

**POYA INTERNATIONAL CO., LTD.**

**FINANCIAL STATEMENTS AND INDEPENDENT**

**AUDITORS' REVIEW REPORT**

**MARCH 31, 2022 AND 2021**

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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 March 31, 2022 and 2021, and the related statements of comprehensive income, of changes in equity and of cash flows for the three-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 March 31, 2022 and 2021, and of its financial performance and its cash flows for the three-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

April 25, 2022

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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 March 31, 2022 and 2021 are reviewed, not audited)

Assets			March 31, 2022		December 31, 2021		March 31, 2021				
			AMOUNT	%	AMOUNT	%	AMOUNT	%			
Current assets											
1100	Cash and cash equivalents	6(1)	\$	3,429,848	14	\$	2,861,041	12	\$	1,860,682	8
1150	Notes receivable, net	6(2)		7,548	-		22,021	-		10,471	-
1170	Accounts receivable, net	6(2)		533,032	2		1,019,231	4		505,440	2
1200	Other receivables			4,447	-		4,649	-		7,088	-
130X	Inventories	6(3)		4,531,672	18		4,410,665	18		4,409,549	19
1410	Prepayments	6(4)		101,818	-		72,915	-		87,944	-
1476	Other current financial assets	8		8,287	-		8,287	-		8,287	-
11XX	Total current assets			8,616,652	34		8,398,809	34		6,889,461	29
Non-current assets											
1600	Property, plant and equipment, net	6(5)		3,566,704	14		3,516,508	14		3,465,229	15
1755	Right-of-use assets	6(6) and 7		12,426,985	50		12,624,534	50		12,845,742	54
1840	Deferred income tax assets	6(20)		27,644	-		26,637	-		23,822	-
1920	Refundable deposits	6(6)		420,478	2		418,817	2		403,203	2
1980	Other non-current financial assets	8		11,000	-		11,000	-		8,000	-
1990	Other non-current assets			13,707	-		13,926	-		14,132	-
15XX	Total non-current assets			16,466,518	66		16,611,422	66		16,760,128	71
1XXX	Total assets		\$	25,083,170	100	\$	25,010,231	100	\$	23,649,589	100

(Continued)

POYA INTERNATIONAL CO., LTD.

BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

Liabilities and Equity		Notes	March 31, 2022		December 31, 2021		March 31, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2130	Current contract liabilities	6(13)	\$ 80,518	-	\$ 69,643	-	\$ 45,108	-
2150	Notes payable		57,208	-	44,051	-	54,298	-
2170	Accounts payable		2,164,972	9	2,591,389	10	2,127,867	9
2200	Other payables	6(7)	586,538	3	673,506	3	2,429,749	1
2230	Current income tax liabilities	6(20)	330,618	1	203,131	1	451,390	2
2280	Current lease liabilities	6(6) and 7	1,587,329	6	1,566,148	6	1,450,114	6
2310	Receipts in advance		696	-	102	-	694	-
2320	Long-term liabilities, current portion	6(8)						
			1,733,141	7	1,612,740	7	1,171,728	5
21XX	Total current liabilities		6,541,020	26	6,760,710	27	7,730,948	33
Non-current liabilities								
2540	Long-term borrowings	6(8)	2,202,261	9	2,190,572	9	921,975	4
2570	Deferred income tax liabilities	6(20)	5,408	-	5,408	-	5,051	-
2580	Non-current lease liabilities	6(6) and 7	10,830,873	43	11,056,707	44	11,363,681	48
2640	Net defined benefit liabilities- non-current	6(9)	845	-	1,351	-	6,781	-
2645	Guarantee deposits received		14,065	-	11,731	-	13,512	-
25XX	Total non-current liabilities		13,053,452	52	13,265,769	53	12,311,000	52
2XXX	Total liabilities		19,594,472	78	20,026,479	80	20,041,948	85
Equity								
	Share capital	6(10)(12)						
3110	Common stock		1,008,595	4	1,008,595	4	976,850	4
3200	Capital surplus	6(10)(11)	777,480	3	777,480	3	640,419	3
	Retained earnings	6(10)(12)						
3310	Legal reserve		1,280,125	5	1,280,125	5	1,069,392	4
3350	Unappropriated retained earnings		2,422,498	10	1,917,552	8	920,980	4
3XXX	Total equity		5,488,698	22	4,983,752	20	3,607,641	15
Significant Contingent Liabilities 9								
and Unrecognized Contract								
Commitments								
3X2X	Total liabilities and equity		\$ 25,083,170	100	\$ 25,010,231	100	\$ 23,649,589	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)

