

POYA INTERNATIONAL CO., LTD.
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2021 AND 2020

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 September 30, 2021 and 2020, and the related statements of comprehensive income for the three-month and nine-month periods then ended, as well as the statements of changes in equity and of cash flows for the nine-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 September 30, 2021 and 2020, and of its financial performance for the three-month and nine-month periods then ended and its cash flows for the nine-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Lin, Tzu-Shu

Independent Accountants

Lin, Yung-Chih

PricewaterhouseCoopers, Taiwan

Republic of China

October 25, 2021

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 September 30, 2021 and 2020 are reviewed, not audited)

Assets		Notes	<u>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 30, 2020</u>	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 2,218,648	10	\$ 1,724,114	7	\$ 1,762,015	8
1150	Notes receivable, net	6(2)	10,693	-	10,670	-	9,260	-
1170	Accounts receivable, net	6(2)	799,766	3	964,592	4	844,545	4
1200	Other receivables		10,253	-	4,430	-	10,862	-
130X	Inventories	6(3)	3,878,346	17	4,076,533	18	3,779,351	17
1410	Prepayments	6(4)	55,135	-	38,566	-	21,459	-
1476	Other current financial assets	8	8,287	-	8,287	-	6,287	-
11XX	Total current assets		<u>6,981,128</u>	<u>30</u>	<u>6,827,192</u>	<u>29</u>	<u>6,433,779</u>	<u>29</u>
Non-current assets								
1600	Property, plant and equipment, net	6(5)	3,441,097	14	3,378,801	15	3,159,662	14
1755	Right-of-use assets	6(6) and 7	12,716,012	54	12,529,061	54	12,416,500	55
1840	Deferred income tax assets	6(20)	26,187	-	22,830	-	21,554	-
1920	Refundable deposits	6(6)	410,312	2	395,834	2	396,007	2
1980	Other non-current financial assets	8	11,000	-	8,000	-	8,000	-
1990	Other non-current assets		<u>13,941</u>	<u>-</u>	<u>15,374</u>	<u>-</u>	<u>14,734</u>	<u>-</u>
15XX	Total non-current assets		<u>16,618,549</u>	<u>70</u>	<u>16,349,900</u>	<u>71</u>	<u>16,016,457</u>	<u>71</u>
1XXX	Total assets		<u>\$ 23,599,677</u>	<u>100</u>	<u>\$ 23,177,092</u>	<u>100</u>	<u>\$ 22,450,236</u>	<u>100</u>

(Continued)

POYA INTERNATIONAL CO., LTD.

BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

Liabilities and Equity		Notes	September 30, 2021		December 31, 2020		September 30, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2130	Current contract liabilities	6(13)	\$ 66,530	-	\$ 33,079	-	\$ 32,740	-
2150	Notes payable		55,301	-	54,218	-	64,609	-
2170	Accounts payable		1,909,085	8	2,372,431	10	2,373,624	11
2200	Other payables	6(7)	542,406	2	690,696	3	565,689	3
2230	Current income tax liabilities	6(20)	63,691	-	298,696	2	165,782	1
2280	Current lease liabilities	6(6) and 7	1,504,879	7	1,413,632	6	1,354,798	6
2310	Receipts in advance		233	-	6	-	233	-
2320	Long-term liabilities, current portion	6(8)	1,575,424	7	1,171,728	5	1,191,728	5
21XX	Total current liabilities		5,717,549	24	6,034,486	26	5,749,203	26
Non-current liabilities								
2540	Long-term borrowings	6(8)	2,248,874	10	1,214,908	5	1,382,839	6
2570	Deferred income tax liabilities	6(20)	5,051	-	5,051	-	4,696	-
2580	Non-current lease liabilities	6(6) and 7	11,183,823	47	11,074,245	48	10,998,683	49
2640	Net defined benefit liabilities-non-current	6(9)	5,885	-	7,218	-	4,161	-
2645	Guarantee deposits received		11,762	-	13,232	-	10,353	-
25XX	Total non-current liabilities		13,455,395	57	12,314,654	53	12,400,732	55
2XXX	Total liabilities		19,172,944	81	18,349,140	79	18,149,935	81
Equity								
	Share capital	6(10)(12)						
3110	Common stock		976,850	4	976,850	4	976,850	4
3150	Stock dividends to be distributed		168,806	1	-	-	-	-
3200	Capital surplus	6(11)	640,419	3	640,419	3	640,419	3
	Retained earnings	6(12)						
3310	Legal reserve		1,280,125	5	1,069,392	5	1,069,392	5
3350	Unappropriated retained earnings		1,360,533	6	2,141,291	9	1,613,640	7
3XXX	Total equity		4,426,733	19	4,827,952	21	4,300,301	19
Significant Contingent Liabilities and Unrecognized Contract Commitments		9						
3X2X	Total liabilities and equity		\$ 23,599,677	100	\$ 23,177,092	100	\$ 22,450,236	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, except for earnings per share amounts)
(REVIEWED, BUT NOT AUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2021		2020		2021		2020	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(13)	\$ 4,208,425	100	\$ 4,763,486	100	\$ 12,723,809	100	\$ 12,969,645	100
5000 Operating costs	6(3)(9)(18)(19)	(2,377,769)	(57)	(2,630,066)	(55)	(7,158,230)	(56)	(7,363,136)	(57)
5900 Net operating margin		<u>1,830,656</u>	<u>43</u>	<u>2,133,420</u>	<u>45</u>	<u>5,565,579</u>	<u>44</u>	<u>5,606,509</u>	<u>43</u>
Operating expenses	6(9)(18)(19) and 7								
6100 Selling expenses		(1,181,000)	(28)	(1,104,023)	(23)	(3,504,294)	(28)	(3,226,541)	(25)
6200 General and administrative expenses		(138,843)	(3)	(153,042)	(4)	(434,633)	(3)	(413,638)	(3)
6000 Total operating expenses		(1,319,843)	(31)	(1,257,065)	(27)	(3,938,927)	(31)	(3,640,179)	(28)
6900 Operating profit		<u>510,813</u>	<u>12</u>	<u>876,355</u>	<u>18</u>	<u>1,626,652</u>	<u>13</u>	<u>1,966,330</u>	<u>15</u>
Non-operating income and expenses									
7100 Interest income	6(14)	299	-	309	-	1,287	-	1,827	-
7010 Other income	6(15)	12,098	1	16,110	1	50,135	1	44,698	1
7020 Other gains and losses	6(6)(16)	10,523	-	805	-	42,335	-	26,862	-
7050 Finance costs	6(5)(6)(17) and 7	(40,037)	(1)	(34,672)	(1)	(112,861)	(1)	(96,617)	(1)
7000 Total non-operating income and expenses		(17,117)	-	(17,448)	-	(19,104)	-	(23,230)	-
7900 Profit before income tax		493,696	12	858,907	18	1,607,548	13	1,943,100	15
7950 Income tax expense	6(20)	(98,757)	(3)	(171,810)	(4)	(321,557)	(3)	(363,419)	(3)
8200 Net income for the period		<u>\$ 394,939</u>	<u>9</u>	<u>\$ 687,097</u>	<u>14</u>	<u>\$ 1,285,991</u>	<u>10</u>	<u>\$ 1,579,681</u>	<u>12</u>
8500 Total comprehensive income for the period		<u>\$ 394,939</u>	<u>9</u>	<u>\$ 687,097</u>	<u>14</u>	<u>\$ 1,285,991</u>	<u>10</u>	<u>\$ 1,579,681</u>	<u>12</u>
Earnings per share (in dollars)	6(21)								
9750 Basic		<u>\$ 3.92</u>		<u>\$ 6.83</u>		<u>\$ 12.76</u>		<u>\$ 15.70</u>	
9850 Diluted		<u>\$ 3.91</u>		<u>\$ 6.81</u>		<u>\$ 12.72</u>		<u>\$ 15.66</u>	

