

POYA INTERNATIONAL CO., LTD.

FINANCIAL STATEMENTS AND INDEPENDENT

AUDITORS' REVIEW REPORT

JUNE 30, 2022 AND 2021

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of POYA International Co., Ltd.

Introduction

We have reviewed the accompanying balance sheets of POYA International Co., Ltd. as at June 30, 2022 and 2021, and the related statements of comprehensive income for the three-month and six-month periods then ended, as well as the statements of changes in equity and of cash flows for the six-month periods then ended, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of the Company as at June 30, 2022 and 2021, and of its financial performance for the three-month and six-month periods then ended and its cash flows for the six-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Lin, Tzu-Shu

Independent Accountants

Lin, Yung-Chih

PricewaterhouseCoopers, Taiwan

Republic of China

July 25, 2022

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

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

POYA INTERNATIONAL CO., LTD.

BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of June 30, 2022 and 2021 are reviewed, not audited)

Assets			June 30, 2022		December 31, 2021		June 30, 2021		
			AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets									
1100	Cash and cash equivalents	6(1)	\$ 3,204,766	13	\$ 2,861,041	12	\$ 3,080,770	12	
1150	Notes receivable, net	6(2)	5,513	-	22,021	-	12,003		
1170	Accounts receivable, net	6(2)	615,843	3	1,019,231	4	614,299	3	
1200	Other receivables		6,838	-	4,649	-	18,079	-	
130X	Inventories	6(3)	4,385,581	18	4,410,665	18	4,169,973	17	
1410	Prepayments	6(4)	41,619	-	72,915	-	68,033	-	
1476	Other current financial assets	8	8,287	-	8,287	-	8,287	-	
11XX	Total current assets		8,268,447	34	8,398,809	34	7,971,444	32	
Non-current assets									
1600	Property, plant and equipment, net	6(5)	3,468,071	14	3,516,508	14	3,483,755	14	
1755	Right-of-use assets	6(6) and 7	12,049,541	50	12,624,534	50	12,907,885	52	
1840	Deferred income tax assets	6(20)	29,283	-	26,637	-	24,470	-	
1920	Refundable deposits	6(6)	419,516	2	418,817	2	408,434	2	
1980	Other non-current financial assets	8	11,000	-	11,000	-	8,000	-	
1990	Other non-current assets		12,882	-	13,926	-	14,527	-	
15XX	Total non-current assets		15,990,293	66	16,611,422	66	16,847,071	68	
1XXX	Total assets		\$ 24,258,740	100	\$ 25,010,231	100	\$ 24,818,515	100	

(Continued)

POYA INTERNATIONAL CO., LTD.

BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of June 30, 2022 and 2021 are reviewed, not audited)

Liabilities and Equity		Notes	June 30, 2022		December 31, 2021		June 30, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2130	Current contract liabilities	6(13)	\$ 84,906	-	\$ 69,643	-	\$ 54,043	-
2150	Notes payable		62,318	-	44,051	-	52,996	-
2170	Accounts payable		2,012,612	8	2,591,389	10	1,462,398	6
2200	Other payables	6(7)(12)	1,618,758	7	673,506	3	2,449,842	10
2230	Current income tax liabilities	6(20)	200,487	1	203,131	1	224,542	1
2280	Current lease liabilities	6(6) and 7	1,585,887	7	1,566,148	6	1,461,158	6
2310	Receipts in advance		471	-	102	-	669	-
2320	Long-term liabilities, current portion	6(8)	1,710,987	7	1,612,740	7	1,485,062	6
21XX	Total current liabilities		7,276,426	30	6,760,710	27	7,190,710	29
Non-current liabilities								
2540	Long-term borrowings	6(8)	1,728,056	7	2,190,572	9	2,318,488	9
2570	Deferred income tax liabilities	6(20)	5,408	-	5,408	-	5,051	-
2580	Non-current lease liabilities	6(6) and 7	10,441,771	43	11,056,707	44	11,391,705	46
2640	Net defined benefit liabilities-non-current	6(9)	254	-	1,351	-	6,335	-
2645	Guarantee deposits received		18,432	-	11,731	-	13,932	-
25XX	Total non-current liabilities		12,193,921	50	13,265,769	53	13,735,511	55
2XXX	Total liabilities		19,470,347	80	20,026,479	80	20,926,221	84
Equity								
	Share capital	6(10)(12)						
3110	Common stock		1,008,595	4	1,008,595	4	976,850	4
3150	Stock dividends to be distributed		132,386	1	-	-	29,306	-
3200	Capital surplus	6(11)	777,480	3	777,480	3	640,419	3
	Retained earnings	6(10)(12)						
3310	Legal reserve		1,464,426	6	1,280,125	5	1,280,125	5
3350	Unappropriated retained earnings		1,405,506	6	1,917,552	8	965,594	4
3XXX	Total equity		4,788,393	20	4,983,752	20	3,892,294	16
Significant Contingent Liabilities and Unrecognized Contract Commitments		9						
3X2X	Total liabilities and equity		\$ 24,258,740	100	\$ 25,010,231	100	\$ 24,818,515	100

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

POYA INTERNATIONAL CO., LTD.
STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Items	Notes	For the three-month periods ended June 30,				For the six-month periods ended June 30,			
			2022		2021		2022		2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(13)	\$ 4,372,204	100	\$ 3,793,606	100	\$ 9,085,477	100	\$ 8,515,384	100
5000	Operating costs	6(3)(9)(18)								
		(19)	(2,608,700)	(60)	(2,161,350)	(57)	(5,292,686)	(58)	(4,780,461)	(56)
5900	Net operating margin		<u>1,763,504</u>	<u>40</u>	<u>1,632,256</u>	<u>43</u>	<u>3,792,791</u>	<u>42</u>	<u>3,734,923</u>	<u>44</u>
	Operating expenses	6(9)(18)(19)								
		and 7								
6100	Selling expenses		(1,241,887)	(28)	(1,148,393)	(30)	(2,467,982)	(27)	(2,323,294)	(27)
6200	General and administrative expenses		(152,876)	(4)	(142,593)	(4)	(306,912)	(4)	(295,790)	(4)
6000	Total operating expenses		(1,394,763)	(32)	(1,290,986)	(34)	(2,774,894)	(31)	(2,619,084)	(31)
6900	Operating profit		<u>368,741</u>	<u>8</u>	<u>341,270</u>	<u>9</u>	<u>1,017,897</u>	<u>11</u>	<u>1,115,839</u>	<u>13</u>
	Non-operating income and expenses									
7100	Interest income	6(14)	1,029	-	555	-	1,573	-	988	-
7010	Other income	6(15)	24,633	1	19,167	1	47,110	1	38,037	1
7020	Other gains and losses	6(6)(16)	3,412	-	31,709	1	3,412	-	31,812	-
7050	Finance costs	6(5)(6)(17)								
		and 7	(41,738)	(1)	(36,950)	(1)	(82,477)	(1)	(72,824)	(1)
7000	Total non-operating income and expenses		(12,664)	-	14,481	1	(30,382)	-	(1,987)	-
7900	Profit before income tax		356,077	8	355,751	10	987,515	11	1,113,852	13
7950	Income tax expense	6(20)	(69,228)	(1)	(71,098)	(2)	(195,720)	(2)	(222,800)	(3)
8200	Net income for the period		<u>\$ 286,849</u>	<u>7</u>	<u>\$ 284,653</u>	<u>8</u>	<u>\$ 791,795</u>	<u>9</u>	<u>\$ 891,052</u>	<u>10</u>
8500	Total comprehensive income for the period		<u>\$ 286,849</u>	<u>7</u>	<u>\$ 284,653</u>	<u>8</u>	<u>\$ 791,795</u>	<u>9</u>	<u>\$ 891,052</u>	<u>10</u>
	Earnings per share (in dollars)	6(21)								
9750	Basic		<u>\$ 2.84</u>		<u>\$ 2.82</u>		<u>\$ 7.84</u>		<u>\$ 8.84</u>	
9850	Diluted		<u>\$ 2.83</u>		<u>\$ 2.82</u>		<u>\$ 7.81</u>		<u>\$ 8.82</u>	