			For the three-month periods ended March 31,			
			2022		2021	
Items		Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(13)	\$ 4,713,273	100	\$ 4,721,778	100
5000	Operating costs	6(3)(9)(18)(19)	( 2,683,986)	( 57)	( 2,619,111)	( 56)
5900	Net operating margin		2,029,287	43	2,102,667	44
	Operating expenses	6(9)(18)(19) and 7				
6100	Selling expenses		( 1,226,095)	( 26)	( 1,174,901)	( 25)
6200	General and administrative expenses		( 154,036)	( 3)	( 153,197)	( 3)
6000	Total operating expenses		( 1,380,131)	( 29)	( 1,328,098)	( 28)
6900	Operating profit		649,156	14	774,569	16
	Non-operating income and expenses					
7100	Interest income	6(14)	544	-	433	-
7010	Other income	6(15)	22,477	1	18,870	1
7020	Other gains and losses	6(6)(16)	-	-	103	-
7050	Finance costs	6(5)(6)(17) and 7	( 40,739)	( 1)	( 35,874)	( 1)
7000	Total non-operating income and expenses		( 17,718)	-	( 16,468)	-
7900	Profit before income tax		631,438	14	758,101	16
7950	Income tax expense	6(20)	( 126,492)	( 3)	( 151,702)	( 3)
8200	Net income for the period		\$ 504,946	11	\$ 606,399	13
8500	Total comprehensive income for the period		\$ 504,946	11	\$ 606,399	13
	Earnings per share (in dollars)	6(21)				
9750	Basic		\$ 5.01		\$ 6.02	
9850	Diluted		\$ 5.00		\$ 6.01	

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 Surplus	Retained Earnings		
		Additional		Unappropriated	
Notes	Common stock	paid-in capital	Legal reserve	retained earnings	Total equity
<u>For the three-month period ended March 31, 2021</u>					
Balance at January 1, 2021	\$ 976,850	\$ 640,419	\$ 1,069,392	\$ 2,141,291	\$ 4,827,952
Net income for the three-month period ended March 31, 2021	-	-	-	606,399	606,399
Total comprehensive income for the three-month period ended March 31, 2021	-	-	-	606,399	606,399
Distribution of 2020 net income :					
Cash dividends	6(12)	-	-	( 1,826,710 )	( 1,826,710 )
Balance at March 31, 2021	\$ 976,850	\$ 640,419	\$ 1,069,392	\$ 920,980	\$ 3,607,641
<u>For the three-month period ended March 31, 2022</u>					
Balance at January 1, 2022	\$1,008,595	\$ 777,480	\$ 1,280,125	\$ 1,917,552	\$ 4,983,752
Net income for the three-month period ended March 31, 2022	-	-	-	504,946	504,946
Total comprehensive income for the three-month period ended March 31, 2022	-	-	-	504,946	504,946
Balance at March 31, 2022	\$1,008,595	\$ 777,480	\$ 1,280,125	\$ 2,422,498	\$ 5,488,698