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

PPOYA INTERNATIONAL CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, BUT NOT AUDITED)

		Capital	Stock	Capital Surplus	Retained Earnings		
	Notes	Common stock	dividends to be distributed	Additional paid-in capital	Legal reserve	Unappropriated retained earnings	Total equity
<u>For the nine-month period ended September 30, 2020</u>							
Balance at January 1, 2020		\$ 976,850	\$ -	\$ 640,419	\$ 883,463	\$ 1,890,302	\$ 4,391,034
Net income for the nine-month period ended September 30, 2020		-	-	-	-	1,579,681	1,579,681
Total comprehensive income for the nine-month period ended September 30, 2020		-	-	-	-	1,579,681	1,579,681
Distribution of 2019 net income:							
Legal reserve		-	-	-	185,929	(185,929)	-
Cash dividends	6(12)	-	-	-	-	(1,670,414)	(1,670,414)
Balance at September 30, 2020		<u>\$ 976,850</u>	<u>\$ -</u>	<u>\$ 640,419</u>	<u>\$ 1,069,392</u>	<u>\$ 1,613,640</u>	<u>\$ 4,300,301</u>
<u>For the nine-month period ended September 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 nine-month period ended September 30, 2021		-	-	-	-	1,285,991	1,285,991
Total comprehensive income for the nine-month period ended September 30, 2021		-	-	-	-	1,285,991	1,285,991
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)	-
Employees' stock compensation	6(10)	-	139,500	-	-	-	139,500
Balance at September 30, 2021		<u>\$ 976,850</u>	<u>\$ 168,806</u>	<u>\$ 640,419</u>	<u>\$ 1,280,125</u>	<u>\$ 1,360,533</u>	<u>\$ 4,426,733</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, BUT NOT AUDITED)

		For the nine-month periods ended September 30	
	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 1,607,548	\$ 1,943,100
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5)(6)(18)	1,692,848	1,467,937
Loss (gain) on disposal of property, plant and equipment	6(18)	312	(1,302)
Gain from lease modification	6(6)(16)	(42,647)	(28,660)
Interest income	6(14)	(1,287)	(1,827)
Interest expense	6(17)	112,861	96,617
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(23)	(4,761)
Accounts receivable		164,826	(162)
Other receivables		(5,823)	(8,909)
Inventories		198,187	(305,870)
Prepayments		(16,569)	4,481
Changes in operating liabilities			
Current contract liabilities		33,451	1,509
Notes payable		1,083	10,650
Accounts payable		(463,346)	347,295
Other payables		53,451	(46,985)
Receipts in advance		227	42
Net defined benefit liabilities-non-current		(1,333)	(1,340)
Cash inflow generated from operations		3,333,766	3,471,815
Interest received		1,287	1,827
Interest paid		(112,861)	(96,617)
Income tax paid		(559,919)	(455,957)
Net cash flows from operating activities		2,662,273	2,921,068
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(22)	(611,710)	(651,819)
Interest paid for acquisition of property, plant and equipment	6(5)(17)(22)	(257)	(548)
Proceeds from disposal of property, plant and equipment		1,934	2,127
Acquisition of right-of-use assets	6(6)	(59,701)	(59,867)
Increase in refundable deposits		(14,478)	(38,817)
Increase in other non-current financial assets		(3,000)	-
Decrease (increase) in other non-current assets		1,433	(626)
Net cash flows used in investing activities		(685,779)	(749,550)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings	6(23)	2,842,778	1,640,000
Repayment of long-term borrowings	6(23)	(1,405,116)	(724,352)
Repayment of lease principal	6(23)	(1,091,442)	(936,008)
(Decrease) increase in guarantee deposits received	6(23)	(1,470)	1,085
Cash dividends paid	6(12)	(1,826,710)	(1,670,414)
Net cash flows used in financing activities		(1,481,960)	(1,689,689)
Net increase in cash and cash equivalents		494,534	481,829
Cash and cash equivalents at beginning of period	6(1)	1,724,114	1,280,186
Cash and cash equivalents at end of period	6(1)	\$ 2,218,648	\$ 1,762,015

