

**PRESIDENT CHAIN STORE CORP. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
JUNE 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.

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
JUNE 30,2021 AND 2020
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INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors and Stockholders of President Chain Store Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of President Chain Store Corp. and subsidiaries as at June 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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 consolidated financial statements based on our reviews.

Scope of review

Except as explained in the following paragraph, 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 consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

As explained in Notes 4(3) and 6(6), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using the equity method were not reviewed by independent auditors. Those statements reflect total assets of NT\$46,973,413 thousand and NT\$43,100,242 thousand, constituting 22% and 21% of the consolidated total assets, and total liabilities of NT\$32,078,662 thousand and NT\$26,936,702 thousand, constituting 19% and 17% of the consolidated total liabilities as at June 30, 2021 and 2020, respectively, and total comprehensive income of NT\$44,868 thousand, NT\$15,476 thousand, NT\$134,422 thousand and NT\$325,295

thousand, constituting 3%, 1%, 3% and 6% of the consolidated total comprehensive income for the three-month and six-month periods then ended.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using the equity method, been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of President Chain Store Corp. and subsidiaries as at June 30, 2021 and 2020, and of its consolidated financial performance for the three-month and six-month periods then ended and its consolidated cash flows for the six-month periods then ended in accordance with 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.

Yi-Chang, Liang

Se-Kai, Lin

For and on behalf of PricewaterhouseCoopers, Taiwan

August 3, 2021

The accompanying consolidated 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 consolidated financial statements and independent auditors’ review 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.

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2021 and 2020 are reviewed, not audited)

| Assets | | Notes | June 30, 2021 | | December 31, 2020 | | June 30, 2020 | | |
|--------------------|--|-------------|----------------|-----|-------------------|-----|----------------|-----|--|
| | | | AMOUNT | % | AMOUNT | % | AMOUNT | % | |
| Current assets | | | | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 47,027,960 | 22 | \$ 46,562,907 | 22 | \$ 51,962,812 | 26 | |
| 1110 | Financial assets at fair value | 6(2) | | | | | | | |
| | through profit or loss - current | | 1,768,944 | 1 | 2,105,496 | 1 | 2,507,329 | 1 | |
| 1170 | Accounts receivable, net | 6(3) and 7 | 5,540,169 | 3 | 6,215,272 | 3 | 4,841,692 | 2 | |
| 1200 | Other receivables | | 3,985,545 | 2 | 1,950,481 | 1 | 2,895,663 | 1 | |
| 1220 | Current income tax assets | 6(32) | 1,722 | - | 1,206 | - | 823 | - | |
| 130X | Inventories | 6(4) | 14,999,084 | 7 | 16,636,055 | 8 | 13,586,219 | 7 | |
| 1410 | Prepayments | | 2,041,319 | 1 | 1,177,895 | 1 | 1,603,957 | 1 | |
| 1470 | Other current assets | | 3,824,173 | 2 | 3,487,082 | 2 | 3,290,034 | 2 | |
| 11XX | Total current assets | | 79,188,916 | 38 | 78,136,394 | 38 | 80,688,529 | 40 | |
| Non-current assets | | | | | | | | | |
| 1510 | Financial assets at fair value | 6(2) | | | | | | | |
| | through profit or loss - non-current | | 85,523 | - | 85,523 | - | 85,523 | - | |
| 1517 | Financial assets at fair value | 6(5) | | | | | | | |
| | through other comprehensive income - non-current | | 1,238,862 | - | 959,827 | - | 752,778 | - | |
| 1550 | Investments accounted for using equity method | 6(6) | 8,415,269 | 4 | 8,921,641 | 4 | 8,746,223 | 4 | |
| 1600 | Property, plant and equipment | 6(7) and 8 | 27,841,327 | 13 | 28,050,374 | 13 | 25,858,800 | 13 | |
| 1755 | Right-of-use assets | 6(8) and 7 | 75,579,292 | 36 | 74,963,001 | 36 | 69,261,060 | 34 | |
| 1760 | Investment property, net | 6(10) and 8 | 2,930,109 | 1 | 2,863,146 | 1 | 1,497,085 | 1 | |
| 1780 | Intangible assets | 6(11) | 9,809,748 | 5 | 9,958,198 | 5 | 10,011,169 | 5 | |
| 1840 | Deferred income tax assets | 6(32) | 2,092,840 | 1 | 1,988,030 | 1 | 1,808,978 | 1 | |
| 1900 | Other non-current assets | 6(12) and 8 | 3,747,854 | 2 | 3,567,800 | 2 | 3,556,744 | 2 | |
| 15XX | Total non-current assets | | 131,740,824 | 62 | 131,357,540 | 62 | 121,578,360 | 60 | |
| 1XXX | Total assets | | \$ 210,929,740 | 100 | \$ 209,493,934 | 100 | \$ 202,266,889 | 100 | |

(Continued)

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2021 and 2020 are reviewed, not audited)

