)	None	"	158	3,136	-	3,136	
The Company	WPG Holdings Limited (WPG)	None	"	24	1,115	-	1,115	

- (iv) Information regarding purchase or sale of securities for the period exceeding NT\$300 million or 20% of the Company's paid-in capital: None
- (v) Information on acquisition of Company's real estate with purchase amount exceeding NT\$300 million or 20% of the Company's paid-in capital: None
- (vi) Information regarding receivables from disposal of real estate exceeding NT\$300 million or 20% of the Company's paid-in capital: None

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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- (vii) Information regarding related-parties purchases and or sales exceeding NT\$100 million or 20% of the Company's paid-in capital:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Ecolot	Subsidiary	Purchase	474,312	4 %	45-60 days	-	-	(82,688)	3%	
The Company	Namtex	Investee under equity method	Purchase	477,964	4 %	45-60 days	-	-	(98,679)	4%	
The Company	PT Glory	Subsidiary	Processing	1,556,907	23 %	30-90 days	-	-	-	-%	
The Company	PT Starlight	Subsidiary	Processing	466,984	7 %	30-90 days	-	-	(89,358)	3%	
The Company	Makalot Cambodia	Subsidiary	Processing	1,562,843	23 %	30-90 days	-	-	(93,709)	4%	
The Company	Moha	Subsidiary	Processing	725,215	11 %	30-90 days	-	-	(24,927)	1%	
The Company	Makalot Vietnam	Subsidiary	Processing	1,288,781	19 %	30-90 days	-	-	(338,238)	13%	
The Company	Triple Vietnam	Subsidiary	Processing	462,227	7 %	30-90 days	-	-	(99,353)	4%	
The Company	Leader Vietnam	Subsidiary	Processing	388,117	6 %	30-90 days	-	-	(116,798)	4%	
The Company	Leader PH	Subsidiary	Processing	170,452	3 %	30-90 days	-	-	(497)	-%	
The Company	CMK	Subsidiary	Purchase	182,883	2 %	30-90 days	-	-	(21,982)	1%	
The Company	CMZ	Subsidiary	Purchase	151,574	1 %	30-90 days	-	-	(19,422)	1%	
The Company	CJY	Subsidiary	Purchase	188,403	2 %	30-90 days	-	-	(11,555)	-%	
The Company	CJR	Subsidiary	Purchase	109,375	1 %	30-90 days	-	-	(6,813)	-%	
CBS	Ecolot	Parent Company	Sale	143,110	70 %	45-60 days	Note 1	-	1,043	5%	

Note: The aforementioned transactions have been eliminated when preparing the consolidated financial statements.

Note 1: The mark-up price is based on the cost or re-sale price with a fixed ratio which is based on the cost and expense that the subsidiary incurred.

- (viii) information regarding receivables from related parties exceeding NT\$100 million or 20% of the Company's paid-in capital:

Name of company	Related party	Nature of relationship	Ending balance	Turnover days	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
The Company	PT Glory	Subsidiary	Other receivables 805,323	-	-	-	5,399 (Note 1)	-
The Company	PT Starlight	Subsidiary	Other receivables 191,424	-	-	-	1,283 (Note 1)	-
The Company	Makalot Cambodia	Subsidiary	Other receivables 237,375	-	-	-	- (Note 1)	-
The Company	Moha	Subsidiary	Other receivables 326,116	-	-	-	- (Note 1)	-
The Company	Makalot Vietnam	Subsidiary	Other receivables 319,742	-	-	-	- (Note 1)	-
The Company	Leader Vietnam	Subsidiary	Other receivables 314,915	-	-	-	2,246 (Note 1)	-
Makalot Vietnam	The Company	Parent company	338,238	5.81	-	-	152,019	-
Leader Vietnam	The Company	Parent company	116,798	4.48	-	-	44,520	-

Note: The aforementioned transactions have been eliminated when preparing the consolidated financial statements.

Note 1: The uncollected accounts receivable primarily consisted of loans.

Note 2: The amount was collected before October 20, 2022.

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ix) Information regarding trading in derivative financial instruments: Please refer to note 6(b).