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 three-month periods ended March 31,	
	Notes	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 631,438	\$ 758,101
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5)(6)(18)	593,472	553,023
Loss on disposal of property, plant and equipment	6(16)	-	358
Gain from lease modification	6(6)(16)	-	( 461 )
Interest income	6(14)	( 544 )	( 433 )
Interest expense	6(17)	40,739	35,874
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		14,473	199
Accounts receivable		486,199	459,152
Other receivables		202	( 2,658 )
Inventories	(	121,007 )	( 333,016 )
Prepayments	(	28,903 )	( 49,378 )
Changes in operating liabilities			
Current contract liabilities		10,875	12,029
Notes payable		13,157	80
Accounts payable	(	426,417 )	( 244,564 )
Other payables	(	86,585 )	( 46,393 )
Receipts in advance		594	688
Net defined benefit liabilities-non-current	(	506 )	( 437 )
Cash inflow generated from operations		1,127,187	1,142,164
Interest received		544	433
Interest paid	(	40,739 )	( 35,874 )
Income tax paid	(	12 )	-
Net cash flows from operating activities		<u>1,086,980</u>	<u>1,106,723</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	6(22)	( 216,992 )	( 288,922 )
Interest paid for acquisition of property, plant and equipment	6(5)(17)(22)	( 120 )	( 57 )
Acquisition of right-of-use assets	6(6)	( 33,034 )	( 19,529 )
Increase in refundable deposits	(	1,661 )	( 7,369 )
Decrease in other non-current assets		219	1,242
Net cash flows used in investing activities	(	<u>251,588</u>	( <u>314,635</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term borrowings	6(23)	600,000	-
Repayment of long-term borrowings	6(23)	( 467,910 )	( 292,933 )
Repayment of lease principal	6(23)	( 401,009 )	( 362,867 )
Increase in guarantee deposits received	6(23)	2,334	280
Net cash flows used in financing activities	(	<u>266,585</u>	( <u>655,520</u> )
Net increase in cash and cash equivalents		568,807	136,568
Cash and cash equivalents at beginning of period	6(1)	<u>2,861,041</u>	<u>1,724,114</u>
Cash and cash equivalents at end of period	6(1)	<u>\$ 3,429,848</u>	<u>\$ 1,860,682</u>

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



POYA INTERNATIONAL CO., LTD.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 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 April 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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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

None.

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

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

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

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. Please 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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Cash:			
Cash on hand	\$ 41,008	\$ 41,823	\$ 38,854
Checking deposits and demand deposits	3,385,858	2,810,027	1,821,828
	<u>3,426,866</u>	<u>2,851,850</u>	<u>1,860,682</u>
Cash equivalents:			
Quintuple stimulus voucher	2,982	9,191	-
	<u>\$ 3,429,848</u>	<u>\$ 2,861,041</u>	<u>\$ 1,860,682</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 March 31, 2022, December 31, 2021 and March 31, 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

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivable	\$ 7,548	\$ 22,021	\$ 10,471
Accounts receivable - sponsorship	\$ 481,471	\$ 927,220	\$ 471,963
Accounts receivable - customers	51,561	92,011	33,477
	<u>\$ 533,032</u>	<u>\$ 1,019,231</u>	<u>\$ 505,440</u>

- A. The Company has no past due accounts receivable as of March 31, 2022, December 31, 2021 and March 31, 2021.
- B. As of March 31, 2022, December 31, 2021 and March 31, 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 March 31, 2022, December 31, 2021 and March 31, 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 March 31, 2022, December 31, 2021 and March 31, 2021.
- E. Information relating to credit risk of accounts receivable is provided in Note 12(2), "Financial instruments".

(3) Inventories

March 31, 2022			
	Cost	Allowance for price decline of inventories	Carrying amount
Merchandise	<u>\$ 4,531,672</u>	<u>\$ -</u>	<u>\$ 4,531,672</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>
March 31, 2021			
	Cost	Allowance for price decline of inventories	Carrying amount
Merchandise	<u>\$ 4,409,549</u>	<u>\$ -</u>	<u>\$ 4,409,549</u>

The cost of inventories recognized as expense for the year:

For the three-month periods ended March 31,			
	2022		2021
Cost of inventories sold	\$ 2,672,961	\$	2,610,869
Loss on physical inventory	11,025		8,242
	<u>\$ 2,683,986</u>	<u>\$</u>	<u>2,619,111</u>