| Liabilities and Equity | | Notes | June 30, 2021 | | December 31, 2020 | | June 30, 2020 | |
|---|---|-------------|----------------|-------|-------------------|-------|----------------|-----|
| | | | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| Current Liabilities | | | | | | | | |
| 2100 | Short-term borrowings | 6(14) | \$ 6,089,079 | 3 | \$ 4,739,411 | 2 | \$ 5,812,109 | 3 |
| 2110 | Short-term notes and bills payable | 6(15) | - | - | 3,399,147 | 2 | - | - |
| 2130 | Contract liabilities - current | 6(25) | 6,181,224 | 3 | 5,234,797 | 2 | 3,914,838 | 2 |
| 2150 | Notes payable | 7 | 1,326,019 | 1 | 1,079,496 | 1 | 1,031,775 | |
| 2170 | Accounts payable | | 20,050,579 | 9 | 22,255,284 | 11 | 20,816,054 | 10 |
| 2180 | Accounts payable - related parties | 7 | 2,516,068 | 1 | 2,801,552 | 1 | 2,953,561 | 1 |
| 2200 | Other payables | 6(16) | 35,577,774 | 17 | 25,093,782 | 12 | 36,539,238 | 18 |
| 2230 | Current income tax liabilities | 6(32) | 1,416,548 | 1 | 1,647,936 | 1 | 1,390,836 | 1 |
| 2280 | Lease liabilities - current | 7 | 12,872,644 | 6 | 12,859,557 | 6 | 12,056,150 | 6 |
| 2300 | Other current liabilities | 6(17) | 3,880,285 | 2 | 3,588,870 | 2 | 3,359,401 | 2 |
| 21XX | Total current liabilities | | 89,910,220 | 43 | 82,699,832 | 40 | 87,873,962 | 43 |
| Non-current liabilities | | | | | | | | |
| 2527 | Contract liabilities - non-current | 6(25) | 508,658 | - | 563,834 | - | 460,638 | - |
| 2540 | Long-term borrowings | 6(18) and 8 | 1,118,619 | 1 | 1,028,553 | 1 | 502,765 | - |
| 2570 | Deferred income tax liabilities | 6(32) | 5,025,085 | 2 | 5,320,392 | 3 | 5,367,214 | 3 |
| 2580 | Lease liabilities - non-current | 7 | 66,255,334 | 32 | 65,277,459 | 31 | 58,750,234 | 29 |
| 2640 | Net defined benefit liability - non-current | 6(19) | 4,907,407 | 2 | 4,969,892 | 2 | 4,749,071 | 3 |
| 2670 | Other non-current liabilities, others | 6(20) | 5,003,848 | 2 | 4,656,273 | 2 | 4,496,355 | 2 |
| 25XX | Total non-current liabilities | | 82,818,951 | 39 | 81,816,403 | 39 | 74,326,277 | 37 |
| 2XXX | Total Liabilities | | 172,729,171 | 82 | 164,516,235 | 79 | 162,200,239 | 80 |
| Equity attributable to owners of the parent | | | | | | | | |
| | Share capital | 6(21) | | | | | | |
| 3110 | Share capital - common stock | | 10,396,223 | 5 | 10,396,223 | 5 | 10,396,223 | 5 |
| | Capital surplus | 6(22) | | | | | | |
| 3200 | Capital surplus | | 47,622 | - | 47,628 | - | 46,884 | - |
| | Retained earnings | 6(23) | | | | | | |
| 3310 | Legal reserve | | 15,379,788 | 7 | 14,369,228 | 7 | 14,369,228 | 7 |
| 3320 | Special reserve | | 1,332,621 | 1 | 380,187 | - | 380,187 | - |
| 3350 | Unappropriated retained earnings | | 4,666,907 | 2 | 12,159,546 | 6 | 7,146,278 | 4 |
| | Other equity interest | 6(24) | | | | | | |
| 3400 | Other equity interest | | (1,602,224) | (1) | (1,332,621) | (1) | (727,520) | - |
| 31XX | Equity attributable to owners of the parent | | 30,220,937 | 14 | 36,020,191 | 17 | 31,611,280 | 16 |
| 36XX | Non-controlling interest | 6(34) | 7,979,632 | 4 | 8,957,508 | 4 | 8,455,370 | 4 |
| 3XXX | Total equity | | 38,200,569 | 18 | 44,977,699 | 21 | 40,066,650 | 20 |
| 3X2X | Total liabilities and equity | | \$ 210,929,740 | 100 | \$ 209,493,934 | 100 | \$ 202,266,889 | 100 |

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

Chairman: Lo, Chih-Hsien

President: Huang, Jui-Tien

Accounting Manager: Lee, Johnyih

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share in dollars)
(UNAUDITED)

| Items | | Notes | For the three-month periods ended June 30 | | | | For the six-month periods ended June 30 | | | |
|-------|--|----------------|---|-----------|---------------------|-----------|---|-----------|---------------------|-----------|
| | | | 2021 | | 2020 | | 2021 | | 2020 | |
| | | | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| 4000 | Operating revenue | 6(25) and 7 | \$ 63,593,394 | 100 | \$ 61,492,529 | 100 | \$ 128,646,597 | 100 | \$ 124,542,278 | 100 |
| 5000 | Operating costs | 6(4)(26) and 7 | (42,462,433) | (67) | (40,747,630) | (66) | (85,334,397) | (66) | (81,973,068) | (66) |
| 5900 | Gross profit | | <u>21,130,961</u> | <u>33</u> | <u>20,744,899</u> | <u>34</u> | <u>43,312,200</u> | <u>34</u> | <u>42,569,210</u> | <u>34</u> |
| | Operating expenses | 6(26)(27) | | | | | | | | |
| 6100 | Selling expenses | | (16,816,317) | (26) | (15,945,484) | (26) | (33,287,859) | (26) | (32,128,462) | (26) |
| 6200 | General and administrative expenses | | (2,228,004) | (4) | (2,204,714) | (4) | (4,756,995) | (4) | (4,655,626) | (4) |
| 6450 | Expected credit losses | 12(2) | (7,522) | - | (12,184) | - | (30,630) | - | (12,228) | - |
| 6000 | Total operating expenses | | (19,051,843) | (30) | (18,162,382) | (30) | (38,075,484) | (30) | (36,796,316) | (30) |
| 6900 | Operating profit | | <u>2,079,118</u> | <u>3</u> | <u>2,582,517</u> | <u>4</u> | <u>5,236,716</u> | <u>4</u> | <u>5,772,894</u> | <u>4</u> |
| | Non-operating income and expenses | | | | | | | | | |
| 7100 | Interest income | 6(28) | 52,247 | - | 148,817 | - | 106,666 | - | 315,658 | - |
| 7010 | Other income | 6(29) | 530,289 | 1 | 547,780 | 1 | 946,419 | - | 939,637 | 1 |
| 7020 | Other gains and losses | 6(30) | (31,403) | - | 3,378 | - | (47,013) | - | 31,214 | - |
| 7050 | Finance costs | 6(31) | (307,809) | - | (334,479) | - | (614,680) | - | (650,342) | - |
| 7060 | Share of profit of associates and joint ventures accounted for using equity method | 6(6) | <u>107,498</u> | <u>-</u> | <u>95,866</u> | <u>-</u> | <u>204,012</u> | <u>-</u> | <u>233,860</u> | <u>-</u> |
| 7000 | Total non-operating income and expenses | | <u>350,822</u> | <u>1</u> | <u>461,362</u> | <u>1</u> | <u>595,404</u> | <u>-</u> | <u>870,027</u> | <u>1</u> |
| 7900 | Profit before income tax | | 2,429,940 | 4 | 3,043,879 | 5 | 5,832,120 | 4 | 6,642,921 | 5 |
| 7950 | Income tax expense | 6(32) | (482,477) | (1) | (338,246) | - | (912,840) | - | (1,052,445) | (1) |
| 8000 | Profit for the period from continuing operations | | <u>1,947,463</u> | <u>3</u> | <u>2,705,633</u> | <u>5</u> | <u>4,919,280</u> | <u>4</u> | <u>5,590,476</u> | <u>4</u> |
| 8200 | Profit for the period | | <u>\$ 1,947,463</u> | <u>3</u> | <u>\$ 2,705,633</u> | <u>5</u> | <u>\$ 4,919,280</u> | <u>4</u> | <u>\$ 5,590,476</u> | <u>4</u> |