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

POYA INTERNATIONAL CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

		Capital	Capital Surplus	Retained Earnings			
	Notes	Common stock	Stock dividends to be distributed	Additional paid-in capital	Legal reserve	Unappropriated retained earnings	Total equity
<u>For the six-month period ended June 30, 2021</u>							
Balance at January 1, 2021		\$ 976,850	\$ -	\$ 640,419	\$ 1,069,392	\$ 2,141,291	\$ 4,827,952
Net income for the six-month period ended June 30, 2021		-	-	-	-	891,052	891,052
Total comprehensive income for the six-month period ended June 30, 2021		-	-	-	-	891,052	891,052
Distribution of 2020 net income :							
Legal reserve		-	-	-	210,733	(210,733)	-
Cash dividends	6(12)	-	-	-	-	(1,826,710)	(1,826,710)
Stock dividends	6(10)(12)	-	29,306	-	-	(29,306)	-
Balance at June 30, 2021		<u>\$ 976,850</u>	<u>\$ 29,306</u>	<u>\$ 640,419</u>	<u>\$ 1,280,125</u>	<u>\$ 965,594</u>	<u>\$ 3,892,294</u>
<u>For the six-month period ended June 30, 2022</u>							
Balance at January 1, 2022		<u>\$1,008,595</u>	<u>\$ -</u>	<u>\$ 777,480</u>	<u>\$ 1,280,125</u>	<u>\$ 1,917,552</u>	<u>\$ 4,983,752</u>
Net income for the six-month period ended June 30, 2022		-	-	-	-	791,795	791,795
Total comprehensive income for the six-month period ended June 30, 2022		-	-	-	-	791,795	791,795
Distribution of 2021 net income :							
Legal reserve		-	-	-	184,301	(184,301)	-
Cash dividends	6(12)	-	-	-	-	(1,109,454)	(1,109,454)
Stock dividends	6(10)(12)	-	10,086	-	-	(10,086)	-
Employees' stock compensation	6(10)(19)	-	122,300	-	-	-	122,300
Balance at June 30, 2022		<u>\$1,008,595</u>	<u>\$ 132,386</u>	<u>\$ 777,480</u>	<u>\$ 1,464,426</u>	<u>\$ 1,405,506</u>	<u>\$ 4,788,393</u>

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

POYA INTERNATIONAL CO., LTD.
STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

		For the six-month periods ended June 30,	
	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 987,515	\$ 1,113,852
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5)(6)(18)	1,190,905	1,119,568
(Gain) loss on disposal of property, plant and equipment	6(16)	(748)	419
Gain from lease modification	6(6)(16)	(2,664)	(32,231)
Interest income	6(14)	(1,573)	(988)
Interest expense	6(17)	82,477	72,824
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		16,508	(1,333)
Accounts receivable		403,388	350,293
Other receivables	(	( 2,189)	(13,649)
Inventories		25,084	(93,440)
Prepayments		31,296	(29,467)
Changes in operating liabilities			
Current contract liabilities		15,263	20,964
Notes payable		18,267	(1,222)
Accounts payable	(	( 578,777)	(910,033)
Other payables	(	( 32,575)	919
Receipts in advance		369	663
Net defined benefit liabilities-non-current	(	( 1,097)	(883)
Cash inflow generated from operations		2,151,449	1,596,256
Interest received		1,573	988
Interest paid	(	( 82,477)	(72,824)
Income tax paid	(	( 201,010)	(298,594)
Net cash flows from operating activities		<u>1,869,535</u>	<u>1,225,826</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(22)	(293,582)	(496,885)
Interest paid for acquisition of property, plant and equipment	6(5)(17)(22)	(288)	(171)
Proceeds from disposal of property, plant and equipment		2,419	381
Acquisition of right-of-use assets	6(6)	(70,915)	(42,497)
Increase in refundable deposits	(	( 699)	(12,600)
Decrease in other non-current assets		1,044	847
Net cash flows used in investing activities	(	( 362,021)	(550,925)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings	6(23)	1,370,000	2,442,778
Repayment of long-term borrowings	6(23)	(1,734,269)	(1,025,864)
Repayment of lease principal	6(23)	(806,221)	(735,859)
Increase in guarantee deposits received	6(23)	6,701	700
Net cash flows (used in) from financing activities	(	( 1,163,789)	(681,755)
Net increase in cash and cash equivalents		343,725	1,356,656
Cash and cash equivalents at beginning of period	6(1)	2,861,041	1,724,114
Cash and cash equivalents at end of period	6(1)	\$ 3,204,766	\$ 3,080,770

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

POYA INTERNATIONAL CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

(1) POYA International Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company is primarily engaged in selling fashion accessories, arts and crafts, food, stationery, hardware and a variety of products.

(2) The common shares of the Company have been listed on the Taipei Exchange since September 2002.

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

These financial statements were authorized for issuance by the Board of Directors on July 25, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments as endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts-cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9-comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the compliance statement, basis of preparation, and the additional descriptions described below, the other principal accounting policies are in agreement with Note 4 of the financial statements for the year ended December 31, 2021. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.
- B. The financial statements should be read together with the financial statements for the year ended December 31, 2021.

(2) Basis of preparation

- A. Except for the following items, these financial statements have been prepared under the historical cost convention:
Defined benefit liabilities are recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements requires in conformity with International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretation Announcements recognized by the Financial Supervisory Commission Republic of China (Taiwan) (collectively referred herein as the "IFRSs") requires that use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or

complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5, “critical accounting judgements, estimates and key sources of assumption uncertainty”.

