

POYA INTERNATIONAL CO., LTD.

FINANCIAL STATEMENTS AND INDEPENDENT

AUDITORS' REVIEW REPORT

MARCH 31, 2023 AND 2022

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

REPORT ON REVIEW OFFINANCIAL STATEMENTS 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, 2023 and 2022, 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” that came into effect 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 Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of 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, 2023 and 2022, 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” that came into effect as endorsed by the Financial Supervisory Commission.

Lin, Tzu-Shu

Independent Accountants

Lin, Yung-Chih

PricewaterhouseCoopers, Taiwan

Republic of China

April 24, 2023

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, 2023 and 2022 are reviewed, not audited)

Assets			March 31, 2023		December 31, 2022		March 31, 2022				
			Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%		
Current assets											
1100	Cash and cash equivalents	6(1)	\$	3,284,381	13	\$	2,587,299	11	\$	3,429,848	14
1150	Notes receivable, net	6(2)		5,714	-		4,403	-		7,548	-
1170	Accounts receivable, net	6(2)		565,235	2		1,243,335	5		533,032	2
1200	Other receivables			4,932	-		4,437	-		4,447	-
130X	Inventories	6(3)		5,054,836	20		4,975,241	20		4,531,672	18
1410	Prepayments	6(4)		108,562	1		61,385	-		101,818	-
1476	Other current financial assets	8		8,287	-		8,287	-		8,287	-
11XX	Total current assets			9,031,947	36		8,884,387	36		8,616,652	34
Non-current assets											
1600	Property, plant and equipment, net	6(5)		3,440,498	14		3,339,404	14		3,566,704	14
1755	Right-of-use assets	6(6) and 7		12,074,280	48		11,657,493	48		12,426,985	50
1840	Deferred income tax assets	6(20)		31,380	-		31,275	-		27,644	-
1920	Refundable deposits	6(6)		441,513	2		439,131	2		420,478	2
1975	Net defined benefit asset-non-current	6(9)		8,770	-		8,129	-		-	-
1980	Other non-current financial assets	8		11,000	-		11,000	-		11,000	-
1990	Other non-current assets			15,314	-		14,818	-		13,707	-
15XX	Total non-current assets			16,022,755	64		15,501,250	64		16,466,518	66
1XXX	Total assets		\$	25,054,702	100	\$	24,385,637	100	\$	25,083,170	100

(Continued)

POYA INTERNATIONAL CO., LTD.

BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

Liabilities and Equity		Notes	March 31, 2023		December 31, 2022		March 31, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2130	Current contract liabilities	6(13)	\$ 100,814	-	\$ 98,024	-	\$ 80,518	-
2150	Notes payable		63,262	-	45,172	-	57,208	-
2170	Accounts payable		2,854,017	11	3,175,489	13	2,164,972	9
2200	Other payables	6(7)	3,128,853	13	755,409	3	586,538	3
2230	Current income tax liabilities	6(20)	460,570	2	296,010	1	330,618	1
2280	Current lease liabilities	6(6) and 7	1,655,666	7	1,609,821	7	1,587,329	6
2310	Receipts in advance		694	-	100	-	696	-
2320	Long-term liabilities, current portion	6(8)	1,312,138	5	1,352,830	6	1,733,141	7
21XX	Total current liabilities		9,576,014	38	7,332,855	30	6,541,020	26
Non-current liabilities								
2540	Long-term borrowings	6(8)	737,360	3	913,048	4	2,202,261	9
2570	Deferred income tax liabilities	6(20)	5,861	-	5,861	-	5,408	-
2580	Non-current lease liabilities	6(6) and 7	10,427,917	42	10,043,427	41	10,830,873	43
2640	Net defined benefit liabilities- non-current	6(9)	-	-	-	-	845	-
2645	Guarantee deposits received		21,651	-	20,001	-	14,065	-
25XX	Total non-current liabilities		11,192,789	45	10,982,337	45	13,053,452	52
2XXX	Total liabilities		20,768,803	83	18,315,192	75	19,594,472	78
Equity								
	Share capital	6(10)(12)(19)						
3110	Common stock		1,021,820	4	1,021,820	4	1,008,595	4
3200	Capital surplus	6(10)(11)	896,641	3	896,641	4	777,480	3
	Retained earnings	6(10)(12)						
3310	Legal reserve		1,464,426	6	1,464,426	6	1,280,125	5
3350	Unappropriated retained earnings		903,012	4	2,687,558	11	2,422,498	10
3XXX	Total equity		4,285,899	17	6,070,445	25	5,488,698	22
Significant Contingent Liabilities 9 and Unrecognized Contract Commitments								
3X2X	Total liabilities and equity		\$ 25,054,702	100	\$ 24,385,637	100	\$ 25,083,170	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 amount)
(Reviewed, not audited)