(Continued)

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share in dollars)
(UNAUDITED)

| Items | Notes | For the three-month periods ended June 30 | | | | For the six-month periods ended June 30 | | | |
|--|-------|---|----------|---------------------|----------|---|----------|---------------------|----------|
| | | 2021 | | 2020 | | 2021 | | 2020 | |
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| Other comprehensive income (loss) | | | | | | | | | |
| 8316 Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income | 6(5) | \$ 103,042 | - | \$ 13,932 | - | \$ 279,035 | - | (\$ 54,337) | - |
| 8320 Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | 6(24) | 1,044 | - | 238 | - | 2,118 | - | (541) | - |
| 8349 Income tax related to the components of other comprehensive income that will not be reclassified to profit or loss | 6(32) | 4,732 | - | 2,182 | - | 9,299 | - | 4,752 | - |
| 8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss | | 108,818 | - | 16,352 | - | 290,452 | - | (50,126) | - |
| 8361 Financial statements translation differences of foreign operations | | (611,024) | (1) | (493,651) | (1) | (631,893) | - | (287,053) | - |
| 8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss | 6(24) | 574 | - | (3,512) | - | (1,845) | - | (4,209) | - |
| 8360 Components of other comprehensive loss that will be reclassified to profit or loss | | (610,450) | (1) | (497,163) | (1) | (633,738) | - | (291,262) | - |
| 8300 Total other comprehensive loss for the period | | (\$ 501,632) | (1) | (\$ 480,811) | (1) | (\$ 343,286) | - | (\$ 341,388) | - |
| 8500 Total comprehensive income for the period | | <u>\$ 1,445,831</u> | <u>2</u> | <u>\$ 2,224,822</u> | <u>4</u> | <u>\$ 4,575,994</u> | <u>4</u> | <u>\$ 5,249,088</u> | <u>4</u> |
| Profit attributable to: | | | | | | | | | |
| 8610 Owners of the parent | | \$ 1,768,408 | 3 | \$ 2,537,225 | 5 | \$ 4,478,010 | 4 | \$ 5,091,668 | 4 |
| 8620 Non-controlling interests | | 179,055 | - | 168,408 | - | 441,270 | - | 498,808 | - |
| | | <u>\$ 1,947,463</u> | <u>3</u> | <u>\$ 2,705,633</u> | <u>5</u> | <u>\$ 4,919,280</u> | <u>4</u> | <u>\$ 5,590,476</u> | <u>4</u> |
| Comprehensive income attributable to: | | | | | | | | | |
| 8710 Owners of the parent | | \$ 1,322,993 | 2 | \$ 2,065,977 | 4 | \$ 4,208,407 | 4 | \$ 4,744,335 | 4 |
| 8720 Non-controlling interests | | 122,838 | - | 158,845 | - | 367,587 | - | 504,753 | - |
| | | <u>\$ 1,445,831</u> | <u>2</u> | <u>\$ 2,224,822</u> | <u>4</u> | <u>\$ 4,575,994</u> | <u>4</u> | <u>\$ 5,249,088</u> | <u>4</u> |
| 9750 Basic earnings per share | 6(33) | <u>\$ 1.70</u> | | <u>\$ 2.44</u> | | <u>\$ 4.31</u> | | <u>\$ 4.90</u> | |
| 9850 Diluted earnings per share | 6(33) | <u>\$ 1.70</u> | | <u>\$ 2.44</u> | | <u>\$ 4.30</u> | | <u>\$ 4.89</u> | |

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

Chairman: Lo, Chih-Hsien

President: Huang, Jui-Tien

Accounting Manager: Lee, Johnyih

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| | | Equity attributable to owners of the parent | | | | | | | | | |
|---|------------------------------|---|---------------|-----------------|----------------------------------|-----------------|--|---|---------------|--------------------------|--------------|
| | | Retained earnings | | | | | Other equity interest | | | | |
| | | | | | | | Financial statements translation differences of foreign operations | Unrealized gain or loss on valuation of financial assets at fair value through other comprehensive Income | | | |
| Notes | Share capital - common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | | | | Total | Non-controlling interest | Total equity |
| <u>For the six-month period ended June 30, 2020</u> | | | | | | | | | | | |
| | \$ 10,396,223 | \$ 46,884 | \$ 13,314,081 | \$ - | \$ 12,845,880 | (\$ 869,908) | \$ 489,721 | \$ 36,222,881 | \$ 9,004,437 | \$ 45,227,318 | |
| | - | - | - | - | 5,091,668 | - | - | 5,091,668 | 498,808 | 5,590,476 | |
| Other comprehensive (loss) income for the period | 6(24) | - | - | - | - | (291,063) | (56,270) | (347,333) | 5,945 | (341,388) | |
| Total comprehensive income (loss) for the period | | - | - | - | 5,091,668 | (291,063) | (56,270) | 4,744,335 | 504,753 | 5,249,088 | |
| Distribution of 2019 earnings: | | | | | | | | | | | |
| 6(23) | | | | | | | | | | | |
| Legal reserve | - | - | 1,055,147 | - | (1,055,147) | - | - | - | - | - | |
| Special reserve | - | - | - | 380,187 | (380,187) | - | - | - | - | - | |
| Cash dividends | - | - | - | - | (9,356,600) | - | - | (9,356,600) | - | (9,356,600) | |
| Non-controlling interest | - | - | - | - | - | - | - | - | (1,053,820) | (1,053,820) | |
| Disposal of financial instruments designated at fair value through other comprehensive income of associates | - | - | - | - | 664 | - | - | 664 | - | 664 | |
| Balance at June 30, 2020 | \$ 10,396,223 | \$ 46,884 | \$ 14,369,228 | \$ 380,187 | \$ 7,146,278 | (\$ 1,160,971) | \$ 433,451 | \$ 31,611,280 | \$ 8,455,370 | \$ 40,066,650 | |
| <u>For the six-month period ended June 30, 2021</u> | | | | | | | | | | | |
| | \$ 10,396,223 | \$ 47,628 | \$ 14,369,228 | \$ 380,187 | \$ 12,159,546 | (\$ 1,973,268) | \$ 640,647 | \$ 36,020,191 | \$ 8,957,508 | \$ 44,977,699 | |
| | - | - | - | - | 4,478,010 | - | - | 4,478,010 | 441,270 | 4,919,280 | |
| Other comprehensive (loss) income for the period | 6(24) | - | - | - | - | (560,567) | 290,964 | (269,603) | (73,683) | (343,286) | |
| Total comprehensive income (loss) for the period | | - | - | - | 4,478,010 | (560,567) | 290,964 | 4,208,407 | 367,587 | 4,575,994 | |
| Distribution of 2020 earnings: | | | | | | | | | | | |
| 6(23) | | | | | | | | | | | |
| Legal reserve | - | - | 1,010,560 | - | (1,010,560) | - | - | - | - | - | |
| Special reserve | - | - | - | 952,434 | (952,434) | - | - | - | - | - | |
| Cash dividends | - | - | - | - | (9,356,600) | - | - | (9,356,600) | - | (9,356,600) | |
| Non-controlling interest | - | - | - | - | - | - | - | - | (1,274,058) | (1,274,058) | |
| Acquisition of additional equity interest in a subsidiary | 6(34) | - | - | - | (650,393) | - | - | (650,393) | (71,405) | (721,798) | |
| Adjustment of capital surplus due to associates' adjustment of capital surplus | | - | (6) | - | - | - | - | (6) | - | (6) | |
| Disposal of financial instruments designated at fair value through other comprehensive income of associates | - | - | - | - | (662) | - | - | (662) | - | (662) | |
| Balance at June 30, 2021 | \$ 10,396,223 | \$ 47,622 | \$ 15,379,788 | \$ 1,332,621 | \$ 4,666,907 | (\$ 2,533,835) | \$ 931,611 | \$ 30,220,937 | \$ 7,979,632 | \$ 38,200,569 | |