(3) Employee benefits

Defined benefit plan

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

(4) Income tax

A. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pre-tax income of the interim period, and the related information is disclosed accordingly.

B. If a change in tax rate is enacted or substantively enacted in an interim period, the Company recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

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

There have been no significant changes during the period. Refer to Note 5 of the financial statements for the year ended December 31, 2021.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Cash:			
Cash on hand	\$ 41,373	\$ 41,823	\$ 39,671
Checking deposits and demand deposits	<u>3,163,393</u>	<u>2,810,027</u>	<u>3,041,099</u>
	<u>3,204,766</u>	<u>2,851,850</u>	<u>3,080,770</u>
Cash equivalents:			
Quintuple stimulus voucher	<u>-</u>	<u>9,191</u>	<u>-</u>
	<u>\$ 3,204,766</u>	<u>\$ 2,861,041</u>	<u>\$ 3,080,770</u>

A. The Company transacts with a variety of financial institutions all with high credit rankings to diversify credit risk, so it expects that the probability of counterparty default is remote.

B. As of June 30, 2022, December 31, 2021 and June 30, 2021, details of the Company’s cash and cash equivalents pledged to others as collateral are provided in Note 8, “Pledged assets”.

(2) Notes and accounts receivable, net

	June 30, 2022	December 31, 2021	June 30, 2021
Notes receivable	\$ 5,513	\$ 22,021	\$ 12,003
Accounts receivable - sponsorship	\$ 552,741	\$ 927,220	\$ 578,309
Accounts receivable - customers	63,102	92,011	35,990
	<u>\$ 615,843</u>	<u>\$ 1,019,231</u>	<u>\$ 614,299</u>

- A. The Company has no past due accounts receivable as of June 30, 2022, December 31, 2021 and June 30, 2021.
- B. As of June 30, 2022, December 31, 2021 and June 30, 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables (including notes receivable) from contracts with customers amounted to \$975,262.
- C. As at June 30, 2022, December 31, 2021 and June 30, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was its book value.
- D. The Company did not hold any collateral as security as of June 30, 2022, December 31, 2021 and June 30, 2021.
- E. Information relating to credit risk of accounts receivable is provided in Note 12(2), "Financial instruments".

(3) Inventories

	June 30, 2022		
	Cost	Allowance for price decline of inventories	Carrying amount
Merchandise	<u>\$ 4,385,581</u>	<u>\$ -</u>	<u>\$ 4,385,581</u>
	December 31, 2021		
	Cost	Allowance for price decline of inventories	Carrying amount
Merchandise	<u>\$ 4,410,665</u>	<u>\$ -</u>	<u>\$ 4,410,665</u>
	June 30, 2021		
	Cost	Allowance for price decline of inventories	Carrying amount
Merchandise	<u>\$ 4,169,973</u>	<u>\$ -</u>	<u>\$ 4,169,973</u>

The cost of inventories recognized as expense for the period:

	For the three-month periods ended June 30,	
	2022	2021
Cost of inventories sold	\$ 2,581,322	\$ 2,142,879
Loss on physical inventory	27,378	18,471
	<u>\$ 2,608,700</u>	<u>\$ 2,161,350</u>

	For the six-month periods ended June 30,	
	2022	2021
Cost of inventories sold	\$ 5,254,283	\$ 4,753,748
Loss on physical inventory	38,403	26,713
	<u>\$ 5,292,686</u>	<u>\$ 4,780,461</u>

(4) Prepayments

	June 30, 2022	December 31, 2021	June 30, 2021
Overpaid value-added tax	\$ 20,084	\$ 21,189	\$ 19,955
Other prepaid expenses	21,535	51,726	48,078
	<u>\$ 41,619</u>	<u>\$ 72,915</u>	<u>\$ 68,033</u>

(5) Property, plant and equipment

	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other equipment</u>	<u>Construction in progress and equipment before acceptance inspection</u>	<u>Total</u>
<u>At January 1, 2022</u>						
Cost	\$ 37,943	\$ 1,279,639	\$ 3,762,432	\$ 503,101	\$ 52,883	\$ 5,635,998
Accumulated depreciation	(16,247)	(608,954)	(1,384,466)	(109,823)	-	(2,119,490)
	<u>\$ 21,696</u>	<u>\$ 670,685</u>	<u>\$ 2,377,966</u>	<u>\$ 393,278</u>	<u>\$ 52,883</u>	<u>\$ 3,516,508</u>
<u>For the six-month period ended June 30, 2022</u>						
At January 1	\$ 21,696	\$ 670,685	\$ 2,377,966	\$ 393,278	\$ 52,883	\$ 3,516,508
Additions	-	-	-	-	284,543	284,543
Transferred after acceptance inspection	5,800	61,402	214,026	39,329	(320,557)	-
Depreciation	(3,677)	(121,918)	(186,680)	(19,034)	-	(331,309)
Disposal-Cost	(4,825)	(92,326)	(118,834)	(5,836)	-	(221,821)
-Accumulated depreciation	<u>3,154</u>	<u>92,326</u>	<u>118,834</u>	<u>5,836</u>	<u>-</u>	<u>220,150</u>
At June 30	<u>\$ 22,148</u>	<u>\$ 610,169</u>	<u>\$ 2,405,312</u>	<u>\$ 413,573</u>	<u>\$ 16,869</u>	<u>\$ 3,468,071</u>
<u>At June 30, 2022</u>						
Cost	\$ 38,918	\$ 1,248,715	\$ 3,857,624	\$ 536,594	\$ 16,869	\$ 5,698,720
Accumulated depreciation	(16,770)	(638,546)	(1,452,312)	(123,021)	-	(2,230,649)
	<u>\$ 22,148</u>	<u>\$ 610,169</u>	<u>\$ 2,405,312</u>	<u>\$ 413,573</u>	<u>\$ 16,869</u>	<u>\$ 3,468,071</u>