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

POYA INTERNATIONAL CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, BUT 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 reported to the Board of Directors on October 25, 2021.

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 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform-Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021 (Note)

Note : Earlier application from January 1, 2021 is allowed by the FSC.

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 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.	

(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
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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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.

(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.

(3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in New Taiwan Dollars, which is the Company’s functional and presentation currency.

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- D. In the statement of comprehensive income, all foreign exchange gains and losses are presented in “Other gains and losses”.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- a. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - b. Assets held mainly for trading purposes;
 - c. Assets that are expected to be realized within twelve months from the balance sheet date;
 - d. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- a. Liabilities that are expected to be paid off within the normal operating cycle;
- b. Liabilities arising mainly from trading activities;
- c. Liabilities that are to be paid off within twelve months from the balance sheet date;
- d. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(6) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(7) Inventories

Inventories are initially recognized at cost and at the end of the year, all inventories are stated at the lower of cost and net realizable value.

(8) Impairment of financial assets

At each reporting date, for accounts receivable that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime expected credit losses (ECLs).

(9) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive cash flows from the financial asset expire.

(10) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply the cost model. Except for land, other property, plant and equipment are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is

depreciated separately.

- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Asset</u>	<u>Useful lives</u>
Transportation equipment	5 years
Office equipment	2~15 years
Leasehold improvements	3~50 years
Other equipment	5~20 years

(11) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- The amount of the initial measurement of lease liability;
 - Any lease payments made at or before the commencement date;
 - Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

(12) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(13) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(14) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(15) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(16) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

a. Defined contribution plan

For the defined contribution plan, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent

of a cash refund or a reduction in the future payments.

b. Defined benefit plan

- I. The liability recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (at the balance sheet date).
- II. Remeasurement arising on defined benefit plan is recognized in other comprehensive income in the period in which they arise, and presented in retained earnings.
- III. 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.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(17) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that

at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. 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.

(18) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(19) Revenue recognition

- A. The Company operates a chain of retail stores selling daily supplies. Revenue from the sale of goods is recognized when the Company sells a product to the customer.
- B. Payment of the transaction price is due immediately when the customer purchases the product. It is the Company's policy to sell its products to the end customer with a right of return within a period. Therefore, a refund liability and a right to the returned goods (included in other current assets) are recognized for the products expected to be returned. Accumulated experience is used to estimate such returns using the expected value method. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.
- C. The Company operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience.

The stand-alone selling price of the product sold is estimated on the basis of the retail price. A contract liability is recognized for the transaction price which is allocated to the points and revenue is recognized when the points are redeemed or expire.

D. Commission revenue

In accordance with IFRS 15 'Revenue', revenue is recognized when the counters sell its goods. The Company's transactions are not subject to significant risks and rewards associated with the sale of goods or the rendering of service and conform to the definition of an agent. Accordingly, the counter's net revenue is recognized representing commissions earned.

(20) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

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

The preparation of these financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, and the related information is addressed below:

(1) Critical judgments in applying the Company's accounting policies

Revenue recognition on a net/gross basis

The Company determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Company is a principal) or to arrange for the other party to provide those goods or services (i.e. the Company is an agent) based on the transaction model and its economic substance. The Company is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Company recognizes revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Company is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Company recognizes revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

Indicators that the Company controls the good or service before it is provided to a customer include the following:

- A. The Company is primarily responsible for the provision of goods or services;
- B. The Company assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.
- C. The Company has discretion in establishing prices for the goods or services.

(2) Critical accounting estimates and assumptions

None.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash:			
Cash on hand	\$ 40,530	\$ 38,290	\$ 36,642
Checking deposits and demand deposits	<u>2,178,118</u>	<u>1,672,401</u>	<u>1,721,572</u>
	<u>2,218,648</u>	<u>1,710,691</u>	<u>1,758,214</u>
Cash equivalents:			
Triple stimulus voucher	-	13,423	3,801
	<u>\$ 2,218,648</u>	<u>\$ 1,724,114</u>	<u>\$ 1,762,015</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 September 30, 2021, December 31, 2020 and September 30, 2020, 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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes receivable	<u>\$ 10,693</u>	<u>\$ 10,670</u>	<u>\$ 9,260</u>
Accounts receivable - sponsorship	\$ 758,808	\$ 922,385	\$ 817,651
Accounts receivable - customers	<u>40,958</u>	<u>42,207</u>	<u>26,894</u>
	<u>\$ 799,766</u>	<u>\$ 964,592</u>	<u>\$ 844,545</u>

A. The Company has no past due accounts receivable as of September 30, 2021, December 31, 2020 and September 30, 2020.

B. As of September 30, 2021, December 31, 2020 and September 30, 2020, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021 and 2020, the balance of receivables (including notes receivable) from contracts with customers amounted to \$975,262 and \$848,882, respectively.