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

Chairman: Lo, Chih-Hsien

President: Huang, Jui-Tien

Accounting Manager: Lee, Johnyih

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| | Notes | For the six-month periods ended June 30 | |
|--|-------------|---|---------------|
| | | 2021 | 2020 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Consolidated profit before income tax for the period | | \$ 5,832,120 | \$ 6,642,921 |
| Adjustments to reconcile profit before income tax to net cash provided by operating activities | | | |
| Income and expenses having no effect on cash flows | | | |
| Gain on valuation of financial assets at fair value through profit or loss | 6(2) | (2,691) | (5,428) |
| Expected credit losses | 12(2) | 30,630 | 12,228 |
| Depreciation expense | 6(7)(8)(26) | 10,073,940 | 9,506,256 |
| Amortization expense | 6(26) | 284,076 | 277,733 |
| Depreciation on investment property | 6(10)(30) | 77,186 | 8,497 |
| Finance costs | 6(31) | 614,680 | 650,342 |
| Share of profit of associates and joint ventures accounted for using equity method | 6(6) | (204,012) | (233,860) |
| Gain on disposal of property, plant and equipment | 6(30) | (12,680) | (15,751) |
| Gain on disposal of investment property | 6(30) | (22,549) | - |
| Gain from lease modification | 6(30) | (52,055) | (39,925) |
| Interest income | 6(28) | (106,666) | (315,658) |
| Dividend income | 6(29) | (2,815) | (60,312) |
| Other income recognized from rent concessions | 6(8) | (37,601) | (49,938) |
| Changes in assets/liabilities relating to operating activities | | | |
| Net changes in assets relating to operating activities | | | |
| Financial assets at fair value through profit or loss | | 339,243 | (805,601) |
| Accounts receivable | | 631,809 | 954,560 |
| Other receivables | (| 1,307,778) | (1,307,498) |
| Inventories | | 1,636,971 | 2,072,893 |
| Prepayments | (| 863,036) | (408,238) |
| Other current assets | (| 337,091) | (321,684) |
| Net changes in liabilities relating to operating activities | | | |
| Contract liabilities - current | | 946,426 | 471,454 |
| Accounts payable | (| 2,490,512) | (181,920) |
| Notes payable | | 246,523 | (182,927) |
| Other payables | | 655,425 | 196,530 |
| Advance receipts | | 190,716 | 208,005 |
| Contract liabilities - non-current | (| 55,176) | (12,389) |
| Net defined benefit liabilities | (| 62,485) | (2,536) |
| Cash generated from operations | | 16,002,598 | 17,446,372 |
| Interest received | | 107,400 | 321,256 |
| Income tax paid | (| 1,535,562) | (1,230,089) |
| Interest paid | (| 614,612) | (650,387) |
| Dividend received | | - | 666,393 |
| Net cash provided by operating activities | | 13,959,824 | 16,553,545 |

(Continued)

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| | Notes | <u>For the six-month periods ended June 30</u> | |
|--|----------|--|----------------------|
| | | <u>2021</u> | <u>2020</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Acquisition of investments accounted for using equity method | | (\$ 2,913) | \$ - |
| Acquisition of subsidiary | | (50) | - |
| Acquisition of property, plant and equipment | 6(35) | (4,124,444) | (3,937,602) |
| Proceeds from disposal of property, plant and equipment | | 115,160 | 80,449 |
| Return of capital from financial assets at fair value through profit or loss | | - | 42 |
| Proceeds from disposal of investment property | | 38,555 | 1,216 |
| Acquisition of investment property | 6(10) | (160,155) | - |
| Increase in guarantee deposits paid | | (35,693) | (94,785) |
| Acquisition of intangible assets | 6(11) | (81,813) | (62,644) |
| Proceeds from business combinations | | 7,746 | - |
| (Increase) decrease in other non-current assets | | (195,622) | 185,159 |
| Net cash used in investing activities | | (4,439,229) | (3,828,165) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Increase (decrease) in short-term borrowings | 6(36) | 1,344,668 | (202,549) |
| Decrease in short-term notes and bills payable | 6(36) | (3,399,147) | - |
| Increase in long-term borrowings | 6(36) | 343,538 | 130,180 |
| Repayment of long-term borrowings | 6(36) | (118,169) | (135,149) |
| Payments of lease liabilities | 6(8)(36) | (6,203,190) | (5,803,167) |
| Increase in guarantee deposits received | 6(36) | 110,414 | 89,908 |
| Increase in other non-current liabilities | 6(36) | 199,521 | 4,661 |
| Change in non-controlling interests | | 22,871 | (784) |
| Acquisition of additional equity interest in a subsidiary | 6(34) | (721,798) | - |
| Net cash used in financing activities | | (8,421,292) | (5,916,900) |
| Effect of foreign exchange rate changes on cash and cash equivalents | | (634,250) | (291,063) |
| Increase in cash and cash equivalents | | 465,053 | 6,517,417 |
| Cash and cash equivalents at beginning of period | | 46,562,907 | 45,445,395 |
| Cash and cash equivalents at end of period | | <u>\$ 47,027,960</u> | <u>\$ 51,962,812</u> |

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

Chairman: Lo, Chih-Hsien

President: Huang, Jui-Tien

Accounting Manager: Lee, Johnyih

PRESIDENT CHAIN STORE CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

- (1) President Chain Store Corporation (the “Company”) was established on June 10, 1987. The main businesses of the Company and its subsidiaries (collectively referred herein as the “Group”) are managing convenience stores, restaurants, drugstores, department stores, supermarkets and online shopping stores. Business areas include Taiwan, Mainland China, Philippines and Japan. The common shares of the Company have been listed on the Taiwan Stock Exchange since August 22, 1997. Details of the Group’s main operating activities and segment information are provided in Notes 4 and 14.
- (2) The Group’s ultimate parent company is Uni-President Enterprises Corp., which holds a 45.4% equity interest in the Company.