	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>At January 1, 2021</u>						
Cost	\$ 33,344	\$ 1,244,650	\$ 3,520,465	\$ 438,816	\$ 13,341	\$ 5,250,616
Accumulated depreciation	(10,776)	(543,283)	(1,224,625)	(93,131)	-	(1,871,815)
	<u>\$ 22,568</u>	<u>\$ 701,367</u>	<u>\$ 2,295,840</u>	<u>\$ 345,685</u>	<u>\$ 13,341</u>	<u>\$ 3,378,801</u>
<u>For the six-month period ended June 30, 2021</u>						
At January 1	\$ 22,568	\$ 701,367	\$ 2,295,840	\$ 345,685	\$ 13,341	\$ 3,378,801
Additions	-	-	-	-	428,573	428,573
Transferred after acceptance inspection	8,251	129,857	240,850	49,422	(428,380)	-
Depreciation	(3,744)	(124,069)	(177,827)	(17,179)	-	(322,819)
Disposal-Cost	(2,618)	(74,645)	(111,229)	(12,466)	-	(200,958)
-Accumulated depreciation	<u>1,818</u>	<u>74,645</u>	<u>111,229</u>	<u>12,466</u>	<u>-</u>	<u>200,158</u>
At June 30	<u>\$ 26,275</u>	<u>\$ 707,155</u>	<u>\$ 2,358,863</u>	<u>\$ 377,928</u>	<u>\$ 13,534</u>	<u>\$ 3,483,755</u>
<u>At June 30, 2021</u>						
Cost	\$ 38,977	\$ 1,299,862	\$ 3,650,086	\$ 475,772	\$ 13,534	\$ 5,478,231
Accumulated depreciation	(12,702)	(592,707)	(1,291,223)	(97,844)	-	(1,994,476)
	<u>\$ 26,275</u>	<u>\$ 707,155</u>	<u>\$ 2,358,863</u>	<u>\$ 377,928</u>	<u>\$ 13,534</u>	<u>\$ 3,483,755</u>

- A. The property, plant and equipment were all owner-occupied as of June 30, 2022, December 31, 2021 and June 30, 2021.
- B. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of interest rates for such capitalization are as follows:

	For the three-month periods ended June 30,	
	2022	2021
Amount capitalized	\$ 168	\$ 114
Interest rate range	0.93% ~ 1.42%	0.76% ~ 1.00%
	For the six-month periods ended June 30,	
	2022	2021
Amount capitalized	\$ 288	\$ 171
Interest rate range	0.83% ~ 1.42%	0.76% ~ 1.00%

- C. As of June 30, 2022, December 31, 2021 and June 30, 2021, no property, plant and equipment was pledged to others.

(6) Leasing arrangements-lessee

- A. The Company leases various assets including buildings and structures, machinery and other equipment. Rental contracts are typically made for periods of 3 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The Company has lease contracts with the key management and non-related parties. The lease terms are between 3 to 20 years. As of June 30, 2022, December 31, 2021 and June 30, 2021, the amount of deposits paid in accordance with the lease contracts was \$415,724, \$411,636 and \$403,388, respectively and was classified as refundable deposits.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
	Carrying amount	Carrying amount	Carrying amount
Buildings and structures	\$ 12,028,750	\$ 12,600,598	\$ 12,880,685
Machinery and equipment	14,331	16,990	19,602
Other equipment	6,460	6,946	7,598
	<u>\$ 12,049,541</u>	<u>\$ 12,624,534</u>	<u>\$ 12,907,885</u>

	For the three-month periods ended June 30,	
	2022	2021
	Depreciation charge	Depreciation charge
Buildings and structures	\$ 430,931	\$ 402,891
Machinery and equipment	1,421	1,392
Other equipment	305	372
	<u>\$ 432,657</u>	<u>\$ 404,655</u>
	For the six-month periods ended June 30,	
	2022	2021
	Depreciation charge	Depreciation charge
Buildings and structures	\$ 856,154	\$ 793,969
Machinery and equipment	2,832	2,141
Other equipment	610	639
	<u>\$ 859,596</u>	<u>\$ 796,749</u>

D. For the three-month periods and the six-month periods ended June 30, 2022 and 2021, the additions to right-of-use assets were \$37,881, \$22,968, \$70,915 and \$42,497, respectively, and the additions from remeasurement of right-of-use assets were \$17,332, \$443,830, \$213,688 and \$1,133,076, respectively.

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

	For the three-month periods ended June 30,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 33,743	\$ 34,005
Expense on short-term lease contracts	3,810	3,805
Expense on leases of low-value assets	48	123
Expense on variable lease payments	9,054	6,082
Gain from lease modification	(2,664)	(31,770)
	For the six-month periods ended June 30,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 67,974	\$ 67,397
Expense on short-term lease contracts	5,924	5,471
Expense on leases of low-value assets	96	144
Expense on variable lease payments	20,708	17,074
Gain from lease modification	(2,664)	(32,231)

F. For the three-month periods and the six-month periods ended June 30, 2022 and 2021, the Company's total cash outflow for leases were \$489,748, \$439,975, \$971,838 and \$868,442, respectively.

G. Variable lease payments

Some of the Company's lease contracts contain variable lease payment terms that are linked to sales generated from a store. For individual stores, up to 3%~10% of lease payments are on the basis of variable payment terms and are accrued based on the sales amount. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs for newly established stores. Various lease payments that depend on sales are recognized in profit or loss in the period in which the event or condition that triggers those payments occurs.

H. Extension and termination options

- (a) Extension options are included in approximately 85.76% of the Company's lease contracts pertaining to retail stores. These terms and conditions aim to maximize optional flexibility in terms of managing contracts.
- (b) In determining the lease term, the Company takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

I. The Company has applied the practical expedient to "Covid-19-related rent concessions", and recognized the gain from changes in lease payments arising from the rent concessions amounting to \$— and \$30,802 for the six-month periods ended June 30, 2022 and 2021, respectively.

(7) Other payables

	June 30, 2022	December 31, 2021	June 30, 2021
Dividends payable	\$ 1,109,454	\$ -	\$ 1,826,710
Salaries and bonuses payable	254,358	298,390	218,797
Accrued employees' compensation and directors' remuneration	58,920	128,041	209,906
Labor and health insurance payable	35,050	34,716	32,276
Equipment payable	27,734	37,061	21,281
Others	133,242	175,298	140,872
	<u>\$ 1,618,758</u>	<u>\$ 673,506</u>	<u>\$ 2,449,842</u>

(8) Long-term borrowings

Nature	Borrowing period	Range of interest rates	Collateral	June 30, 2022
Long-term bank borrowings				
Unsecured bank borrowings	7.1.2019~ 5.26.2025	1.10%~1.42%	None	\$ 3,439,043
Less: Current portion of long-term borrowings				(1,710,987)
				<u>\$ 1,728,056</u>

<u>Nature</u>	<u>Borrowing period</u>	<u>Range of interest rates</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Long-term bank borrowings				
Unsecured bank borrowings	7.1.2019~ 12.27.2024	0.87%~1.16%	None	\$ 3,803,312
Less: Current portion of long-term borrowings				(1,612,740)
				<u>\$ 2,190,572</u>
<u>Nature</u>	<u>Borrowing period</u>	<u>Range of interest rates</u>	<u>Collateral</u>	<u>June 30, 2021</u>
Long-term bank borrowings				
Unsecured bank borrowings	7.1.2019~ 6.29.2024	0.87%~1.16%	None	\$ 3,803,550
Less: Current portion of long-term borrowings				(1,485,062)
				<u>\$ 2,318,488</u>

For more information about interest expenses recognized by the Company for the three-month periods and the six-month periods ended June 30, 2022 and 2021, refer to Note 6(17), "Finance costs".