(4) Prepayments

	March 31, 2022	December 31, 2021	March 31, 2021
Overpaid value-added tax	\$ 42,206	\$ 21,189	\$ 52,084
Other prepaid expenses	59,612	51,726	35,860
	<u>\$ 101,818</u>	<u>\$ 72,915</u>	<u>\$ 87,944</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 three-month period ended March 31, 2022</u>						
At January 1	\$ 21,696	\$ 670,685	\$ 2,377,966	\$ 393,278	\$ 52,883	\$ 3,516,508
Additions	-	-	-	-	216,729	216,729
Transferred after acceptance inspection	-	44,914	149,403	24,243	( 218,560)	-
Depreciation	( 1,897)	( 61,683)	( 93,531)	( 9,422)	-	( 166,533)
Disposal-Cost	-	( 59,848)	( 64,121)	( 3,654)	-	( 127,623)
-Accumulated depreciation	-	59,848	64,121	3,654	-	127,623
At March 31	<u>\$ 19,799</u>	<u>\$ 653,916</u>	<u>\$ 2,433,838</u>	<u>\$ 408,099</u>	<u>\$ 51,052</u>	<u>\$ 3,566,704</u>
<u>At March 31, 2022</u>						
Cost	\$ 37,943	\$ 1,264,705	\$ 3,847,714	\$ 523,690	\$ 51,052	\$ 5,725,104
Accumulated depreciation	( 18,144)	( 610,789)	( 1,413,876)	( 115,591)	-	( 2,158,400)
	<u>\$ 19,799</u>	<u>\$ 653,916</u>	<u>\$ 2,433,838</u>	<u>\$ 408,099</u>	<u>\$ 51,052</u>	<u>\$ 3,566,704</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 three-month period ended March 31, 2021</u>						
At January 1	\$ 22,568	\$ 701,367	\$ 2,295,840	\$ 345,685	\$ 13,341	\$ 3,378,801
Additions	-	-	-	-	247,715	247,715
Transferred after acceptance inspection	3,653	80,766	141,269	28,225	( 253,913)	-
Depreciation	( 1,801)	( 61,986)	( 88,635)	( 8,507)	-	( 160,929)
Disposal-Cost	( 1,788)	( 33,707)	( 58,215)	( 3,284)	-	( 96,994)
-Accumulated depreciation	<u>1,430</u>	<u>33,707</u>	<u>58,215</u>	<u>3,284</u>	<u>-</u>	<u>96,636</u>
At March 31	<u>\$ 24,062</u>	<u>\$ 720,147</u>	<u>\$ 2,348,474</u>	<u>\$ 365,403</u>	<u>\$ 7,143</u>	<u>\$ 3,465,229</u>
<u>At March 31, 2021</u>						
Cost	\$ 35,209	\$ 1,291,709	\$ 3,603,519	\$ 463,757	\$ 7,143	\$ 5,401,337
Accumulated depreciation	( 11,147)	( 571,562)	( 1,255,045)	( 98,354)	-	( 1,936,108)
	<u>\$ 24,062</u>	<u>\$ 720,147</u>	<u>\$ 2,348,474</u>	<u>\$ 365,403</u>	<u>\$ 7,143</u>	<u>\$ 3,465,229</u>

- A. The property, plant and equipment were all owner-occupied as of March 31, 2022, December 31, 2021 and March 31, 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 March 31,	
	2022	2021
Amount capitalized	\$ 120	\$ 57
Interest rate range	0.83% ~ 1.20%	0.96% ~ 1.00%

- C. As of March 31, 2022, December 31, 2021 and March 31, 2021, no property, plant and equipment were 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 March 31, 2022, December 31, 2021 and March 31, 2021, the amount of deposits paid in accordance with the lease contracts was \$415,836, \$411,636 and \$397,921, respectively and was classified as refundable deposits.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
	Carrying amount	Carrying amount	Carrying amount
Buildings and structures	\$ 12,404,593	\$ 12,600,598	\$ 12,831,434
Machinery and equipment	15,751	16,990	7,488
Other equipment	6,641	6,946	6,820
	<u>\$ 12,426,985</u>	<u>\$ 12,624,534</u>	<u>\$ 12,845,742</u>

	For the three-month periods ended March 31,	
	2022	2021
	Depreciation charge	Depreciation charge
Buildings and structures	\$ 425,223	\$ 391,078
Machinery and equipment	1,411	749
Other equipment	305	267
	<u>\$ 426,939</u>	<u>\$ 392,094</u>

- D. For the three-month periods ended March 31, 2022 and 2021, the additions to right-of-use assets were \$33,034 and \$19,529, respectively, and the additions from remeasurement of right-of-use assets were \$196,356 and \$689,246, respectively.