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

These consolidated financial statements were reported to the Board of Directors on August 3, 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 endorsed by 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 FSC.

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’

The amendment extends the application period of the practical expedient by one year to cover COVID-19-related rent concessions that reduce only lease payments originally due on or before June 30, 2022, provided that all specified conditions are met. The original amendment covered only lease payments originally due on or before June 30, 2021.

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

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:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|--|---|
| Amendments to IFRS 3, 'Reference to the conceptual framework' | January 1, 2022 |
| Amendments to 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 |
| 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 Group's financial condition and financial performance based on the Group's assessment. | |

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the compliance statement, basis of preparation, basis of consolidation, and the additional descriptions described below, the other principal accounting policies are in agreement with Note 4 of the consolidated financial statements for the year ended December 31, 2020. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, "Interim Financial Reporting" as endorsed by the FSC.
- B. The consolidated financial statements should be read together with the consolidated financial statements for the year ended December 31, 2020.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less the present value of defined benefit obligation.
- B. The preparation of financial statements, in compliance with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC

(collectively referred herein as the “IFRSs”), requires the use of certain critical accounting estimates and the exercise of management’s judgement in applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) The basis for preparation of these consolidated financial statements is consistent with those for the preparation of consolidated financial statements for the year ended December 31, 2020.
- (b) The details of the individual financial statements of the Company’s subsidiaries reviewed or unreviewed by the independent auditors are summarized below:

| Name of the subsidiaries | June 30, 2021 | June 30, 2020 |
|--|--------------------------------------|--------------------------------------|
| Retail Support International Corp. | Financial statements were reviewed | Financial statements were reviewed |
| President Chain Store (BVI) Holdings Ltd. | “ | “ |
| Shan Dong President Yinzuo Commercial Limited | “ | “ |
| Mech-President Corp. | “ | “ |
| President Transnet Corp. | “ | “ |
| President Drugstore Business Corp. | “ | “ |
| Books.com. Co., Ltd. | “ | “ |
| Uni-President Cold-Chain Corp. | “ | “ |
| President Chain Store (Hong Kong) Holdings Limited | “ | “ |
| President Pharmaceutical Corp. | “ | “ |
| Uni-Wonder Corp. | “ | “ |
| Other subsidiaries | Financial statements were unreviewed | Financial statements were unreviewed |

- (c) The financial statements of the subsidiary, Philippine Seven Corp., for the year ended December 31, 2020 were audited by other independent auditors, and the financial statements of other subsidiaries were audited by the same independent auditors as that appointed by the Company.

B. Subsidiaries included in the consolidated financial statements:

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | | Description |
|------------------|---|---|---------------|-------------------|---------------|-------------|
| | | | June 30, 2021 | December 31, 2020 | June 30, 2020 | |
| The Company | President Chain Store (BVI) Holdings Ltd. | Professional investment | 100.00 | 100.00 | 100.00 | |
| The Company | PCSC (China) Drugstore Limited | Professional investment | 92.20 | 92.20 | 92.20 | |
| The Company | Wisdom Distribution Service Corp. | Logistics and storage of publication and e-commerce | 100.00 | 100.00 | 100.00 | |
| The Company | President Drugstore Business Corp. | Sales of cosmetics, medicine and daily items | 100.00 | 100.00 | 100.00 | |
| The Company | Ren-Hui Investment Corp. | Professional investment | 100.00 | 100.00 | 100.00 | |
| The Company | Capital Marketing Consultant Corp. | Enterprise management consultancy | 100.00 | 100.00 | 100.00 | |

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | | Description |
|---|---|---|---------------|-------------------|---------------|-------------|
| | | | June 30, 2021 | December 31, 2020 | June 30, 2020 | |
| The Company | President Lanyang Art Corporation | Art and cultural exhibition | 100.00 | 100.00 | 100.00 | |
| The Company | Cold Stone Creamery Taiwan Ltd. | Sales of ice cream | 100.00 | 100.00 | 100.00 | |
| The Company | President Chain Store Corporation Insurance Brokers Co., Ltd. | Insurance brokers | 100.00 | 100.00 | 100.00 | |
| The Company | 21 Century Co., Ltd. | Operation of chain restaurants | 100.00 | 100.00 | 100.00 | |
| The Company | President Being Corp. | Sports and entertainment business | 100.00 | 100.00 | 100.00 | |
| The Company | Uni-President Oven Bakery Corp. | Bread and pastry retailer | 100.00 | 100.00 | 100.00 | |
| The Company | President Chain Store Tokyo Marketing Corp. | Trade and enterprise management consultancy | 100.00 | 100.00 | 100.00 | |
| The Company | ICASH Corp. | Electronic ticketing and electronic payment | 100.00 | 100.00 | 100.00 | |
| The Company | Uni-President Superior Commissary Corp. | Fresh food manufacture | 90.00 | 90.00 | 90.00 | |
| The Company | Q-ware Systems & Services Corp. | Information software services | 86.76 | 86.76 | 86.76 | |
| The Company | President Information Corp. | Enterprise information management and consultancy | 86.00 | 86.00 | 86.00 | |
| The Company | Mech-President Corp. | Gas station, installment and maintenance of elevators | 80.87 | 80.87 | 80.87 | |
| The Company | President Pharmaceutical Corp. | Sales of various health care products, cosmetics, and pharmaceuticals | 73.74 | 73.74 | 73.74 | |
| The Company | President Collect Service Corp. | Collection agent | 70.00 | 70.00 | 70.00 | |
| The Company | Uni-President Department Store Corp. | Department stores | 70.00 | 70.00 | 70.00 | |
| The Company | President Transnet Corp. | Delivery service | 70.00 | 70.00 | 70.00 | |
| The Company | Uni-President Cold-Chain Corp. | Low-temperature logistics and warehousing | 60.00 | 60.00 | 60.00 | |
| The Company | Uni-Wonder Corp. | Coffee chain store | 60.00 | 60.00 | 60.00 | |
| The Company | Duskin Serve Taiwan Co., Ltd. | Cleaning instruments leasing and selling | 51.00 | 51.00 | 51.00 | |
| The Company | Books.com. Co., Ltd. | Retail business without shop | 50.03 | 50.03 | 50.03 | |
| The Company | Retail Support International Corp. | Room-temperature logistics and warehousing | 25.00 | 25.00 | 25.00 | (a) |
| The Company | Connection Labs Ltd. | Other software and internet-related | 100.00 | - | - | (b) |
| President Chain Store (BVI) Holdings Ltd. | President Chain Store (Labuan) Holdings Ltd. | Professional investment | 100.00 | 100.00 | 100.00 | |
| President Chain Store (BVI) Holdings Ltd. | President Chain Store (Hong Kong) Holdings Limited | Professional investment | 100.00 | 100.00 | 100.00 | |
| PCSC (China) Drugstore Limited | President Cosmed Chain Store (Shen Zhen) Co., Ltd. | Wholesale of merchandise | 100.00 | 100.00 | 100.00 | |
| Wisdom Distribution Service Corp. | President Logistics International Corp. | Trucking | 20.00 | 20.00 | 20.00 | |
| Uni-President Cold-Chain Corp. | President Logistics International Corp. | Trucking | 25.00 | 25.00 | 25.00 | |