			For the three-month periods ended March 31,			
			2023		2022	
Items		Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(13)	\$ 5,293,268	100	\$ 4,713,273	100
5000	Operating costs	6(3)(9)(18)(19)	(2,924,909)	(56)	(2,683,986)	(57)
5900	Net operating margin		2,368,359	44	2,029,287	43
	Operating expenses	6(9)(18)(19) and 7				
6100	Selling expenses		(1,361,923)	(26)	(1,226,095)	(26)
6200	General and administrative expenses		(172,801)	(3)	(154,036)	(3)
6000	Total operating expenses		(1,534,724)	(29)	(1,380,131)	(29)
6900	Operating profit		833,635	15	649,156	14
	Non-operating income and expenses					
7100	Interest income	6(14)	853	-	544	-
7010	Other income	6(15)	27,447	1	22,477	1
7020	Other gains and losses	6(6)(16)	431	-	-	-
7050	Finance costs	6(5)(6)(17) and 7	(40,306)	(1)	(40,739)	(1)
7000	Total non-operating income and expenses		(11,575)	-	(17,718)	-
7900	Profit before income tax		822,060	15	631,438	14
7950	Income tax expense	6(20)	(164,455)	(3)	(126,492)	(3)
8200	Net income for the period		\$ 657,605	12	\$ 504,946	11
8500	Total comprehensive income for the period		\$ 657,605	12	\$ 504,946	11
	Earnings per share (in dollars)	6(21)				
9750	Basic		\$ 6.43		\$ 4.96	
9850	Diluted		\$ 6.41		\$ 4.95	

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, 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	<u>\$1,008,595</u>	<u>\$ 777,480</u>	<u>\$ 1,280,125</u>	<u>\$ 2,422,498</u>	<u>\$ 5,488,698</u>
<u>For the three-month period ended March 31, 2023</u>					
Balance at January 1, 2023	\$1,021,820	\$ 896,641	\$ 1,464,426	\$ 2,687,558	\$ 6,070,445
Net income for the three-month period ended March 31, 2023	-	-	-	657,605	657,605
Total comprehensive income for the three-month period ended March 31, 2023	-	-	-	657,605	657,605
Distribution of 2022 net income:					
Cash dividends	6(12)	-	-	(2,442,151)	(2,442,151)
Balance at March 31, 2023	<u>\$1,021,820</u>	<u>\$ 896,641</u>	<u>\$ 1,464,426</u>	<u>\$ 903,012</u>	<u>\$ 4,285,899</u>

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

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

		For the three-month periods ended March 31,	
	Notes	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 822,060	\$ 631,438
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5)(6)(18)	620,780	593,472
Gain on disposal of property, plant and equipment	6(16)	(188)	-
Gain from lease modification	6(6)(16)	(243)	-
Interest income	6(14)	(853)	(544)
Interest expense	6(17)	40,306	40,739
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(1,311)	14,473
Accounts receivable		678,100	486,199
Other receivables		(495)	202
Inventories		(79,595)	(121,007)
Prepayments		(47,177)	(28,903)
Net defined benefit assets-non-current		(641)	-
Changes in operating liabilities			
Current contract liabilities		2,790	10,875
Notes payable		18,090	13,157
Accounts payable		(321,472)	(426,417)
Other payables		(33,436)	(86,585)
Receipts in advance		594	594
Net defined benefit liabilities-non-current		-	(506)
Cash inflow generated from operations		1,697,309	1,127,187
Interest received		853	544
Interest paid		(40,306)	(40,739)
Income tax paid		-	(12)
Net cash flows from operating activities		1,657,856	1,086,980
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(22)	(298,096)	(216,992)
Interest paid for acquisition of property, plant and equipment	6(5)(17)(22)	(238)	(120)
Proceeds from disposal of property, plant and equipment		2,700	-
Acquisition of right-of-use assets	6(6)	(9,869)	(33,034)
Increase in refundable deposits		(2,382)	(1,661)
(Increase) decrease in other non-current assets		(496)	219
Net cash flows used in investing activities		(308,381)	(251,588)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from long-term borrowings	6(23)	200,000	600,000
Repayment of long-term borrowings	6(23)	(416,380)	(467,910)
Repayment of lease principal	6(23)	(437,663)	(401,009)
Increase in guarantee deposits received	6(23)	1,650	2,334
Net cash flows used in financing activities		(652,393)	(266,585)
Net increase in cash and cash equivalents		697,082	568,807
Cash and cash equivalents at beginning of period	6(1)	2,587,299	2,861,041
Cash and cash equivalents at end of period	6(1)	\$ 3,284,381	\$ 3,429,848