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

	For the three-month periods ended March 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 34,231	\$ 33,392
Expense on short-term lease contracts	2,114	1,666
Expense on leases of low-value assets	48	21
Expense on variable lease payments	11,654	10,992
Gain from lease modification	- (	461)

F. For the three-month periods ended March 31, 2022 and 2021, the Company's total cash outflow for leases were \$482,090 and \$428,467, 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 91.54% 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.

(7) Other payables

	March 31, 2022	December 31, 2021	March 31, 2021
Dividends payable	\$ -	\$ -	\$ 1,826,710
Salaries and bonuses payable	218,678	298,390	204,411
Accrued employees' compensation and directors' remuneration	160,120	128,041	186,233
Equipment payable	36,678	37,061	48,500
Labor and health insurance payable	34,816	34,716	33,307
Others	136,246	175,298	130,588
	<u>\$ 586,538</u>	<u>\$ 673,506</u>	<u>\$ 2,429,749</u>



(8) Long-term borrowings

<u>Nature</u>	<u>Borrowing period</u>	<u>Range of interest rates</u>	<u>Collateral</u>	<u>March 31, 2022</u>
Long-term bank borrowings				
Unsecured bank borrowings	7.1.2019~ 2.8.2025	0.87%~1.20%	None	\$ 3,935,402
Less: Current portion of long-term borrowings				( 1,733,141)
				<u>\$ 2,202,261</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>March 31, 2021</u>
Long-term bank borrowings				
Unsecured bank borrowings	7.1.2019~ 12.18.2023	0.87%~1.16%	None	\$ 2,093,703
Less: Current portion of long-term borrowings				( 1,171,728)
				<u>\$ 921,975</u>

For more information about interest expenses recognized by the Company for the three-month periods ended March 31, 2022 and 2021, please 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 \$44 and \$53 for the three-month periods ended March 31, 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 ended March 31, 2022 and 2021 were \$23,811 and \$22,666, respectively.

(10) Common stock

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

	<u>For the three-month periods ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Balance as at January 1 and March 31	<u>100,859</u>	<u>97,685</u>

- 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. As approved by the Securities and Futures Bureau, Financial Supervisory Commission, the effective date of the capitalization was set on October 4, 2021. 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. As of March 31, 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). During the meeting on April 25, 2022, the Board of Directors resolved for the distribution of cash dividends from 2021 earnings of \$1,109,454 (\$11 dollars per share) 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 March 31,	
	2022	2021
Merchandise sales	\$ 4,682,745	\$ 4,689,390
License income	30,528	32,388
	<u>\$ 4,713,273</u>	<u>\$ 4,721,778</u>

B. Contract assets and liabilities

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

	March 31, 2022	January 1, 2022 (December 31, 2021)	March 31, 2021	January 1, 2021
Contract liabilities:				
– Customer loyalty programmes	\$ 55,486	\$ 49,252	\$ 36,126	\$ 31,813
– Unearned receipts	25,032	20,391	8,982	1,266
	<u>\$ 80,518</u>	<u>\$ 69,643</u>	<u>\$ 45,108</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 ended March 31, 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 three-month periods ended March 31,	
	2022	2021
Revenue recognized that was included in the contract liability balance at the beginning of the year		
Customer loyalty programmes	\$ 12,806	\$ 6,548
Unearned receipts	20,391	1,266
	<u>\$ 33,197</u>	<u>\$ 7,814</u>

(14) Interest income

	For the three-month periods ended March 31,	
	2022	2021
Interest income from bank deposits	\$ 132	\$ 44
Other interest income	412	389
	<u>\$ 544</u>	<u>\$ 433</u>

(15) Other income

	For the three-month periods ended March 31,	
	2022	2021
Rental income	\$ 9,614	\$ 9,365
Other income	12,863	9,505
	<u>\$ 22,477</u>	<u>\$ 18,870</u>

(16) Other gains and losses

	For the three-month periods ended March 31,	
	2022	2021
Loss on disposal of property, plant and equipment	\$ -	(\$ 358)
Gain from lease modification	-	461
	<u>\$ -</u>	<u>\$ 103</u>

(17) Finance costs

	For the three-month periods ended March 31,	
	2022	2021
Interest expense:		
Bank borrowings	\$ 9,427	\$ 5,502
Others	31,432	30,429
Less: Capitalization of qualifying assets	( 120)	( 57)
	<u>\$ 40,739</u>	<u>\$ 35,874</u>