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | | Description |
|---|--|--|---------------|-------------------|---------------|-------------|
| | | | June 30, 2021 | December 31, 2020 | June 30, 2020 | |
| Uni-President Cold-Chain Corp. | Uni-President Logistics (BVI) Holdings Limited | Professional investment | 100.00 | 100.00 | 100.00 | |
| Retail Support International Corp. | Retail Support Taiwan Corp. | Room-temperature logistics and warehousing | 51.00 | 51.00 | 51.00 | |
| Retail Support International Corp. | President Logistics International Corp. | Trucking | 49.00 | 49.00 | 49.00 | |
| Retail Support Taiwan Corp. | President Logistics International Corp. | Trucking | 6.00 | 6.00 | 6.00 | |
| President Logistics International Corp. | Chieh Shun Logistics International Corp. | Trucking | 100.00 | 100.00 | 100.00 | |
| Books.com. Co., Ltd. | Books.com. (BVI) Ltd. | Professional investment | - | - | 100.00 | (c) |
| Books.com. (BVI) Ltd. | Beijing Bokelai Customer Co. | Enterprise information consulting, network technology development and services | - | - | 100.00 | (d) |
| Mech-President Corp. | Tong Ching Corporation | Gas station | 60.00 | 60.00 | 60.00 | |
| President Pharmaceutical Corp. | President Pharmaceutical (Hong Kong) Holdings Limited | Sales of various health care products, cosmetics, and pharmaceuticals | 100.00 | 100.00 | 100.00 | |
| President Pharmaceutical (Hong Kong) Holdings Limited | President (Shanghai) Health Product Trading Company Ltd. | Sales of various health care products, cosmetics, and pharmaceuticals | 100.00 | 100.00 | 100.00 | |
| President Chain Store (Labuan) Holdings Ltd. | Philippine Seven Corporation | Convenience store | 53.86 | 52.22 | 52.22 | (e) |
| Philippine Seven Corporation | Convenience Distribution Inc. | Logistics, warehousing and retail | 100.00 | 100.00 | 100.00 | |
| Philippine Seven Corporation | Store Sites Holding, Inc. | Professional investment | 100.00 | 100.00 | 100.00 | |
| President Chain Store (Hong Kong) Holdings Limited | PCSC (China) Drugstore Limited | Professional investment | 7.80 | 7.80 | 7.80 | |
| President Chain Store (Hong Kong) Holdings Limited | President Chain Store (Shanghai) Ltd. | Convenience store | 100.00 | 100.00 | 100.00 | |
| President Chain Store (Hong Kong) Holdings Limited | Shanghai President Logistics Co., Ltd. | Logistics and warehousing | 100.00 | 100.00 | 100.00 | |
| President Chain Store (Hong Kong) Holdings Limited | Shan Dong President Yinzuo Commercial Limited | Supermarkets | 40.00 | 40.00 | 40.00 | |
| President Chain Store (Hong Kong) Holdings Limited | Shanghai Cold Stone Ice Cream Corporation Ltd. | Sales of ice cream | - | - | 100.00 | (f) |
| President Chain Store (Hong Kong) Holdings Limited | President Chain Store (Taizhou) Ltd. | Logistics and warehousing | 100.00 | 100.00 | 100.00 | |
| President Chain Store (Hong Kong) Holdings Limited | President Chain Store (Zhejiang) Ltd. | Convenience store | 100.00 | 100.00 | 100.00 | |
| President Chain Store (Hong Kong) Holdings Limited | Beauty Wonder (Zhejiang) Trading Co., Ltd. | Sales of cosmetics and medicine | 100.00 | 100.00 | 100.00 | |

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | | Description |
|--|---|---------------------------|---------------|-------------------|---------------|-------------|
| | | | June 30, 2021 | December 31, 2020 | June 30, 2020 | |
| Shanghai President Logistics Co., Ltd. | Zhejiang Uni-Champion Logistics Development Co., Ltd. | Logistics and warehousing | 50.00 | 50.00 | 50.00 | |
| Shanghai President Logistics Co., Ltd. | President Logistic ShanDong Co., Ltd. | Logistics and warehousing | 100.00 | 100.00 | 100.00 | |
| Uni-President Logistics (BVI) Holdings Limited | Zhejiang Uni-Champion Logistics Development Co., Ltd. | Logistics and warehousing | 50.00 | 50.00 | 50.00 | |
| Ren-Hui Investment Corp. | Ren Hui Holding Co., Ltd. | Professional investment | 100.00 | 100.00 | 100.00 | |
| Ren-Hui Holdings Co., Ltd. | Shan Dong President Yinzuo Commercial Limited | Supermarkets | 15.00 | 15.00 | 15.00 | |

(a) As the Company controls the financial and operating policies of Retail Support International Corp., the latter is included as a subsidiary in the consolidated financial statements.

(b) The Company acquired an additional 70.87% shares of Connection Labs Ltd., in June 2021, having control over it.

(c) The Company liquidated the subsidiary, Books.com. (BVI) Ltd., and the process of cancellation of registration has been completed in August 2020.

(d) The Company liquidated the subsidiary, Beijing Bokelai Customer Co., and the process of cancellation of registration has been completed in July 2020.