(x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Ecolot	1	Operating cost	474,312	Based on the market price	2%
0	"	PT Glory	1	"	1,556,907	"	6%
0	"	PT Starlight	1	"	466,984	"	2%
0	"	Makalot Cambodia	1	"	1,562,843	"	6%
0	"	Moha	1	"	725,215	"	3%
0	"	Makalot Vietnam	1	"	1,288,781	"	5%
0	"	Triple Vietnam	1	"	462,227	"	2%
0	"	Leader Vietnam	1	"	388,117	"	2%
0	"	Leader PH	1	"	170,452	"	1%
0	"	CMK	1	"	182,883	"	1%
0	"	CMZ	1	"	151,574	"	1%
0	"	CJY	1	"	188,403	"	1%
0	"	CJR	1	"	109,375	"	-%
0	"	Makalot Vietnam	1	Accounts payable	338,238	30~90 days	1%
0	"	Leader Vietnam	1	"	116,798	"	-%
0	"	PT Glory	1	Other non-current receivables	799,922	Financing	3%
0	"	PT Starlight	1	"	190,141	"	1%
0	"	Makalot Cambodia	1	"	220,587	"	1%
0	"	Moha	1	"	277,434	"	1%
0	"	Makalot Vietnam	1	"	317,430	"	1%
0	"	Leader Vietnam	1	"	312,669	"	1%
1	CBS	Ecolot	3	Operating revenue	143,110	Purchase order price multiplied by a fixed ratio	1%

Note 1: 0 represents the parent company. The subsidiaries start sequentially from 1 in Arabic numerals.

Note 2: The relationships between transaction parties are as follows:

- 1.parent to subsidiary
- 2.subsidiary to parent
- 3.subsidiary to subsidiary

Note 3: The aforementioned transactions have been eliminated when preparing the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2022 (excluding information on investments in Mainland China):

(In thousands of New Taiwan Dollars/share)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value			
The Company	Global	British Virgin Islands	Investment holding	971,515	971,515	31,622	100.00 %	1,109,433	(18,263)	(19,151)	Subsidiary
The Company	PT Crystal	Indonesia	Manufacture of garments	84,948	84,948	2,673,191	99.776 %	6,144	60	60	Subsidiary
The Company	Leader PH	Philippines	Manufacture of garments	7,281	7,281	249,995	99.99 %	29,085	3,712	3,712	Subsidiary
The Company	Diamond	Philippines	Manufacture of garments	-	-	149,995	99.99 %	2,995	(334)	(334)	Subsidiary

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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2022	December 31, 2021	Shares	Percentage of ownership	Carrying value			
The Company	Primeline	Philippines	Manufacture of garments	9,945	9,945	99,995	99.99 %	53	(9)	(9)	Subsidiary
The Company	Fortune Star	Samoa	Investment holding	609,846	609,846	18,929,091	100.00 %	732,303	68,582	66,557	Subsidiary
The Company	Triple	Samoa	Investment holding	567,031	567,031	18,400,000	100.00 %	228,341	(17,755)	(12,375)	Subsidiary
The Company	Ecolot	Taiwan	Trade service	22,302	22,302	3,699,000	61.65 %	140,381	68,355	39,675	Subsidiary
The Company	Glida	Taiwan	Sale of garments	5,000	5,000	500,000	100.00 %	4,980	(1)	(1)	Subsidiary
The Company	Great time	Taiwan	Manufacture and sales of garments	50,000	-	2,500,000	100.00 %	81,718	31,718	31,718	Subsidiary
Global	PT Glory	Indonesia	Manufacture of garments	538,708	538,708	179,740	95.00 %	602,167	(17,146)	(16,289)	Subsidiary
Global	PT Starlight	Indonesia	Manufacture of garments	3,645	3,645	1,050	5.00 %	4,462	(6,838)	(342)	Subsidiary
Global	Makalot Cambodia	Cambodia	Manufacture of garments	153,340	153,340	1,000	100.00 %	(31,227)	65	65	Subsidiary
Global	Makalot Vietnam	Vietnam	Manufacture of garments	315,263	315,263	-	100.00 %	433,768	(370)	(370)	Subsidiary
Triple	Moha	Cambodia	Manufacture of garments	94,524	94,524	1,000	100.00 %	(66,270)	1,364	1,364	Subsidiary
Triple	Triple Vietnam	Vietnam	Manufacture of garments	81,171	81,171	-	100.00 %	95,065	(24,608)	(24,608)	Subsidiary
Triple	Top Trend	Samoa	Investment holding	390,160	390,160	12,800,000	100.00 %	226,221	4,240	4,240	Subsidiary
Top Trend	Leader Vietnam	Vietnam	Manufacture of garments	390,700	390,700	-	100.00 %	226,272	4,240	4,240	Subsidiary
Fortune Star	Wintop	Hong Kong	Investment holding	277,755	277,755	9,070,000	100.00 %	339,981	32,969	32,969	Subsidiary
Fortune Star	Crown Era	Hong Kong	Investment holding	59,440	59,440	1,580,000	100.00 %	63,954	(40,593)	(40,593)	Subsidiary
Fortune Star	Crownway	Hong Kong	Investment holding	162,422	162,422	4,560,000	100.00 %	217,402	81,096	81,096	Subsidiary
Fortune Star	PT Starlight	Indonesia	Manufacture of garments	61,532	61,532	19,950	95.00 %	84,775	(6,838)	(6,496)	Subsidiary
Fortune Star	PT Glory	Indonesia	Manufacture of garments	30,452	30,452	9,460	5.00 %	31,693	(17,146)	(857)	Subsidiary
Wintop	Namtex	Vietnam	Wearing	270,979	270,979	-	50.00 %	288,069	52,203	23,919	The Company indirectly holds 50% of ownership
Ecolot	Top Shiny	Hong Kong	Investment holding	17,016	17,016	540,026	100.00 %	46,493	10,672	10,672	Subsidiaries

Note : The aforementioned transactions between the Company and subsidiaries have been eliminated when preparing the consolidated financial statements.