(18) Expenses by nature

	For the three-month period ended March 31, 2022		
	Operating expenses	Operating costs	Total
Employee benefit expense	\$ 546,588	\$ 58,310	\$ 604,898
Depreciation	<u>\$ 557,176</u>	<u>\$ 36,296</u>	<u>\$ 593,472</u>
	For the three-month period ended March 31, 2021		
	Operating expenses	Operating costs	Total
Employee benefit expense	\$ 536,830	\$ 58,880	\$ 595,710
Depreciation	<u>\$ 519,728</u>	<u>\$ 33,295</u>	<u>\$ 553,023</u>

(19) Employee benefit expenses

	For the three-month period ended March 31, 2022		
<u>Full time employees</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Total</u>
Wages and salaries	\$ 419,368	\$ 22,648	\$ 442,016
Labor and health insurance expense	43,906	2,449	46,355
Pension costs	19,661	1,128	20,789
Other personnel expenses	2,593	-	2,593
	<u>\$ 485,528</u>	<u>\$ 26,225</u>	<u>\$ 511,753</u>

	For the three-month period ended March 31, 2022		
<u>Part time employees</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Total</u>
Wages and salaries	\$ 50,220	\$ 1,085	\$ 51,305
Labor and health insurance expense	7,774	-	7,774
Pension costs	3,066	-	3,066
Other personnel expenses	-	31,000	31,000
	<u>\$ 61,060</u>	<u>\$ 32,085</u>	<u>\$ 93,145</u>

	For the three-month period ended March 31, 2021		
<u>Full time employees</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Total</u>
Wages and salaries	\$ 406,440	\$ 24,414	\$ 430,854
Labor and health insurance expense	40,821	2,353	43,174
Pension costs	18,193	1,075	19,268
Other personnel expenses	2,521	-	2,521
	<u>\$ 467,975</u>	<u>\$ 27,842</u>	<u>\$ 495,817</u>

	For the three-month period ended March 31, 2021		
<u>Part time employees</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Total</u>
Wages and salaries	\$ 56,868	\$ 1,090	\$ 57,958
Labor and health insurance expense	8,536	-	8,536
Pension costs	3,451	-	3,451
Other personnel expenses	-	29,948	29,948
	<u>\$ 68,855</u>	<u>\$ 31,038</u>	<u>\$ 99,893</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 ended March 31, 2022 and 2021, employees' compensation was accrued at \$31,200 and \$39,200, respectively; while directors' remuneration was accrued at \$1,320 and \$1,320, 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. In addition, the employees' compensation and directors' remuneration of the Company has not yet been paid as of March 31, 2022.
- 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:

	For the three-month periods ended March 31,	
	2022	2021
Current income tax:		
Current tax on profits for the period	\$ 127,499	\$ 152,694
Deferred tax:		
Origination and reversal of temporary differences	( 1,007)	( 992)
Income tax expense	\$ 126,492	\$ 151,702

- B. As of April 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 March 31, 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	\$ 504,946	100,859	\$ 5.01
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 504,946	100,859	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	87	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 504,946	100,946	\$ 5.00
For the three-month period ended March 31, 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	\$ 606,399	100,718	\$ 6.02
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 606,399	100,718	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	215	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 606,399	100,933	\$ 6.01

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, 2020.



(22) Supplemental cash flow information

A. Investing and financing activities with partial cash payments:

	For the three-month periods ended March 31,	
	2022	2021
(a) Purchase of property, plant and equipment	\$ 216,729	\$ 247,715
Add: Beginning balance of payable on equipment (Other payables)	37,061	89,764
Less: Ending balance of payable on equipment (Other payables)	( 36,678)	( 48,500)
Capitalization of interest	( 120)	( 57)
Cash paid for acquisition of property, plant and equipment	<u>\$ 216,992</u>	<u>\$ 288,922</u>
	For the three-month periods ended March 31,	
	2022	2021
(b) Cash dividends distribution	\$ -	\$ 1,826,710
Less: Ending balance of payable on cash dividends (Other payables)	-	( 1,826,710)
Cash paid for cash dividends distribution	<u>\$ -</u>	<u>\$ -</u>