(e) The Company acquired an additional 1.64% shares of the subsidiary, Philippine Seven Corp., in February 2021. Please refer to Note 6(34).

(f) The Company liquidated the subsidiary, Shanghai Cold Stone Ice Cream Corporation Ltd. and the process of cancellation of registration has been completed in November 2020.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Employee benefits

Defined benefit plans

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. And, the related information is disclosed accordingly.

(5) 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 Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

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

There have been no significant changes during the period. Please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2020.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|---------------------------------------|----------------------|--------------------------|----------------------|
| Cash on hand and petty cash | \$ 1,493,092 | \$ 2,049,148 | \$ 1,405,460 |
| Checking accounts and demand deposits | 15,751,749 | 12,354,395 | 17,038,884 |
| Cash equivalents | | | |
| Time deposits | 23,510,708 | 25,950,720 | 26,297,111 |
| Short-term financial instruments | 6,272,411 | 6,208,644 | 7,221,357 |
| | <u>\$ 47,027,960</u> | <u>\$ 46,562,907</u> | <u>\$ 51,962,812</u> |

- A. The Group transacts with a variety of financial institutions, all with high credit quality, to disperse credit risk, so it considers the probability of counterparty default as remote.
- B. Information about time deposits provided as security for performance guarantees and reclassified as “Other non-current assets – guarantee deposits paid” is provided in Note 8.

(2) Financial assets at fair value through profit or loss

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|--|----------------------|--------------------------|----------------------|
| Financial assets mandatorily measured at fair value through profit or loss | | | |
| <u>Current items:</u> | | | |
| Beneficiary certificates | \$ 1,768,588 | \$ 2,105,429 | \$ 2,506,707 |
| Valuation adjustment | 356 | 67 | 622 |
| | <u>\$ 1,768,944</u> | <u>\$ 2,105,496</u> | <u>\$ 2,507,329</u> |
| <u>Non-current items:</u> | | | |
| Unlisted stocks | \$ 275,243 | \$ 275,243 | \$ 275,243 |
| Valuation adjustment | (189,720) | (189,720) | (189,720) |
| | <u>\$ 85,523</u> | <u>\$ 85,523</u> | <u>\$ 85,523</u> |

- A. The Group recognized net profit of \$2,691 and \$5,428 in relation to financial assets at fair value through profit or loss for the six-month periods ended June 30, 2021 and 2020, respectively.
- B. No financial assets at fair value through profit or loss of the Group were pledged to others.
- C. Information relating to credit risk is provided in Note 12(2).

(3) Accounts receivable

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---------------------------------------|---------------------|---------------------|---------------------|
| Accounts receivable | \$ 5,667,555 | \$ 6,322,757 | \$ 4,908,666 |
| Less: Allowance for doubtful accounts | (127,386) | (107,485) | (66,974) |
| | <u>\$ 5,540,169</u> | <u>\$ 6,215,272</u> | <u>\$ 4,841,692</u> |

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-----------------|---------------------|---------------------|---------------------|
| Not past due | \$ 5,541,884 | \$ 6,228,821 | \$ 4,645,103 |
| Up to 90 days | 121,479 | 91,138 | 257,294 |
| 91 to 180 days | 2,496 | 1,371 | 5,837 |
| 181 to 365 days | 1,563 | 223 | 432 |
| Over 365 days | 133 | 1,204 | - |
| | <u>\$ 5,667,555</u> | <u>\$ 6,322,757</u> | <u>\$ 4,908,666</u> |

The above aging analysis was based on past due date.

B. As of June 30, 2021, December 31, 2020 and June 30, 2020, accounts receivable was all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$5,808,480.

C. As at June 30, 2021, December 31, 2020 and June 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 Group's accounts receivable were \$5,540,169, \$6,215,272, and \$4,841,692, respectively.

D. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

| June 30, 2021 | | | |
|-----------------------------------|----------------------|------------------------------|----------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials and work in process | \$ 75,821 | \$ - | \$ 75,821 |
| Merchandise and finished goods | 15,013,941 | (90,678) | 14,923,263 |
| | <u>\$ 15,089,762</u> | <u>(\$ 90,678)</u> | <u>\$ 14,999,084</u> |
| December 31, 2020 | | | |
| | Cost | Allowance for valuation loss | Book value |
| Raw materials and work in process | \$ 75,715 | \$ - | \$ 75,715 |
| Merchandise and finished goods | 16,648,109 | (87,769) | 16,560,340 |
| | <u>\$ 16,723,824</u> | <u>(\$ 87,769)</u> | <u>\$ 16,636,055</u> |
| June 30, 2020 | | | |
| | Cost | Allowance for valuation loss | Book value |
| Raw materials and work in process | \$ 69,401 | \$ - | \$ 69,401 |
| Merchandise and finished goods | 13,602,297 | (85,479) | 13,516,818 |
| | <u>\$ 13,671,698</u> | <u>(\$ 85,479)</u> | <u>\$ 13,586,219</u> |

The cost of inventories recognized as expense for the period:

| | For the three-month period ended June 30, 2021 | For the three-month period ended June 30, 2020 |
|---|--|--|
| Cost of goods sold and service costs | \$ 41,941,591 | \$ 40,150,944 |
| Loss on valuation (gain on reversal) of inventories | (7,453) | (30,131) |
| Spoilage | 492,400 | 551,580 |
| Others | 35,895 | 75,237 |
| | <u>\$ 42,462,433</u> | <u>\$ 40,747,630</u> |

| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
|---|--|--|
| Cost of goods sold and service costs | \$ 84,167,850 | \$ 80,716,220 |
| Loss on valuation (gain on reversal) of inventories | 2,909 | (39,062) |
| Spoilage | 1,040,820 | 1,144,538 |
| Others | 122,818 | 151,372 |
| | <u>\$ 85,334,397</u> | <u>\$ 81,973,068</u> |

The Group reversed a previous inventory write-down because the Group sold and scrapped certain inventories which were previously provided with allowance for the three-month periods ended June 30, 2021 and 2020 and for the six-month period ended June 30, 2020, respectively.

(5) Financial assets at fair value through other comprehensive income - non-current

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|---------------------------|----------------------|--------------------------|----------------------|
| <u>Equity instruments</u> | | | |
| Listed stocks | \$ 265,606 | \$ 265,606 | \$ 265,606 |
| Unlisted stocks | <u>4,348</u> | <u>4,348</u> | <u>4,348</u> |
| | 269,954 | 269,954 | 269,954 |
| Valuation adjustment | <u>968,908</u> | <u>689,873</u> | <u>482,824</u> |
| | <u>\$ 1,238,862</u> | <u>\$ 959,827</u> | <u>\$ 752,778</u> |

A. The Group has elected to classify the listed and unlisted stocks that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$1,238,862, \$959,827 and \$752,778 as at June 30, 2021, December 31, 2020 and June 30, 2020, respectively.