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, 2023 AND 2022
(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 24, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
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, 2022. 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' that came into effect as endorsed by the FSC.
- B. The financial statements should be read together with the financial statements for the year ended December 31, 2022.

(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 in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs") requires 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 pretax income of the interim period, and the related information is disclosed accordingly.

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

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

There have been no significant changes during the period. Refer to Note 5 of the financial statements for the year ended December 31, 2022.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2023	December 31, 2022	March 31, 2022
Cash:			
Cash on hand	\$ 45,560	\$ 45,629	\$ 41,008
Checking deposits and demand deposits	3,238,821	2,541,670	3,385,858
	<u>3,284,381</u>	<u>2,587,299</u>	<u>3,426,866</u>
Cash equivalents:			
Quintuple stimulus voucher	-	-	2,982
	<u>\$ 3,284,381</u>	<u>\$ 2,587,299</u>	<u>\$ 3,429,848</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, 2023, December 31, 2022 and March 31, 2022, 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, 2023	December 31, 2022	March 31, 2022
Notes receivable	\$ 5,714	\$ 4,403	\$ 7,548
Accounts receivable - sponsorship	\$ 487,819	\$ 1,124,548	\$ 481,471
Accounts receivable - customers	77,416	118,787	51,561
	<u>\$ 565,235</u>	<u>\$ 1,243,335</u>	<u>\$ 533,032</u>

- A. The Company has no past due accounts receivable as of March 31, 2023, December 31, 2022 and March 31, 2022.
- B. As of March 31, 2023, December 31, 2022 and March 31, 2022, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables (including notes receivable) from contracts with customers amounted to \$1,041,252.
- C. As at March 31, 2023, December 31, 2022 and March 31, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was its book value.
- D. The Company did not hold any collateral as security as of March 31, 2023, December 31, 2022 and March 31, 2022.
- E. Information relating to credit risk of accounts receivable is provided in Note 12(2), "Financial instruments".

(3) Inventories

March 31, 2023			
	Cost	Allowance for price decline of inventories	Carrying amount
Merchandise	<u>\$ 5,054,836</u>	<u>\$ -</u>	<u>\$ 5,054,836</u>
December 31, 2022			
	Cost	Allowance for price decline of inventories	Carrying amount
Merchandise	<u>\$ 4,975,241</u>	<u>\$ -</u>	<u>\$ 4,975,241</u>
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>

The cost of inventories recognized as expense for the period:

For the three-month periods ended March 31,			
	2023	2022	
Cost of inventories sold	\$ 2,907,129	\$ 2,672,961	
Loss on physical inventory	17,780	11,025	
	<u>\$ 2,924,909</u>	<u>\$ 2,683,986</u>	

(4) Prepayments

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Overpaid value-added tax	\$ 59,508	\$ 21,087	\$ 42,206
Other prepaid expenses	<u>49,054</u>	<u>40,298</u>	<u>59,612</u>
	<u>\$ 108,562</u>	<u>\$ 61,385</u>	<u>\$ 101,818</u>