C. As at September 30, 2021, December 31, 2020 and September 30, 2020, 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 September 30, 2021, December 31, 2020 and September 30, 2020.

E. Information relating to credit risk of accounts receivable is provided in Note 12(2), "Financial instruments".

(3) Inventories

		September 30, 2021		
		Cost	Allowance for price decline of inventories	Carrying amount
Merchandise	\$	3,878,346	\$ -	\$ 3,878,346
		December 31, 2020		
		Cost	Allowance for price decline of inventories	Carrying amount
Merchandise	\$	4,076,533	\$ -	\$ 4,076,533
		September 30, 2020		
		Cost	Allowance for price decline of inventories	Carrying amount
Merchandise	\$	3,779,351	\$ -	\$ 3,779,351

The cost of inventories recognized as expense for the period:

		For the three-month periods ended September 30,	
		2021	2020
Cost of inventories sold	\$	2,377,752	\$ 2,615,057
Loss on physical inventory		17	15,009
	\$	2,377,769	\$ 2,630,066
		For the nine-month periods ended September 30,	
		2021	2020
Cost of inventories sold	\$	7,131,500	\$ 7,329,535
Loss on physical inventory		26,730	33,601
	\$	7,158,230	\$ 7,363,136

(4) Prepayments

	September 30, 2021	December 31, 2020	September 30, 2020
Overpaid value-added tax	\$ 3,043	\$ 17,550	\$ 6,026
Other prepaid expenses	52,092	21,016	15,433
	<u>\$ 55,135</u>	<u>\$ 38,566</u>	<u>\$ 21,459</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, 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 nine-month period ended September 30, 2021</u>						
At January 1	\$ 22,568	\$ 701,367	\$ 2,295,840	\$ 345,685	\$ 13,341	\$ 3,378,801
Additions	-	-	-	-	549,726	549,726
Transferred after acceptance inspection	8,916	172,609	299,227	59,257	(540,009)	-
Depreciation	(5,676)	(186,525)	(267,023)	(25,960)	-	(485,184)
Disposal-Cost	(4,317)	(127,073)	(145,262)	(13,441)	-	(290,093)
-Accumulated depreciation	<u>2,101</u>	<u>127,073</u>	<u>145,232</u>	<u>13,441</u>	<u>-</u>	<u>287,847</u>
At September 30	<u>\$ 23,592</u>	<u>\$ 687,451</u>	<u>\$ 2,328,014</u>	<u>\$ 378,982</u>	<u>\$ 23,058</u>	<u>\$ 3,441,097</u>
<u>At September 30, 2021</u>						
Cost	\$ 37,943	\$ 1,290,186	\$ 3,674,430	\$ 484,632	\$ 23,058	\$ 5,510,249
Accumulated depreciation	(14,351)	(602,735)	(1,346,416)	(105,650)	-	(2,069,152)
	<u>\$ 23,592</u>	<u>\$ 687,451</u>	<u>\$ 2,328,014</u>	<u>\$ 378,982</u>	<u>\$ 23,058</u>	<u>\$ 3,441,097</u>

	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>At January 1, 2020</u>						
Cost	\$ 27,761	\$ 1,143,288	\$ 3,043,066	\$ 377,471	\$ 26,434	\$ 4,618,020
Accumulated depreciation	(9,196)	(479,606)	(1,068,449)	(112,345)	-	(1,669,596)
	<u>\$ 18,565</u>	<u>\$ 663,682</u>	<u>\$ 1,974,617</u>	<u>\$ 265,126</u>	<u>\$ 26,434</u>	<u>\$ 2,948,424</u>
<u>For the nine-month period ended September 30, 2020</u>						
At January 1	\$ 18,565	\$ 663,682	\$ 1,974,617	\$ 265,126	\$ 26,434	\$ 2,948,424
Additions	-	-	-	-	643,768	643,768
Transferred after acceptance inspection	6,426	158,787	427,848	69,605	(662,666)	-
Depreciation	(4,371)	(168,727)	(235,282)	(23,325)	-	(431,705)
Disposal-Cost	(3,726)	(92,982)	(111,438)	(43,589)	-	(251,735)
-Accumulated depreciation	<u>3,360</u>	<u>92,982</u>	<u>110,979</u>	<u>43,589</u>	<u>-</u>	<u>250,910</u>
At September 30	<u>\$ 20,254</u>	<u>\$ 653,742</u>	<u>\$ 2,166,724</u>	<u>\$ 311,406</u>	<u>\$ 7,536</u>	<u>\$ 3,159,662</u>
<u>At September 30, 2020</u>						
Cost	\$ 30,461	\$ 1,209,093	\$ 3,359,476	\$ 403,487	\$ 7,536	\$ 5,010,053
Accumulated depreciation	(10,207)	(555,351)	(1,192,752)	(92,081)	-	(1,850,391)
	<u>\$ 20,254</u>	<u>\$ 653,742</u>	<u>\$ 2,166,724</u>	<u>\$ 311,406</u>	<u>\$ 7,536</u>	<u>\$ 3,159,662</u>

A. The property, plant and equipment were all owner-occupied as of September 30, 2021, December 31, 2020 and September 30, 2020.