(9) Pensions

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March. Information on the Company's aforementioned pension plan is as follows:

- a. For the aforementioned pension plan, the Company recognized pension costs of \$1,070, \$52, \$1,114 and \$105 for the three-month periods and the six-month periods ended June 30, 2022 and 2021, respectively.
- b. Expected contributions to the defined benefit pension plan of the Company for the next year amount to \$1,994.

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the three-month periods and the six-month periods ended June 30, 2022 and 2021 were \$23,944, \$22,341, \$47,755 and \$45,007, respectively.

(10) Common stock

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

	For the six-month periods ended June 30,	
	2022	2021
Balance as at January 1 and June 30	100,859	97,685

B. On June 22, 2021, the Company’s shareholders adopted a resolution to issue new shares of common stock through capitalization of unappropriated retained earnings of \$29,306 and employees’ compensation payable of \$139,500. Of the amount of \$139,500 employees’ stock compensation, 244 thousand shares were calculated based on the fair value per share at the preceding day of the Board of Directors’ meeting, after taking into account the effects of ex-rights and ex-dividends. Amounts arising in excess of par value on issuance are classified as capital surplus-additional paid-in capital.

C. On June 21, 2022, the Company’s shareholders adopted a resolution and reported to shareholders at its meeting to issue new shares of common stock through capitalization of unappropriated retained earnings of \$10,086 and employees’ compensation payable of \$122,300 (Stock dividend distributable), respectively. As approved by the Securities and Futures Bureau, Financial Supervisory Commission, the effective date of the capitalization was set on July 26, 2022. Of the amount of \$122,300 employees’ stock compensation, 314 thousand shares were calculated based on the fair value per share at the preceding day of the Board of Directors’ meeting, after taking into account the effects of ex-rights and ex-dividends. Amounts arising in excess of par value on issuance are classified as capital surplus-additional paid-in capital.

D. As of June 30, 2022, the Company’s total authorized capital was \$1,200,000 (including \$20,000 reserved for employee stock options) and the paid-in capital was \$1,008,595 (100,859 thousand shares) with par value of \$10 (in dollars) per share.

(11) Capital surplus

Pursuant to the Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company

has no accumulated deficit. Further, the Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is used.

(12) Retained earnings

- A. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks or distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company's paid-in capital.
- B. As the Company operates in a volatile business environment and is in stable growth stage, the appropriation of earnings should consider fund requirements and capital budget in determining how much earnings will be kept or distributed and how much cash dividends will be distributed. Under the Company's Articles of Incorporation, 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining net income is the distributable net profit of this period, which is added to the unappropriated retained earnings from prior years to arrive at the accumulated distributable net profit. After considering business environment, future operations, the need for reinvestment, etc., the Board of Directors will propose a resolution for the distribution of earnings which will be approved at the shareholders' meeting. The distributable net profit shall be appropriated as: 50%~100% of accumulated distributable net profit will be appropriated as dividends and bonuses to shareholders, with cash dividends being at least 1% of the total dividends. Amounts shall be distributed as stock dividends when the cash dividend per share is less than \$0.5 (in dollars).
- C. In accordance with the regulations, the Company shall set aside special reserve arising from the debit balance in other equity items at the balance sheet date before distributing earnings. When debit balance in other equity items is reversed subsequently, an equal amount could then be used for distribution.
- D. The Company recognized dividends distributed to owners in 2021 amounting to \$1,826,710 (\$18.7 dollars per share) and the distribution of stock dividends of \$29,306 (\$0.3 dollars per share). The dividends were proposed by the Board of Directors on April 25, 2022. During its meeting on June 21, 2022, the Company's shareholders approved for the distribution of cash dividends from 2021 earnings of \$1,109,454 (\$11 dollars per share) which has not yet been paid as of June 30, 2022, (Other payables) and proposed for the distribution of stock dividends of \$10,086 (\$0.1 dollars per share).

(13) Operating revenue

- A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services at a point in time as follows:

	For the three-month periods ended June 30,	
	2022	2021
Merchandise sales	\$ 4,342,497	\$ 3,765,400
License income	29,707	28,206
	<u>\$ 4,372,204</u>	<u>\$ 3,793,606</u>
	For the six-month periods ended June 30,	
	2022	2021
Merchandise sales	\$ 9,025,242	\$ 8,454,790
License income	60,235	60,594
	<u>\$ 9,085,477</u>	<u>\$ 8,515,384</u>

B. Contract assets and liabilities

As of June 30, 2022, January 1, 2022 (December 31, 2021), June 30, 2021 and January 1, 2021, the Company has no revenue-related contract assets, and the Company has recognized the following revenue-related contract liabilities:

	January 1, 2022			
	June 30, 2022	(December 31, 2021)	June 30, 2021	January 1, 2021
Contract liabilities:				
– Customer loyalty	\$ 59,901	\$ 49,252	\$ 39,530	\$ 31,813
– Unearned receipts	25,005	20,391	14,513	1,266
	<u>\$ 84,906</u>	<u>\$ 69,643</u>	<u>\$ 54,043</u>	<u>\$ 33,079</u>

a. Significant changes in contract assets and liabilities

The Company has no significant changes in contract assets and liabilities for the three-month periods and the six-month periods ended June 30, 2022 and 2021.

b. Revenue recognized that was included in the contract liability balance at the beginning of the period is shown below:

	For the six-month periods ended June 30,	
	2022	2021
Revenue recognized that was included in the contract liability balance at the beginning of the period		
Customer loyalty programmes	\$ 27,726	\$ 12,444
Unearned receipts	20,391	1,266
	<u>\$ 48,117</u>	<u>\$ 13,710</u>

(14) Interest income

		For the three-month periods ended June 30,	
		2022	2021
Interest income from bank deposits	\$	800	\$ 343
Other interest income		229	212
	\$	<u>1,029</u>	<u>\$ 555</u>
		For the six-month periods ended June 30,	
		2022	2021
Interest income from bank deposits	\$	932	\$ 387
Other interest income		641	601
	\$	<u>1,573</u>	<u>\$ 988</u>

(15) Other income

		For the three-month periods ended June 30,	
		2022	2021
Rental income	\$	11,699	\$ 10,219
Other income		12,934	8,948
	\$	<u>24,633</u>	<u>\$ 19,167</u>
		For the six-month periods ended June 30,	
		2022	2021
Rental income	\$	21,313	\$ 19,584
Other income		25,797	18,453
	\$	<u>47,110</u>	<u>\$ 38,037</u>