(5) Property, plant and equipment

	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>At January 1, 2023</u>						
Cost	\$ 36,522	\$ 1,174,598	\$ 3,796,109	\$ 543,635	\$ 30,596	\$ 5,581,460
Accumulated depreciation	(19,010)	(628,369)	(1,467,880)	(126,797)	-	(2,242,056)
	<u>\$ 17,512</u>	<u>\$ 546,229</u>	<u>\$ 2,328,229</u>	<u>\$ 416,838</u>	<u>\$ 30,596</u>	<u>\$ 3,339,404</u>
<u>For the three-month period ended March 31, 2023</u>						
At January 1	\$ 17,512	\$ 546,229	\$ 2,328,229	\$ 416,838	\$ 30,596	\$ 3,339,404
Additions	-	-	-	-	263,063	263,063
Transferred after acceptance inspection	5,565	39,220	198,372	32,485	(275,642)	-
Depreciation	(1,926)	(55,578)	(91,751)	(10,202)	-	(159,457)
Disposal-Cost	(5,155)	(56,178)	(42,924)	(2,045)	-	(106,302)
-Accumulated depreciation	<u>4,325</u>	<u>56,178</u>	<u>41,256</u>	<u>2,031</u>	<u>-</u>	<u>103,790</u>
At March 31	<u>\$ 20,321</u>	<u>\$ 529,871</u>	<u>\$ 2,433,182</u>	<u>\$ 439,107</u>	<u>\$ 18,017</u>	<u>\$ 3,440,498</u>
<u>At March 31, 2023</u>						
Cost	\$ 36,932	\$ 1,157,640	\$ 3,951,557	\$ 574,075	\$ 18,017	\$ 5,738,221
Accumulated depreciation	(16,611)	(627,769)	(1,518,375)	(134,968)	-	(2,297,723)
	<u>\$ 20,321</u>	<u>\$ 529,871</u>	<u>\$ 2,433,182</u>	<u>\$ 439,107</u>	<u>\$ 18,017</u>	<u>\$ 3,440,498</u>

	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment before acceptance inspection	Total
<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>

- A. The property, plant and equipment were all owner-occupied as of March 31, 2023, December 31, 2022 and March 31, 2022.
- 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,	
	2023	2022
Amount capitalized	\$ 238	\$ 120
Interest rate range	1.17% ~ 2.33%	0.83% ~ 1.20%

- C. As of March 31, 2023, December 31, 2022 and March 31, 2022, no property, plant and equipment was pledged to others.

(6) Leasing arrangements-lessee

- A. The Company leases various assets including buildings and structures, machinery and other equipment. Rental contracts are typically made for periods of 3 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The Company has lease contracts with the key management and non-related parties. The lease terms are between 3 to 20 years. As of March 31, 2023, December 31, 2022 and March 31, 2022, the amount of deposits paid in accordance with the lease contracts was \$434,790, \$433,898 and \$415,836, 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, 2023	December 31, 2022	March 31, 2022
	Carrying amount	Carrying amount	Carrying amount
Buildings and structures	\$ 12,053,386	\$ 11,634,760	\$ 12,404,593
Machinery and equipment	10,748	12,147	15,751
Other equipment	10,146	10,586	6,641
	<u>\$ 12,074,280</u>	<u>\$ 11,657,493</u>	<u>\$ 12,426,985</u>

	For the three-month periods ended March 31,	
	2023	2022
	Depreciation charge	Depreciation charge
Buildings and structures	\$ 459,484	\$ 425,223
Machinery and equipment	1,399	1,411
Other equipment	440	305
	<u>\$ 461,323</u>	<u>\$ 426,939</u>

- D. For the three-month periods ended March 31, 2023 and 2022, the additions to right-of-use assets were \$9,869 and \$33,034, respectively, and the additions from remeasurement of right-of-use assets were \$868,241 and \$196,356, respectively.

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

	For the three-month periods ended March 31,	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 34,270	\$ 34,231
Expense on short-term lease contracts	2,741	2,114
Expense on leases of low-value assets	96	48
Expense on variable lease payments	20,295	11,654
Gain from lease modification	(243)	-

F. For the three-month periods ended March 31, 2023 and 2022, the Company's total cash outflow for leases were \$504,934 and \$482,090, 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

- Extension options are included in approximately 93.18% of the Company's lease contracts pertaining to retail stores. These terms and conditions aim to maximize optional flexibility in terms of managing contracts.
- 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, 2023	December 31, 2022	March 31, 2022
Dividends payable	\$ 2,442,151	\$ -	\$ -
Salaries and bonuses payable	253,869	334,988	218,678
Accrued employees' compensation and directors' remuneration	220,300	169,780	160,120
Labor and health insurance payable	40,576	38,345	34,816
Equipment payable	10,274	45,545	36,678
Others	161,683	166,751	136,246
	<u>\$ 3,128,853</u>	<u>\$ 755,409</u>	<u>\$ 586,538</u>