Note 1: Investment gain or loss recognized in the current period included sales from subsidiaries to parent company.

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(c) Information on investment in mainland China:

- (i) The names of investees in Mainland China, the main businesses and products, and other information for the nine months ended September 30, 2021:

(In thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated investment paid by Taiwan as of January 1, 2022	Investment flows		Accumulated investment paid by Taiwan as of September 30, 2022	Net income (losses) of the investee	Percentage of highest ownership	Investment income (losses)	Carrying value as of March 31, 2019	Accumulated remittance of earnings as of this year
					Outflow	Inflow						
CMK	Manufacture of garments	27,033	2	27,033	-	-	27,033	7,406	100.00 %	7,406	47,926	14,378
CMZ	Manufacture of garments	59,440	2	59,440	-	-	59,440	(43,070)	100.00 %	(43,070)	63,944	7,304
CJY	Manufacture of garments	68,120	2	68,120	-	-	68,120	(1,116)	100.00 %	(1,116)	65,983	-
CJR	Manufacture of garments	94,302	2	94,302	-	-	94,302	87,134	100.00 %	87,134	151,404	-
CBS	Trade service	11,039	2	11,039	-	-	11,039	10,672	100.00 %	10,672	46,493	-

Note : There are three kinds of investments

1. Invest directly in Mainland China companies.
2. Invest in Mainland China by remitting through a third region.
3. Others.

- (ii) Upper limit on investment in Mainland China:

Accumulated investment in Mainland China as of September 30, 2022	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
259,934	407,382	8,799,288

- (iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

- (d) Major shareholders:

Unit: shares

Shareholder's Name	Shareholding	Shares	Percentage
Cathay Life Insurance Co., Ltd.		13,616,491	5.62 %

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(14) Segment information

The Group's operating segment information and reconciliation are as follows:

For the three months ended September 30, 2022	Selling and manufacturing of garments	Other segments	Adjustments and cancellation	Total
Revenue				
Revenue from external customers	\$ 9,273,375	133,963	-	9,407,338
Total revenue	<u>\$ 9,273,375</u>	<u>133,963</u>	<u>-</u>	<u>9,407,338</u>
Segment income or loss	(Note 1)	(Note 1)	(Note 1)	(Note 1)
Segment total assets	(Note 1)	(Note 1)	(Note 1)	(Note 1)

For the three months ended September 30, 2021	Selling and manufacturing of garments	Other segments	Adjustments and cancellation	Total
Revenue				
Revenue from external customers	\$ 8,115,271	181,149	-	8,296,420
Total revenue	<u>\$ 8,115,271</u>	<u>181,149</u>	<u>-</u>	<u>8,296,420</u>
Segment income or loss	(Note 1)	(Note 1)	(Note 1)	(Note 1)
Segment total assets	(Note 1)	(Note 1)	(Note 1)	(Note 1)

For the nine months ended September 30, 2022	Selling and manufacturing of garments	Other segments	Adjustments and cancellation	Total
Revenue				
Revenue from external customers	\$ 24,142,046	577,840	-	24,719,886
Total revenue	<u>\$ 24,142,046</u>	<u>577,840</u>	<u>-</u>	<u>24,719,886</u>
Segment income or loss	(Note 1)	(Note 1)	(Note 1)	(Note 1)
Segment total asset	(Note 1)	(Note 1)	(Note 1)	(Note 1)

For the nine months ended September 30, 2021	Selling and manufacturing of garments	Other segments	Adjustments and cancellation	Total
Revenue				
Revenue from external customers	\$ 20,706,591	527,611	-	21,234,202
Total revenue	<u>\$ 20,706,591</u>	<u>527,611</u>	<u>-</u>	<u>21,234,202</u>
Segment income or loss	(Note 1)	(Note 1)	(Note 1)	(Note 1)
Segment total asset	(Note 1)	(Note 1)	(Note 1)	(Note 1)

Note 1: The Group discloses the amounts as zero due to the fact that the amounts of its segment income or loss and total assets were not provided to the chief operating decision maker.