(16) Other gains and losses

		For the three-month periods ended June 30,	
		2022	2021
Gain (loss) on disposal of property, plant and equipment	\$	748	(\$ 61)
Gain from lease modification		2,664	31,770
	\$	<u>3,412</u>	<u>\$ 31,709</u>
		For the six-month periods ended June 30,	
		2022	2021
Gain (loss) on disposal of property, plant and equipment	\$	748	(\$ 419)
Gain from lease modification		2,664	32,231
	\$	<u>3,412</u>	<u>\$ 31,812</u>

(17) Finance costs

	For the three-month periods ended June 30,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 10,910	\$ 6,024
Others	30,996	31,040
Less: Capitalization of qualifying assets	(168)	(114)
	<u>\$ 41,738</u>	<u>\$ 36,950</u>
	For the six-month periods ended June 30,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 20,337	\$ 11,526
Others	62,428	61,469
Less: Capitalization of qualifying assets	(288)	(171)
	<u>\$ 82,477</u>	<u>\$ 72,824</u>

(18) Expenses by nature

	For the three-month period ended June 30, 2022		
	Operating expenses	Operating costs	Total
Employee benefit expense	<u>\$ 541,470</u>	<u>\$ 54,442</u>	<u>\$ 595,912</u>
Depreciation	<u>\$ 561,323</u>	<u>\$ 36,110</u>	<u>\$ 597,433</u>
	For the three-month period ended June 30, 2021		
	Operating expenses	Operating costs	Total
Employee benefit expense	<u>\$ 497,588</u>	<u>\$ 45,745</u>	<u>\$ 543,333</u>
Depreciation	<u>\$ 531,731</u>	<u>\$ 34,814</u>	<u>\$ 566,545</u>
	For the six-month period ended June 30, 2022		
	Operating expenses	Operating costs	Total
Employee benefit expense	<u>\$ 1,088,058</u>	<u>\$ 112,752</u>	<u>\$ 1,200,810</u>
Depreciation	<u>\$ 1,118,499</u>	<u>\$ 72,406</u>	<u>\$ 1,190,905</u>
	For the six-month period ended June 30, 2021		
	Operating expenses	Operating costs	Total
Employee benefit expense	<u>\$ 1,034,418</u>	<u>\$ 104,625</u>	<u>\$ 1,139,043</u>
Depreciation	<u>\$ 1,051,459</u>	<u>\$ 68,109</u>	<u>\$ 1,119,568</u>

(19) Employee benefit expenses

	For the three-month period ended June 30, 2022		
<u>Full time employees</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Total</u>
Wages and salaries	\$ 410,728	\$ 23,255	\$ 433,983
Labor and health insurance expense	42,031	2,509	44,540
Pension costs	20,663	1,180	21,843
Other personnel expenses	5,936	-	5,936
	<u>\$ 479,358</u>	<u>\$ 26,944</u>	<u>\$ 506,302</u>

	For the three-month period ended June 30, 2022		
<u>Part time employees</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Total</u>
Wages and salaries	\$ 51,005	\$ 989	\$ 51,994
Labor and health insurance expense	7,936	-	7,936
Pension costs	3,171	-	3,171
Other personnel expenses	-	26,509	26,509
	<u>\$ 62,112</u>	<u>\$ 27,498</u>	<u>\$ 89,610</u>

	For the three-month period ended June 30, 2021		
<u>Full time employees</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Total</u>
Wages and salaries	\$ 376,790	\$ 21,671	\$ 398,461
Labor and health insurance expense	38,700	2,498	41,198
Pension costs	18,129	1,129	19,258
Other personnel expenses	2,098	-	2,098
	<u>\$ 435,717</u>	<u>\$ 25,298</u>	<u>\$ 461,015</u>

	For the three-month period ended June 30, 2021		
<u>Part time employees</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Total</u>
Wages and salaries	\$ 51,033	\$ 958	\$ 51,991
Labor and health insurance expense	7,703	-	7,703
Pension costs	3,135	-	3,135
Other personnel expenses	-	19,489	19,489
	<u>\$ 61,871</u>	<u>\$ 20,447</u>	<u>\$ 82,318</u>

	For the six-month period ended June 30, 2022		
<u>Full time employees</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Total</u>
Wages and salaries	\$ 830,096	\$ 45,903	\$ 875,999
Labor and health insurance expense	85,937	4,958	90,895
Pension costs	40,324	2,308	42,632
Other personnel expenses	8,529	-	8,529
	<u>\$ 964,886</u>	<u>\$ 53,169</u>	<u>\$ 1,018,055</u>

	For the six-month period ended June 30, 2022		
<u>Part time employees</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Total</u>
Wages and salaries	\$ 101,225	\$ 2,074	\$ 103,299
Labor and health insurance expense	15,710	-	15,710
Pension costs	6,237	-	6,237
Other personnel expenses	-	57,509	57,509
	<u>\$ 123,172</u>	<u>\$ 59,583</u>	<u>\$ 182,755</u>

	For the six-month period ended June 30, 2021		
<u>Full time employees</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Total</u>
Wages and salaries	\$ 783,230	\$ 46,085	\$ 829,315
Labor and health insurance expense	79,521	4,851	84,372
Pension costs	36,322	2,204	38,526
Other personnel expenses	4,619	-	4,619
	<u>\$ 903,692</u>	<u>\$ 53,140</u>	<u>\$ 956,832</u>

	For the six-month period ended June 30, 2021		
<u>Part time employees</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Total</u>
Wages and salaries	\$ 107,901	\$ 2,048	\$ 109,949
Labor and health insurance expense	16,239	-	16,239
Pension costs	6,586	-	6,586
Other personnel expenses	-	49,437	49,437
	<u>\$ 130,726</u>	<u>\$ 51,485</u>	<u>\$ 182,211</u>

A. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 6% for directors' remuneration.

B. For the three-month periods and the six-month periods ended June 30, 2022 and 2021, employees' compensation was accrued at \$19,800, \$22,700, \$51,000 and \$61,900, respectively; while directors' remuneration was accrued at \$1,320, \$1,320, \$2,640 and \$2,640, respectively. The aforementioned amounts were recognized in salary expenses that were estimated and accrued based on the distributable net profit of current year calculated by the percentage prescribed under the Company's Articles of Incorporation. The actual amount approved at the Board of Directors' meeting for employees' compensation and directors' remuneration for 2021 were \$122,300 and \$5,280, respectively, which were the same as the estimated amount recognized in the 2021 financial statements. The number of shares distributed as employees' compensation for the year ended December 31, 2021 was 314 thousand shares. Refer to Note 6(10) for more information. Information about employees' compensation and directors' remuneration by the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20) Income tax

A. Income tax expense

Components of income tax expense:

	<u>For the three-month periods ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Current income tax:		
Current tax on profits for the period	\$ 46,110	\$ 69,850
Tax on undistributed surplus earnings	26,958	2,029
Prior year income tax over estimation	(2,201)	(133)
Total current tax	<u>70,867</u>	<u>71,746</u>
Deferred tax:		
Origination and reversal of temporary differences	(1,639)	(648)
Income tax expense	<u>\$ 69,228</u>	<u>\$ 71,098</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Current income tax:		
Current tax on profits for the period	\$ 173,609	\$ 222,544
Tax on undistributed surplus earnings	26,958	2,029
Prior year income tax over estimation	(2,201)	(133)
Total current tax	<u>198,366</u>	<u>224,440</u>
Deferred tax:		
Origination and reversal of temporary differences	(2,646)	(1,640)
Income tax expense	<u>\$ 195,720</u>	<u>\$ 222,800</u>

B. As of July 25, 2022, the Company's income tax returns through 2020 have been assessed by the Tax Authority, and there were no disputes existing between the Company and the Tax Authority.