(8) Long-term borrowings

<u>Nature</u>	<u>Borrowing period</u>	<u>Range of interest rates</u>	<u>Collateral</u>	<u>March 31, 2023</u>
Long-term bank borrowings				
Unsecured bank borrowings	3.19.2020～ 1.12.2026	1.56%～1.96%	None	\$ 2,049,498
Less: Current portion of long-term borrowings				(1,312,138)
				<u>\$ 737,360</u>
<u>Nature</u>	<u>Borrowing period</u>	<u>Range of interest rates</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Long-term bank borrowings				
Unsecured bank borrowings	3.19.2020～ 5.26.2025	1.35%～1.82%	None	\$ 2,265,878
Less: Current portion of long-term borrowings				(1,352,830)
				<u>\$ 913,048</u>
<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>

For more information about interest expenses recognized by the Company for the three-month periods ended March 31, 2023 and 2022, 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 (\$11) and \$44 for the three-month periods ended March 31, 2023 and 2022, respectively.
 - b. Expected contributions to the defined benefit pension plan of the Company for the next year amount to \$2,504.
- 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, 2023 and 2022 were \$27,090 and \$23,811, 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>2023</u>	<u>2022</u>
Balance at January 1 and at March 31	<u>\$ 102,182</u>	<u>\$ 100,859</u>

- B. On June 21, 2022, the Company's shareholders during their meeting adopted a resolution to issue new shares of common stock through capitalization of unappropriated retained earnings of \$10,086 and employees' compensation payable of \$122,300 (Stock dividend distributable). As approved by the Securities and Futures Bureau, Financial Supervisory Commission, the effective date of the capitalization was set on July 26, 2022. Of the amount of \$122,300 employees' stock compensation, 314 thousand shares were calculated based on the fair value per share at the preceding day of the Board of Directors' meeting, after taking into account the effects of ex-rights and ex-dividends. Amounts arising in excess of par value on issuance are classified as capital surplus-additional paid-in capital.
- C. As of March 31, 2023, the Company's total authorized capital was \$1,200,000 (including \$20,000 reserved for employee stock options) and the paid-in capital was \$1,021,820 (102,182 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). The Company's Board of Directors distributed all or part of the distributable dividends and bonuses in cash through a resolution adopted by a majority vote at its meeting attended by two-thirds of the total number of directors and reported it to the shareholders' meeting. The aforementioned regulations of requiring the resolutions from the shareholders are not applicable.
- 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 2022 amounting to \$1,109,454 (\$11 dollars per share) and the distribution of stock dividends of \$10,086 (\$0.1 (in dollars) per share). During its meeting on February 20, 2023, the Board of Directors approved and proposed for the distribution of dividends from 2022 earnings of \$2,442,151 (\$23.9 (in dollars) per share) for cash dividends and \$10,218 (\$0.1 (in dollars) per share) for stock dividends. Information about the distribution of dividends by the Company as proposed by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(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,	
	2023	2022
Merchandise sales	\$ 5,263,114	\$ 4,682,745
License income	30,154	30,528
	<u>\$ 5,293,268</u>	<u>\$ 4,713,273</u>

B. Contract assets and liabilities

As of March 31, 2023, January 1, 2023 (December 31, 2022), March 31, 2022 and January 1, 2022, the Company has no revenue-related contract assets, and the Company has recognized the following revenue-related contract liabilities:

	March 31, 2023	January 1, 2023 (December 31, 2022)	March 31, 2022	January 1, 2022
Contract liabilities:				
– Customer loyalty programmes	\$ 73,565	\$ 71,965	\$ 55,486	\$ 49,252
– Unearned receipts	27,249	26,059	25,032	20,391
	<u>\$ 100,814</u>	<u>\$ 98,024</u>	<u>\$ 80,518</u>	<u>\$ 69,643</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, 2023 and 2022.

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,	
	2023	2022
Revenue recognized that was included in the contract liability balance at the beginning of the period		
Customer loyalty programmes	\$ 22,812	\$ 12,806
Unearned receipts	26,059	20,391
	<u>\$ 48,871</u>	<u>\$ 33,197</u>

(14) Interest income

For the three-month periods ended March 31,		
	2023	2022
Interest income from bank deposits	\$ 66	\$ 132
Other interest income	787	412
	<u>\$ 853</u>	<u>\$ 544</u>

(15) Other income

For the three-month periods ended March 31,		
	2023	2022
Rental income	\$ 17,149	\$ 9,614
Other income	10,298	12,863
	<u>\$ 27,447</u>	<u>\$ 22,477</u>