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 September 30,	
	2021	2020
Amount capitalized	\$ 86	\$ 165
Interest rate range	0.95% ~ 0.97%	0.98% ~ 1.00%
	For the nine-month periods ended September 30,	
	2021	2020
Amount capitalized	\$ 257	\$ 548
Interest rate range	0.76% ~ 1.00%	0.89% ~ 1.20%

C. As of September 30, 2021, December 31, 2020 and September 30, 2020, 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 September 30, 2021, December 31, 2020 and September 30, 2020, the amount of deposits paid in accordance with the lease contracts was \$404,826, \$390,414 and \$387,677, respectively and was classified as refundable deposits.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
	Carrying amount	Carrying amount	Carrying amount
Buildings and structures	\$ 12,690,512	\$ 12,514,200	\$ 12,401,819
Machinery and equipment	18,210	8,237	9,048
Other equipment	7,290	6,624	5,633
	<u>\$ 12,716,012</u>	<u>\$ 12,529,061</u>	<u>\$ 12,416,500</u>
	For the three-month periods ended September 30,		
	2021	2020	
	Depreciation charge	Depreciation charge	
Buildings and structures	\$ 409,215	\$ 362,314	
Machinery and equipment	1,392	940	
Other equipment	308	231	
	<u>\$ 410,915</u>	<u>\$ 363,485</u>	

	For the nine-month periods ended September 30,	
	2021	2020
	Depreciation charge	Depreciation charge
Buildings and structures	\$ 1,203,184	\$ 1,032,258
Machinery and equipment	3,533	3,280
Other equipment	947	694
	<u>\$ 1,207,664</u>	<u>\$ 1,036,232</u>

D. For the three-month periods and the nine-month periods ended September 30, 2021 and 2020, the additions to right-of-use assets were \$17,204, \$28,155, \$59,701 and \$59,867, respectively, and the additions from remeasurement of right-of-use assets were \$201,838, \$938,849, \$1,334,914 and \$2,762,454, respectively.

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

	For the three-month periods ended September 30,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 33,939	\$ 31,069
Expense on short-term lease contracts	1,977	1,696
Expense on leases of low-value assets	48	21
Expense on variable lease payments	7,313	10,088
Gain from lease modification	(10,416)	(460)
	For the nine-month periods ended September 30,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 101,336	\$ 88,491
Expense on short-term lease contracts	7,448	6,271
Expense on leases of low-value assets	192	62
Expense on variable lease payments	24,387	24,171
Gain from lease modification	(42,647)	(28,660)

F. For the three-month periods and the nine-month periods ended September 30, 2021 and 2020, the Company's total cash outflow for leases were \$416,064, \$398,946, \$1,284,506 and \$1,114,870, 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 81.66% 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 Group 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 \$41,092 and \$28,861 for the nine-month periods ended September 30, 2021 and 2020, respectively.

(7) Other payables

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Salaries and bonuses payable	\$ 256,030	\$ 270,309	\$ 243,602
Rent payable	3,887	5,439	4,538
Accrued employees' remuneration and directors' remuneration	87,618	145,765	112,109
Equipment payable	27,523	89,764	54,048
Labor and health insurance payable	33,932	31,069	30,442
Others	133,416	148,350	120,950
	<u>\$ 542,406</u>	<u>\$ 690,696</u>	<u>\$ 565,689</u>

(8) Long-term borrowings

<u>Nature</u>	<u>Borrowing period</u>	<u>Range of interest rates</u>	<u>Collateral</u>	<u>September 30, 2021</u>
Long-term bank borrowings				
Unsecured bank borrowings	7.1.2019~ 9.30.2024	0.87%~1.16%	None	\$ 3,824,298
Less: Current portion of long-term borrowings				(1,575,424)
				<u>\$ 2,248,874</u>
<u>Nature</u>	<u>Borrowing period</u>	<u>Range of interest rates</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Long-term bank borrowings				
Unsecured bank borrowings	7.1.2019~ 12.18.2023	0.87%~1.16%	None	\$ 2,386,636
Less: Current portion of long-term borrowings				(1,171,728)
				<u>\$ 1,214,908</u>

<u>Nature</u>	<u>Borrowing period</u>	<u>Range of interest rates</u>	<u>Collateral</u>	<u>September 30, 2020</u>
Long-term bank borrowings				
Unsecured bank borrowings	7.1.2019~ 5.4.2023	0.87% ~ 1.16%	None	\$ 2,574,567
Less: Current portion of long-term borrowings				(1,191,728)
				<u>\$ 1,382,839</u>

For more information about interest expenses recognized by the Company for the three-month periods and the nine-month periods ended September 30, 2021 and 2020, 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:
- For the aforementioned pension plan, the Company recognized pension costs of \$53, \$56, \$158 and \$166 for the three-month periods and the nine-month periods ended September 30, 2021 and 2020, respectively.
 - Expected contributions to the defined benefit pension plan of the Company for the next year amount to \$1,936.
- 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 nine-month periods ended September

30, 2021 and 2020 were \$22,975, \$22,085, \$67,982 and \$66,332, 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 nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Balance as at January 1 and September 30	<u>97,685</u>	<u>97,685</u>

- B. As of September 30, 2021, the Company's total authorized capital was \$1,200,000 (including \$20,000 reserved for employee stock options) and the paid-in capital was \$976,850 (97,685 thousand shares) with par value of \$10 (in dollars) per share.
- C. 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.