(21) Earnings per share

For the three-month period ended June 30, 2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 286,849	101,173	\$ 2.84
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 286,849	101,173	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	177	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 286,849	101,350	\$ 2.83
For the three-month period ended June 30, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 284,653	100,867	\$ 2.82
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 284,653	100,867	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	134	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 284,653	101,001	\$ 2.82

For the six-month period ended June 30, 2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 791,795	100,976	\$ 7.84
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 791,795	100,976	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	376	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 791,795	101,352	\$ 7.81

For the six-month period ended June 30, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 891,052	100,795	\$ 8.84
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 891,052	100,795	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	206	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 891,052	101,001	\$ 8.82

A. On June 21, 2022, the Company's shareholders adopted a proposal for the distribution of 2021 earnings. The effective date of capitalization was set on July 26, 2022. The pro forma information for retroactively adjusted basic and diluted earnings per share is as follows (in dollars) :

For the three-month periods ended June 30,		
	2022	2021
<u>Basic earnings per share</u>		
Net income for the period	\$ 2.81	\$ 2.79
<u>Diluted earnings per share</u>		
Net income for the period	\$ 2.80	\$ 2.79

		For the six-month periods ended June 30,	
		2022	2021
<u>Basic earnings per share</u>			
Net income for the period	\$	7.76	\$ 8.75
<u>Diluted earnings per share</u>			
Net income for the period	\$	7.74	\$ 8.73

- B. The abovementioned weighted average number of ordinary shares outstanding has been adjusted to unappropriated retained earnings as proportional increase in capital for the year ended December 31, 2021.
- C. As the Company may choose to distribute employees' compensation in the form of shares, the calculation of diluted earnings per share is based on the assumption that the bonus would be issued in shares. When calculating the diluted EPS, those potential common shares that result in dilutive effect would be included in the calculation of the weighted-average outstanding common shares during the reporting period. When calculating the basic EPS, the weighted-average outstanding common shares during the reporting period is calculated based on the actual amount of shares distributed as employees' compensation under the resolution on the board of directors. In addition, since the employees' stock compensation is no longer regarded as a distribution of stock dividends, the Company did not adjust the effects on the basic and diluted earnings per share retroactively.

(22) Supplemental cash flow information

A. Investing and financing activities with partial cash payments:

		For the six-month periods ended June 30,	
		2022	2021
(a) Purchase of property, plant and equipment	\$	284,543	\$ 428,573
Add: Beginning balance of payable on equipment (Other payables)		37,061	89,764
Less: Ending balance of payable on equipment (Other payables)	(	27,734)	(21,281)
Capitalization of interest	(	288)	(171)
Cash paid for acquisition of property, plant and equipment	\$	293,582	\$ 496,885
		For the six-month periods ended June 30,	
		2022	2021
(b) Cash dividends distribution	\$	1,109,454	\$ 1,826,710
Less: Ending balance of payable on cash dividends (Other payables)	(	1,109,454)	(1,826,710)
Cash paid for cash dividends distribution	\$	-	\$ -

B. Financing activities with no cash flow effects

		For the six-month periods ended June 30,			
		2022		2021	
Accrued employees' compensation transferred to stock dividends to be distributed		\$	122,300	\$	-
(23) <u>Changes in liabilities from financing activities</u>					
	Long-term borrowings (Including current portion)	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross	
At January 1, 2022	\$ 3,803,312	\$ 12,622,855	\$ 11,731	\$ 16,437,898	
Changes in cash flow from financing activities	(364,269)	(806,221)	6,701	(1,163,789)	
Changes in other non-cash items	-	211,024	-	211,024	
At June 30, 2022	<u>\$ 3,439,043</u>	<u>\$ 12,027,658</u>	<u>\$ 18,432</u>	<u>\$ 15,485,133</u>	
	Long-term borrowings (Including current portion)	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross	
At January 1, 2021	\$ 2,386,636	\$ 12,487,877	\$ 13,232	\$ 14,887,745	
Changes in cash flow from financing activities	1,416,914	(735,859)	700	681,755	
Changes in other non-cash items	-	1,100,845	-	1,100,845	
At June 30, 2021	<u>\$ 3,803,550</u>	<u>\$ 12,852,863</u>	<u>\$ 13,932</u>	<u>\$ 16,670,345</u>	

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Chen Chien Tsao	Key management of the Company

(2) Significant related party transactions

Lease transactions — lessee

A. The Company leases office from the key management of the Company. Rental contracts are typically made for 3 years. Rents are paid at the end of the month.

B. Acquisition of right-of-use assets

	June 30, 2022	December 31, 2021	June 30, 2021
Key management of the Company	\$ 7,390	\$ -	\$ 1,474

C. Lease liabilities

(a) Outstanding balance

	June 30, 2022	December 31, 2021	June 30, 2021
Key management of the Company	\$ 7,408	\$ -	\$ 1,396

Classified as “Current lease liabilities” and “Non-current lease liabilities”.

(b) Interest expense

	For the three-month periods ended June 30,	
	2022	2021
Key management of the Company	\$ 20	\$ 6
	For the six-month periods ended June 30,	
	2022	2021
Key management of the Company	\$ 41	\$ 13

(3) Key management compensation

	For the three-month periods ended June 30,	
	2022	2021
Salaries and other short-term employee benefits	\$ 4,437	\$ 4,439
	For the six-month periods ended June 30,	
	2022	2021
Salaries and other short-term employee benefits	\$ 10,951	\$ 8,970

8. PLEDGED ASSETS

The Company’s assets pledged as collateral are as follows:

Assets	June 30, 2022	December 31, 2021	June 30, 2021	Purpose of collateral
Demand deposits (Note)	\$ 7,237	\$ 7,237	\$ 7,237	Performance guarantee
Certificate of deposit (Note)	12,050	12,050	9,050	Refundable deposits
	\$ 19,287	\$ 19,287	\$ 16,287	

(Note) Classified as “Other current financial assets” and “Other non-current financial assets”.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Capital expenditures contracted for but not yet incurred

	June 30, 2022	December 31, 2021	June 30, 2021
Property, plant and equipment	\$ 50,261	\$ 34,827	\$ 16,691

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

The Company's financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other current financial assets, refundable deposits, other non-current financial assets, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and guarantee deposits received are based on their book value as book value approximates fair value. In addition, the fair value information of financial instruments measured at fair value is described in Note 12 (3), "Fair value information".