(23) Changes in liabilities from financing activities

	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	132,090	( 401,009)	2,334	( 266,585)
Changes in other non-cash items	-	196,356	-	196,356
At March 31, 2022	<u>\$ 3,935,402</u>	<u>\$ 12,418,202</u>	<u>\$ 14,065</u>	<u>\$ 16,367,669</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	( 292,933)	( 362,867)	280	( 655,520)
Changes in other non-cash items	-	688,785	-	688,785
At March 31, 2021	<u>\$ 2,093,703</u>	<u>\$ 12,813,795</u>	<u>\$ 13,512</u>	<u>\$ 14,921,010</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

Names of related parties	Relationship with the Company
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

	March 31, 2022	December 31, 2021	March 31, 2021
Key management of the Company	<u>\$ 8,129</u>	<u>\$ -</u>	<u>\$ 2,211</u>

#### C. Lease liabilities

##### (a) Outstanding balance

	March 31, 2022	December 31, 2021	March 31, 2021
Key management of the Company	<u>\$ 8,139</u>	<u>\$ -</u>	<u>\$ 2,241</u>

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

##### (b) Interest expense

For the three-month periods ended March 31,	
2022	2021
\$ 21	\$ 7

### (3) Key management compensation

For the three-month periods ended March 31,	
2022	2021
\$ 6,514	\$ 4,531

## 8. PLEDGED ASSETS

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

Assets	March 31, 2022	December 31, 2021	March 31, 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
	<u>\$ 19,287</u>	<u>\$ 19,287</u>	<u>\$ 16,287</u>	

(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

	March 31, 2022	December 31, 2021	March 31, 2021
Property, plant and equipment	<u>\$ 41,553</u>	<u>\$ 34,827</u>	<u>\$ 2,911</u>

## 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 periods ended March 31, 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 three-month periods ended March 31, 2022 and 2021 would have decreased/increased by \$754 and \$440, 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 March 31, 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 three-month periods ended March 31, 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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Floating rate:			
Expiring within one year	\$ 1,920,073	\$ 1,519,147	\$ 377,000
Expiring beyond one year	<u>1,677,524</u>	<u>1,610,541</u>	<u>2,064,296</u>
	<u>\$ 3,597,597</u>	<u>\$ 3,129,688</u>	<u>\$ 2,441,296</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.

March 31, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities				
Notes payable	\$ 57,208	\$ -	\$ -	\$ -
Accounts payable	2,164,972	-	-	-
Other payables	586,538	-	-	-
Lease liabilities (including current and non-current portion)	1,719,585	1,704,405	4,227,922	5,463,300
Long-term borrowings (including current portion)	1,749,736	1,210,312	1,013,035	-
Guarantee deposits received	-	14,065	-	-
December 31, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
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	-	-
March 31, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities				
Notes payable	\$ 54,298	\$ -	\$ -	\$ -
Accounts payable	2,127,867	-	-	-
Other payables	2,429,749	-	-	-
Lease liabilities (including current and non-current portion)	1,583,753	1,642,167	4,276,837	6,084,638
Long-term borrowings (including current portion)	1,183,234	811,533	119,495	-
Guarantee deposits received	-	13,512	-	-

(3) Fair value information

The Company had no fair value financial instruments as of March 31, 2022, December 31, 2021 and March 31, 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 three-month period ended March 31, 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 three-month period ended March 31, 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 three-month period ended March 31, 2022.)  
As of March 31, 2022, the Company had no investments in Mainland China.

#### (4) Major shareholders information

Major shareholders information: Please 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 three-month periods ended March 31,	
	2022	2021
	Retailing	Retailing
Segment revenue	\$ 4,713,273	\$ 4,721,778
Revenue from external customers (net)	4,713,273	4,721,778
Depreciation	593,472	533,023
Finance cost	40,739	35,874
Segment pre-tax profit	631,438	758,101
Segment assets	25,083,170	23,649,589
Segment liabilities	19,594,472	20,041,948

(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

March 31, 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%	—
Chen Zong-Cheng	6,320	6.26%	—
Kuai Wei Investment Co., Ltd.	5,888	5.83%	—

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.