(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 2020 amounting to \$1,670,414 (\$17.10 dollars per share). During its meeting on June 22, 2021, the Company's shareholders approved the distribution of cash dividends from 2020 earnings of \$1,826,710 (\$18.7 dollars per share) and the distribution of stock dividends of \$29,306 (\$0.3 dollars per share), which was proposed by the Board of Directors on February 22, 2021.

(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 September 30,	
	2021	2020
Merchandise sales	\$ 4,184,730	\$ 4,721,105
License income	23,695	42,381
	<u>\$ 4,208,425</u>	<u>\$ 4,763,486</u>
	For the nine-month periods ended September 30,	
	2021	2020
Merchandise sales	\$ 12,639,520	\$ 12,855,916
License income	84,289	113,729
	<u>\$ 12,723,809</u>	<u>\$ 12,969,645</u>

B. Contract assets and liabilities

As of September 30, 2021, January 1, 2021 (December 31, 2020), September 30, 2020 and January 1, 2020, the Company has no revenue-related contract assets, and the Company has recognized the following revenue-related contract liabilities:

	September 30, 2021	January 1, 2021 (December 31, 2020)
Contract liabilities:		
– Customer loyalty programmes	\$ 46,319	\$ 31,813
– Unearned receipts	20,211	1,266
	<u>\$ 66,530</u>	<u>\$ 33,079</u>
	September 30, 2020	January 1, 2020
Contract liabilities:		
– Customer loyalty programmes	\$ 32,373	\$ 29,645
– Unearned receipts	367	1,586
	<u>\$ 32,740</u>	<u>\$ 31,231</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 nine-month periods ended September 30, 2021 and 2020.

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

	For the nine-month periods ended September 30,	
	2021	2020
Revenue recognized that was included in the contract liability balance at the beginning of the period		
Customer loyalty programmes	\$ 20,699	\$ 15,657
Unearned receipts	1,266	1,586
	<u>\$ 21,965</u>	<u>\$ 17,243</u>

(14) Interest income

	For the three-month periods ended September 30,	
	2021	2020
Interest income from bank deposits	\$ 70	\$ 73
Other interest income	229	236
	<u>\$ 299</u>	<u>\$ 309</u>
	For the nine-month periods ended September 30,	
	2021	2020
Interest income from bank deposits	\$ 457	\$ 918
Other interest income	830	909
	<u>\$ 1,287</u>	<u>\$ 1,827</u>

(15) Other income

		For the three-month periods ended September 30,	
		2021	2020
Rental income	\$	8,729	\$ 7,945
Other income		3,369	8,165
	\$	<u>12,098</u>	<u>\$ 16,110</u>
		For the nine-month periods ended September 30,	
		2021	2020
Rental income	\$	28,313	\$ 23,742
Other income		21,822	20,956
	\$	<u>50,135</u>	<u>\$ 44,698</u>

(16) Other gains and losses

		For the three-month periods ended September 30,	
		2021	2020
Gain on disposal of property, plant and equipment	\$	107	\$ 345
Gain from lease modification		10,416	460
	\$	<u>10,523</u>	<u>\$ 805</u>
		For the nine-month periods ended September 30,	
		2021	2020
(Loss) gain on disposal of property, plant and equipment	(\$	312)	\$ 1,302
Gain from lease modification		42,647	28,660
Other losses		-	(3,100)
	\$	<u>42,335</u>	<u>\$ 26,862</u>

(17) Finance costs

		For the three-month periods ended September 30,	
		2021	2020
Interest expense:			
Bank borrowings	\$	9,083	\$ 6,772
Others		31,040	28,065
Less: Capitalization of qualifying assets	(86)	(165)
	\$	<u>40,037</u>	<u>\$ 34,672</u>
		For the nine-month periods ended September 30,	
		2021	2020
Interest expense:			
Bank borrowings	\$	20,609	\$ 17,762
Others		92,509	79,403
Less: Capitalization of qualifying assets	(257)	(548)
	\$	<u>112,861</u>	<u>\$ 96,617</u>

(18) Expenses by nature

For the three-month period ended September 30, 2021			
	Operating expenses	Operating costs	Total
Employee benefit expense	\$ 504,515	\$ 46,729	\$ 551,244
Depreciation	\$ 537,655	\$ 35,625	\$ 573,280
For the three-month period ended September 30, 2020			
	Operating expenses	Operating costs	Total
Employee benefit expense	\$ 520,126	\$ 55,983	\$ 576,109
Depreciation	\$ 479,219	\$ 32,118	\$ 511,337
For the nine-month period ended September 30, 2021			
	Operating expenses	Operating costs	Total
Employee benefit expense	\$ 1,538,933	\$ 151,354	\$ 1,690,287
Depreciation	\$ 1,589,114	\$ 103,734	\$ 1,692,848
For the nine-month period ended September 30, 2020			
	Operating expenses	Operating costs	Total
Employee benefit expense	\$ 1,541,055	\$ 151,942	\$ 1,692,997
Depreciation	\$ 1,372,505	\$ 95,432	\$ 1,467,937