(16) Other gains and losses

For the three-month periods ended March 31,		
	2023	2022
Loss on disposal of property, plant and equipment	\$ 188	\$ -
Gain from lease modification	243	-
	<u>\$ 431</u>	<u>\$ -</u>

(17) Finance costs

For the three-month periods ended March 31,		
	2023	2022
Interest expense:		
Bank borrowings	\$ 9,315	\$ 9,427
Others	31,229	31,432
Less: Capitalization of qualifying assets	(238)	(120)
	<u>\$ 40,306</u>	<u>\$ 40,739</u>

(18) Expenses by nature

For the three-month period ended March 31, 2023			
	Operating expenses	Operating costs	Total
Employee benefit expense	\$ 629,259	\$ 63,531	\$ 692,790
Depreciation	<u>\$ 588,018</u>	<u>\$ 32,762</u>	<u>\$ 620,780</u>
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>

(19) Employee benefit expenses

	For the three-month period ended March 31, 2023		
<u>Full time employees</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Total</u>
Wages and salaries	\$ 472,567	\$ 23,629	\$ 496,196
Labor and health insurance expense	51,306	2,592	53,898
Pension costs	22,356	1,294	23,650
Other personnel expenses	2,911	-	2,911
	<u>\$ 549,140</u>	<u>\$ 27,515</u>	<u>\$ 576,655</u>

	For the three-month period ended March 31, 2023		
<u>Part time employees</u>	<u>Operating expenses</u>	<u>Operating costs</u>	<u>Total</u>
Wages and salaries	\$ 67,997	\$ 1,096	\$ 69,093
Labor and health insurance expense	8,693	-	8,693
Pension costs	3,429	-	3,429
Other personnel expenses	-	34,920	34,920
	<u>\$ 80,119</u>	<u>\$ 36,016</u>	<u>\$ 116,135</u>

	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>

- 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, 2023 and 2022, employees' compensation were accrued at \$49,200 and \$31,200, respectively; while directors' remuneration were 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 on February 20, 2023 for employees' compensation and directors' remuneration for 2022 were \$164,500 and \$5,280, respectively,

which were the same as the estimated amount recognized in the 2022 financial statements. The number of shares to be distributed as employees' compensation for 2022 and 2021 were 289 and 314 thousand shares, respectively, while the employees' compensation for 2022 has not yet been paid as of March 31, 2023. For the employees' compensation and directors' remuneration for 2021, refer to Note 6(10) for more information.

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

(20) Income tax

A. Income tax expense

Components of income tax expense:

	<u>For the three-month period ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Current income tax:		
Current tax on profits for the period	\$ 164,560	\$ 127,499
Deferred tax:		
Origination and reversal of temporary differences	(105)	(1,007)
Income tax expense	<u>\$ 164,455</u>	<u>\$ 126,492</u>

- B. As of April 24, 2023, the Company's income tax returns through 2021 have been assessed by the Tax Authority, and there were no disputes existing between the Company and the Tax Authority.

(21) Earnings per share

<u>For the three-month period ended March 31, 2023</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 657,605</u>	<u>102,311</u>	<u>\$ 6.43</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 657,605	102,311	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>260</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 657,605</u>	<u>102,571</u>	<u>\$ 6.41</u>
<u>For the three-month period ended March 31, 2022</u>			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 504,946</u>	<u>101,868</u>	<u>\$ 4.96</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 504,946	101,868	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>88</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 504,946</u>	<u>101,956</u>	<u>\$ 4.95</u>

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, 2022.

(22) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the three-month periods ended March 31,	
	2023	2022
Purchase of property, plant and equipment	\$ 263,063	\$ 216,729
Add: Beginning balance of payable on equipment (Other payables)	45,545	37,061
Less: Ending balance of payable on equipment (Other payables)	(10,274)	(36,678)
Capitalization of interest	(238)	(120)
Cash paid for acquisition of property, plant and equipment	<u>\$ 298,096</u>	<u>\$ 216,992</u>

B. Financing activities with no cash flow effects:

	For the three-month periods ended March 31,	
	2023	2022
Cash dividends distribution	\$ 2,442,151	\$ -
Less: Ending balance of payable on cash dividends (Other payables)	(2,442,151)	-
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, 2023	\$ 2,265,878	\$ 11,653,248	\$ 20,001	\$ 13,939,127
Changes in cash flow from financing activities	(216,380)	(437,663)	1,650	(652,393)
Changes in other non-cash items	-	867,998	-	867,998
At March 31, 2023	<u>\$ 2,049,498</u>	<u>\$ 12,083,583</u>	<u>\$ 21,651</u>	<u>\$ 14,154,732</u>