B. Financial risk management policies

The Company adopts a comprehensive risk management system to identify all risks (including market risk, credit risk and liquidity risk) and to enable key management to measure and control all risks. The Company's objectives when managing market risk are achieving optimal risk exposure, maintaining appropriate liquidity and managing all market risks centrally by taking into account the economic environment, competition and market risk.

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange risk

Since the main transactions of the Company are denominated in New Taiwan dollars, the Company is not engaged in foreign exchange contracts. Therefore, the Company is not exposed to significant foreign exchange risk.

II. Price risk

The Company is not engaged in any financial instrument or derivatives investment, hence is not exposed to price risk.

III. Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During the six-month periods ended June 30, 2022 and 2021, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.

- ii. The Company's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate had increased/decreased by 10% with all other variables held constant, other comprehensive income for the six-month periods ended June 30, 2022 and 2021 would have decreased/increased by \$1,627 and \$922, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- II. The Company manages its credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Company's credit policy, the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- III. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over certain number of days.
- IV. The Company classifies customers' accounts receivable in accordance with credit risk on trade. The Company applies the modified approach using the provision matrix to estimate expected credit loss.
- V. The Company uses the forecast to adjust historical and timely information to assess the default possibility of accounts receivable. As of June 30, 2022 and 2021, the Company's expected loss rate used in not past due accounts receivable is immaterial, and the Company has no past due accounts receivable.
- VI. The Company did not recognize the immaterial impairment losses when applying the modified approach for the six-month periods ended June 30, 2022 and 2021.

(c) Liquidity risk

I. Cash flow forecasting is performed by the Company. The Company's Finance Department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

II. The Company has the following undrawn borrowing facilities:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Floating rate:			
Expiring within one year	\$ 2,004,290	\$ 1,519,147	\$ 85,000
Expiring beyond one year	<u>2,091,666</u>	<u>1,610,541</u>	<u>1,546,451</u>
	<u>\$ 4,095,956</u>	<u>\$ 3,129,688</u>	<u>\$ 1,631,451</u>

III. The table below analyses the Company's non-derivative financial liabilities and relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>June 30, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities				
Notes payable	\$ 62,318	\$ -	\$ -	\$ -
Accounts payable	2,012,612	-	-	-
Other payables	1,618,758	-	-	-
Lease liabilities	1,713,349	1,675,236	4,128,059	5,167,744
(including current and non-current portion)				
Long-term borrowings	1,729,315	1,363,287	383,280	-
(including current portion)				
Guarantee deposits received	-	18,432	-	-

<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities				
Notes payable	\$ 44,051	\$ -	\$ -	\$ -
Accounts payable	2,591,389	-	-	-
Other payables	673,506	-	-	-
Lease liabilities (including current and non-current portion)	1,700,293	1,701,697	4,264,560	5,679,695
Long-term borrowings (including current portion)	1,628,001	1,108,669	1,102,632	-
Guarantee deposits received	-	11,731	-	-
<u>June 30, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities				
Notes payable	\$ 52,996	\$ -	\$ -	\$ -
Accounts payable	1,462,398	-	-	-
Other payables	2,449,842	-	-	-
Lease liabilities (including current and non-current portion)	1,595,653	1,679,493	4,304,081	6,037,968
Long-term borrowings (including current portion)	1,498,911	1,094,153	1,245,957	-
Guarantee deposits received	-	13,932	-	-

(3) Fair value information

The Company had no fair value financial instruments as of June 30, 2022, December 31, 2021 and June 30, 2021.

(4) Others

Due to the Covid-19 pandemic and the establishment of the government's multiple preventive measures, the necessity for in-store shopping has decreased. As a result, the Company has adapted some measures such as enhancing its online shopping website in response to the change in the consumers' consumption pattern under the pandemic and maintaining close coordination with suppliers to strictly control the Company's inventory level. However, the impact of the Covid-19 pandemic on the Company's operations will still depend on the future outcome of the pandemic.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transaction information

(In accordance with the current regulatory requirements, the Company is only required to disclose the information for the six-month period ended June 30, 2022.)

A. Loans to others: None.

B. Provision of endorsements and guarantee to others provided: None.

- C. Holding of marketable securities at the end of the period: None.
- D. Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Total purchases or sales of goods from or to related parties reaching \$100 million or 20% of the paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of the paid-in capital or more: None.
- I. Derivative financial instruments undertaken: None.
- J. Significant inter-company transactions: None.

(2) Disclosure information of investee company

(In accordance with the current regulatory requirements, the Company is only required to disclose the information for the six-month period ended June 30, 2022.)
None.

(3) Disclosure information on indirect investments in Mainland China

(In accordance with the current regulatory requirements, the Company is only required to disclose the information for the six-month period ended June 30, 2022.)
As of June 30, 2022, the Company had no investments in Mainland China.

(4) Major shareholders information

Major shareholders information: Refer to table 1.

14. SEGMENT INFORMATION

(1) General information

The Company operates business only in a single industry. The Company's chief operating decision-maker, who allocates resources and assesses performance of the Company as a whole, has identified that the Company has only one reportable operating segment.

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

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

	For the six-month periods ended June 30,	
	2022	2021
	Retailing	Retailing
Segment revenue	\$ 9,085,477	\$ 8,515,384
Revenue from external customers (net)	9,085,477	8,515,384
Depreciation	1,190,905	1,119,568
Finance cost	82,477	72,824
Segment pre-tax profit	987,515	1,113,852
Segment assets	24,258,740	24,818,515
Segment liabilities	19,470,347	20,926,221

(3) Reconciliation for segment (loss) income

The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. The segment income reported to the chief operating decision-maker is measured in a manner consistent with that in the financial statements. Therefore, a reconciliation is not needed.

POYA INTERNATIONAL CO., LTD.

Major shareholders information

June 30, 2022

Table 1

In thousands of shares

Name of the key shareholder	Number of shares	Ownership (%)	Footnote
Duo Chin Investment Co., Ltd.	8, 415	8. 34%	—
Poya Investment Co., Ltd.	8, 251	8. 18%	—
Chen Ching Investment Co., Ltd.	7, 759	7. 69%	—
Kuai Wei Investment Co., Ltd.	6, 654	6. 59%	—
Chen Zong-Cheng	6, 320	6. 26%	—

Note: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded in the financial statements is different from the actual number of shares issued in dematerialised form because of the different calculation basis.