(19) Employee benefit expenses

For the three-month period ended September 30, 2021			
	Operating expenses	Operating costs	Total
<u>Full time employees</u>			
Wages and salaries	\$ 382,606	\$ 20,957	\$ 403,563
Labor and health insurance expense	40,318	2,301	42,619
Pension costs	18,738	1,083	19,821
Other personnel expenses	2,321	-	2,321
	\$ 443,983	\$ 24,341	\$ 468,324
For the three-month period ended September 30, 2021			
	Operating expenses	Operating costs	Total
<u>Part time employees</u>			
Wages and salaries	\$ 49,395	\$ 961	\$ 50,356
Labor and health insurance expense	7,930	-	7,930
Pension costs	3,207	-	3,207
Other personnel expenses	-	21,427	21,427
	\$ 60,532	\$ 22,388	\$ 82,920
For the three-month period ended September 30, 2020			
	Operating expenses	Operating costs	Total
<u>Full time employees</u>			
Wages and salaries	\$ 390,255	\$ 20,223	\$ 410,478
Labor and health insurance expense	36,971	2,125	39,096
Pension costs	17,255	983	18,238
Other personnel expenses	2,567	-	2,567
	\$ 447,048	\$ 23,331	\$ 470,379

	For the three-month period ended September 30, 2020		
<u>Part time employees</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Total</u>
Wages and salaries	\$ 60,328	\$ 1,146	\$ 61,474
Labor and health insurance expense	8,847	-	8,847
Pension costs	3,903	-	3,903
Other personnel expenses	-	31,506	31,506
	<u>\$ 73,078</u>	<u>\$ 32,652</u>	<u>\$ 105,730</u>

	For the nine-month period ended September 30, 2021		
<u>Full time employees</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Total</u>
Wages and salaries	\$ 1,165,836	\$ 67,042	\$ 1,232,878
Labor and health insurance expense	119,839	7,152	126,991
Pension costs	55,060	3,287	58,347
Other personnel expenses	6,940	-	6,940
	<u>\$ 1,347,675</u>	<u>\$ 77,481</u>	<u>\$ 1,425,156</u>

	For the nine-month period ended September 30, 2021		
<u>Part time employees</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Total</u>
Wages and salaries	\$ 157,296	\$ 3,009	\$ 160,305
Labor and health insurance expense	24,169	-	24,169
Pension costs	9,793	-	9,793
Other personnel expenses	-	70,864	70,864
	<u>\$ 191,258</u>	<u>\$ 73,873</u>	<u>\$ 265,131</u>

	For the nine-month period ended September 30, 2020		
<u>Full time employees</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Total</u>
Wages and salaries	\$ 1,126,228	\$ 60,890	\$ 1,187,118
Labor and health insurance expense	105,101	6,010	111,111
Pension costs	50,436	2,876	53,312
Other personnel expenses	7,047	-	7,047
	<u>\$ 1,288,812</u>	<u>\$ 69,776</u>	<u>\$ 1,358,588</u>

	For the nine-month period ended September 30, 2020		
<u>Part time employees</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Total</u>
Wages and salaries	\$ 209,465	\$ 2,967	\$ 212,432
Labor and health insurance expense	29,592	-	29,592
Pension costs	13,186	-	13,186
Other personnel expenses	-	79,199	79,199
	<u>\$ 252,243</u>	<u>\$ 82,166</u>	<u>\$ 334,409</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 nine-month periods ended September 30, 2021 and 2020, employees' compensation was accrued at \$21,200, \$49,500, \$83,100 and \$107,000, respectively; while directors' remuneration was accrued at \$1,320, \$1,320, \$3,960 and \$3,960, 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 2020 were \$139,500 and \$5,280, respectively, which were the same as the estimated amount recognized in the 2020 financial statements. The number of shares distributed as employees' compensation for the year ended December 31, 2020 was 244 thousand shares, please refer to Note 6(10), "Common stock".

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 September 30,</u>	
	<u>2021</u>	<u>2020</u>
Current income tax:		
Current tax on profits for the period	\$ 100,474	\$ 172,026
Deferred tax:		
Origination and reversal of temporary differences	(1,717)	(216)
Income tax expense	<u>\$ 98,757</u>	<u>\$ 171,810</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Current income tax:		
Current tax on profits for the period	\$ 323,018	\$ 368,548
Tax on undistributed surplus earnings	2,029	147
Prior year income tax over estimation	(133)	(25,509)
Total current tax	<u>324,914</u>	<u>343,186</u>
Deferred tax:		
Origination and reversal of temporary differences	(3,357)	20,233
Income tax expense	<u>\$ 321,557</u>	<u>\$ 363,419</u>

B. As of October 25, 2021, the Company's income tax returns through 2019 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 September 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	\$ 394,939	100,859	\$ 3.92
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 394,939	100,859	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	202	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 394,939	101,061	\$ 3.91
For the three-month period ended September 30, 2020			
	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	\$ 687,097	100,616	\$ 6.83
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 687,097	100,616	
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	\$ 687,097	100,822	\$ 6.81

For the nine-month period ended September 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	\$ 1,285,991	100,813	\$ 12.76
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,285,991	100,813	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	249	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 1,285,991	101,062	\$ 12.72
For the nine-month period ended September 30, 2020			
	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	\$ 1,579,681	100,616	\$ 15.70
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,579,681	100,616	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	250	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 1,579,681	100,866	\$ 15.66