	Long-term borrowings (Including current portion)	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2022	\$ 3,803,312	\$ 12,622,855	\$ 11,731	\$ 16,437,898
Changes in cash flow from financing activities	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>

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>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Key management of the Company	\$ <u>5,173</u>	\$ <u>5,912</u>	\$ <u>8,129</u>

C. Lease liabilities

(a) Outstanding balance

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Key management of the Company	\$ <u>5,206</u>	\$ <u>5,942</u>	\$ <u>8,139</u>

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

(b) Interest expense

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Key management of the Company	\$ <u>14</u>	\$ <u>21</u>

(3) Key management compensation

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	\$ <u>5,477</u>	\$ <u>6,514</u>

8. PLEDGED ASSETS

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

<u>Assets</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>	<u>Purpose of collateral</u>
Demand deposits (Note)	\$ <u>7,237</u>	\$ <u>7,237</u>	\$ <u>7,237</u>	Performance guarantee
Certificate of deposit (Note)	<u>12,050</u>	<u>12,050</u>	<u>12,050</u>	Refundable deposits
	\$ <u>19,287</u>	\$ <u>19,287</u>	\$ <u>19,287</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>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Property, plant and equipment	\$ <u>41,367</u>	\$ <u>50,076</u>	\$ <u>41,553</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 years ended March 31, 2023, December 31, 2022 and March 31, 2022, 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, 2023 and 2022 would have decreased/increased by \$745 and \$754, 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, 2023 and 2022, 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, 2023 and 2022.

(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, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Floating rate:			
Expiring within one year	\$ 2,365,333	\$ 2,443,667	\$ 1,920,073
Expiring beyond one year	<u>3,120,168</u>	<u>2,825,455</u>	<u>1,677,524</u>
	<u>\$ 5,485,501</u>	<u>\$ 5,269,122</u>	<u>\$ 3,597,597</u>

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

<u>March 31, 2023</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities				
Notes payable	\$ 63,262	\$ -	\$ -	\$ -
Accounts payable	2,854,017	-	-	-
Other payables	3,128,853	-	-	-
Lease liabilities (including current and non-current portion)	1,782,936	1,707,006	4,255,453	4,979,024
Long-term borrowings (including current portion)	1,334,161	667,637	82,100	-
Guarantee deposits received	-	21,651	-	-
<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities				
Notes payable	\$ 45,172	\$ -	\$ -	\$ -
Accounts payable	3,175,489	-	-	-
Other payables	755,409	-	-	-
Lease liabilities (including current and non-current portion)	1,731,370	1,650,392	4,074,375	4,805,815
Long-term borrowings (including current portion)	1,369,731	857,897	66,557	-
Guarantee deposits received	-	20,001	-	-

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	-	-

(3) Fair value information

The Company had no fair value financial instruments as of March 31, 2023, December 31, 2022 and March 31, 2022.

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, 2023.)

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, 2023.)

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, 2023.)

As of March 31, 2023, the Company had no investments in Mainland China.

(4) Major shareholders information

Major shareholders information: Refer to table 1.

14. SEGMENT INFORMATION

(1) General information

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

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

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

	For the three-month periods ended March 31,	
	2023	2022
	Retailing	Retailing
Segment revenue	\$ 5,293,268	\$ 4,713,273
Revenue from external customers (net)	5,293,268	4,713,273
Depreciation	620,780	593,472
Finance cost	40,306	40,739
Segment pre-tax profit	822,060	631,438
Segment assets	25,054,702	25,083,170
Segment liabilities	20,768,803	19,594,472

(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, 2023

Table 1

In thousands of shares

Name of the key shareholder	Number of shares	Ownership (%)	Footnote
Duo Chin Investment Co., Ltd.	8, 499	8. 31%	—
Poya Investment Co., Ltd.	8, 333	8. 15%	—
Chen Ching Investment Co., Ltd.	7, 836	7. 66%	—
Kuai Wei Investment Co., Ltd.	6, 721	6. 57%	—
Chen Zong-Cheng	6, 393	6. 25%	—

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.