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:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Purchase of property, plant and equipment	\$ 549,726	\$ 643,768
Add: Beginning balance of payable on equipment (Other payables)	89,764	62,647
Less: Ending balance of payable on equipment (Other payables)	(27,523)	(54,048)
Capitalization of interest	(257)	(548)
Cash paid for acquisition of property, plant and equipment	<u>\$ 611,710</u>	<u>\$ 651,819</u>

B. Financing activities without cash payments:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Accrued employees' compensation transferred to stock dividends to be distributed	<u>\$ 139,500</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, 2021	\$ 2,386,636	\$ 12,487,877	\$ 13,232	\$ 14,887,745
Changes in cash flow from financing activities	1,437,662	(1,091,442)	(1,470)	344,750
Changes in other non-cash items	-	1,292,267	-	1,292,267
At September 30, 2021	<u>\$ 3,824,298</u>	<u>\$ 12,688,702</u>	<u>\$ 11,762</u>	<u>\$ 16,524,762</u>
	Long-term borrowings (Including current portion)	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2020	\$ 1,658,919	\$ 10,555,695	\$ 9,268	\$ 12,223,882
Changes in cash flow from financing activities	915,648	(936,008)	1,085	(19,275)
Changes in other non-cash items	-	2,733,794	-	2,733,794
At September 30, 2020	<u>\$ 2,574,567</u>	<u>\$ 12,353,481</u>	<u>\$ 10,353</u>	<u>\$ 14,938,401</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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Key management of the Company	\$ <u>737</u>	\$ <u>2,948</u>	\$ <u>3,685</u>

C. Lease liabilities

a. Outstanding balance

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Key management of the Company	\$ <u>749</u>	\$ <u>2,984</u>	\$ <u>3,724</u>

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

b. Interest expense

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Key management of the Company	\$ <u>3</u>	\$ <u>12</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Key management of the Company	\$ <u>16</u>	\$ <u>42</u>

(3) Key management compensation

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ <u>4,443</u>	\$ <u>3,732</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ <u>13,413</u>	\$ <u>16,510</u>

8. PLEDGED ASSETS

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

<u>Assets</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>	<u>Purpose of collateral</u>
Demand deposits				
(Note)	\$ 7,237	\$ 7,237	\$ 5,237	Performance guarantee
Certificate of deposit (Note)	12,050	9,050	9,050	Refundable deposits
	<u>\$ 19,287</u>	<u>\$ 16,287</u>	<u>\$ 14,287</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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Property, plant and equipment	<u>\$ 24,859</u>	<u>\$ 31,881</u>	<u>\$ 31,607</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 nine-month periods ended September 30, 2021 and 2020, 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 nine-month periods ended September 30, 2021 and 2020 would have decreased/increased by \$1,649 and \$1,421, 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 September 30, 2021 and 2020, 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 nine-month periods ended September 30, 2021 and 2020.

(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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Floating rate:			
Expiring within			
one year	\$ 830,138	\$ 377,000	\$ 582,400
Expiring beyond			
one year	<u>1,380,563</u>	<u>2,071,364</u>	<u>1,025,432</u>
	<u>\$ 2,210,701</u>	<u>\$ 2,448,364</u>	<u>\$ 1,607,832</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.

September 30, 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	\$ 55,301	\$ -	\$ -	\$ -
Accounts payable	1,909,085	-	-	-
Other payables	542,406	-	-	-
Lease liabilities	1,638,756	1,689,307	4,251,755	5,850,682
Long-term borrowings (including current portion)	1,509,263	1,076,964	1,193,092	-
Guarantee deposits received	-	11,762	-	-
December 31, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities				
Notes payable	\$ 54,218	\$ -	\$ -	\$ -
Accounts payable	2,372,431	-	-	-
Other payables	690,696	-	-	-
Lease liabilities	1,546,448	1,587,952	4,145,739	5,979,561
Long-term borrowings (including current portion)	1,183,679	959,596	267,703	-
Guarantee deposits received	-	13,232	-	-
September 30, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities				
Notes payable	\$ 64,609	\$ -	\$ -	\$ -
Accounts payable	2,373,624	-	-	-
Other payables	565,689	-	-	-
Lease liabilities	1,485,597	1,541,868	4,082,755	6,023,264
Long-term borrowings (including current portion)	1,204,004	1,107,465	289,620	-
Guarantee deposits received	-	10,353	-	-

(3) Fair value information

The Company had no fair value financial instruments as of September 30, 2021, December 31, 2020 and September 30, 2020.

(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 nine-month period ended September 30, 2021.)

- 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 nine-month period ended September 30, 2021.)
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 nine-month period ended September 30, 2021.)
As of September 30, 2021, 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:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Retailing</u>	<u>Retailing</u>
Segment revenue	\$ 12,723,809	\$ 12,969,645
Revenue from external customers (net)	12,723,809	12,969,645
Depreciation	1,692,848	1,467,937
Finance cost	112,861	96,617
Segment pre-tax profit	1,607,548	1,943,100
Segment assets	23,599,677	22,450,236
Segment liabilities	19,172,944	18,149,935

(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

September 30, 2021

Table 1

In thousands of shares

Name of the key shareholder	Number of shares	Ownership (%)	Footnote
Duo Chin Investment Co., Ltd.	8, 170	8. 36%	—
Poya Investment Co., Ltd.	8, 010	8. 20%	—
Chen Ching Investment Co., Ltd.	7, 533	7. 71%	—
Chen Zong-Cheng	6, 128	6. 27%	—
Kuai Wei Investment Co., Ltd.	5, 665	5. 79%	—

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.