B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

| | For the three-month period ended June 30, 2021 | For the three-month period ended June 30, 2020 |
|--|--|--|
| <u>Equity instruments at fair value through other comprehensive income</u> | | |
| Fair value change recognized in other comprehensive income | <u>\$ 103,042</u> | <u>\$ 13,932</u> |
| Dividend income recognized in profit or loss | <u>\$ 2,815</u> | <u>\$ 42,184</u> |

| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
|--|--|--|
| <u>Equity instruments at fair value through other comprehensive income</u> | | |
| Fair value change recognized in other comprehensive income | \$ 279,035 | (\$ 54,337) |
| Dividend income recognized in profit or loss | \$ 2,815 | \$ 42,184 |

C. As at June 30, 2021, December 31, 2020 and June 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 financial assets at fair value through other comprehensive income held by the Group were \$1,238,862, \$959,827 and \$752,778, respectively.

D. No financial assets at fair value through other comprehensive income of the Group were pledged to others.

E. Information relating to credit risk is provided in Note 12(2).

(6) Investments accounted for using the equity method

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---|---------------------|---------------------|---------------------|
| <u>Associates</u> | | | |
| PresiCarre Corp. | \$ 4,960,487 | \$ 5,434,309 | \$ 5,265,753 |
| President Fair Development Corp. | 2,100,021 | 2,084,800 | 2,055,235 |
| Uni-President Development Corp. | 751,001 | 757,759 | 741,730 |
| President International Development Corp. | 444,112 | 445,096 | 446,413 |
| Uni-President Organics Corp. | 41,180 | 42,447 | 38,103 |
| Tung Ho Development Corp. | 25,735 | 33,133 | 96,662 |
| President Technology Corp. | 24,169 | 25,543 | 18,498 |
| | <u>8,346,705</u> | <u>8,823,087</u> | <u>8,662,394</u> |
| <u>Joint ventures</u> | | | |
| Mister Donut Taiwan Co., Ltd. | \$ 68,564 | \$ 98,554 | \$ 83,829 |
| | <u>\$ 8,415,269</u> | <u>\$ 8,921,641</u> | <u>\$ 8,746,223</u> |

The investments in associates or joint ventures are not significant to the Group. The details of the Group's share of the operating results in the aforementioned investments are as follows:

A. The Group's share of the operating results in all individually immaterial associates is summarized below:

| | For the three-month period ended June 30, 2021 | For the three-month period ended June 30, 2020 |
|----------------------------|---|---|
| Total comprehensive income | \$ 129,891 | \$ 91,107 |
| | | |
| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
| Total comprehensive income | \$ 224,145 | \$ 232,580 |

B. The Group's share of the operating results in all individually immaterial joint ventures is summarized below:

| | For the three-month period ended June 30, 2021 | For the three-month period ended June 30, 2020 |
|-----------------------------------|--|--|
| Total comprehensive (loss) income | <u>(\$ 20,775)</u> | <u>\$ 1,485</u> |
| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
| Total comprehensive (loss) income | <u>(\$ 19,860)</u> | <u>(\$ 3,470)</u> |

(7) Property, plant and equipment

A. The details of property, plant and equipment are as follows:

| | 2021 | | | | | | |
|--|---------------------|---------------------|-----------------------------|------------------------|---------------------------|---------------------|----------------------|
| | Land | Buildings | Transportation equipment | Operating equipment | Leasehold improvements | Others | Total |
| <u>At January 1</u> | | | | | | | |
| Cost | \$ 2,927,827 | \$ 4,891,097 | \$ 6,993,321 | \$ 24,307,493 | \$ 20,386,864 | \$ 11,989,504 | \$ 71,496,106 |
| Accumulated depreciation and impairment | (16,367) | (2,461,641) | (4,811,241) | (15,151,390) | (13,136,753) | (7,868,340) | (43,445,732) |
| | <u>\$ 2,911,460</u> | <u>\$ 2,429,456</u> | <u>\$ 2,182,080</u> | <u>\$ 9,156,103</u> | <u>\$ 7,250,111</u> | <u>\$ 4,121,164</u> | <u>\$ 28,050,374</u> |
| Opening net book amount as of January 1 | \$ 2,911,460 | \$ 2,429,456 | \$ 2,182,080 | \$ 9,156,103 | \$ 7,250,111 | \$ 4,121,164 | \$ 28,050,374 |
| Additions | - | 15,123 | 87,801 | 1,539,483 | 1,159,478 | 726,052 | 3,527,937 |
| Acquired through business combinations | - | - | - | 1,644 | - | - | 1,644 |
| Disposals | (4,200) | (3,735) | (6,775) | (15,634) | (59,489) | (12,647) | (102,480) |
| Transfer | - | 3,203 | 140,172 | 150,174 | 47,388 | (369,848) | (28,911) |
| Depreciation charge | - | (96,398) | (248,849) | (1,362,718) | (1,080,240) | (680,387) | (3,468,592) |
| Net exchange differences | (883) | (2,152) | (1,124) | (5,383) | (39,142) | (89,961) | (138,645) |
| Closing net book amount as of June 30 | <u>\$ 2,906,377</u> | <u>\$ 2,345,497</u> | <u>\$ 2,153,305</u> | <u>\$ 9,463,669</u> | <u>\$ 7,278,106</u> | <u>\$ 3,694,373</u> | <u>\$ 27,841,327</u> |
| <u>At June 30</u> | | | | | | | |
| Cost | \$ 2,922,743 | \$ 4,896,819 | \$ 7,055,813 | \$ 25,196,376 | \$ 20,997,542 | \$ 11,926,000 | \$ 72,995,293 |
| Accumulated depreciation and impairment | (16,366) | (2,551,322) | (4,902,508) | (15,732,707) | (13,719,436) | (8,231,627) | (45,153,966) |
| | <u>\$ 2,906,377</u> | <u>\$ 2,345,497</u> | <u>\$ 2,153,305</u> | <u>\$ 9,463,669</u> | <u>\$ 7,278,106</u> | <u>\$ 3,694,373</u> | <u>\$ 27,841,327</u> |

| | 2020 | | | | | | |
|--|---------------------|---------------------|-----------------------------|------------------------|---------------------------|---------------------|----------------------|
| | Land | Buildings | Transportation equipment | Operating equipment | Leasehold improvements | Others | Total |
| <u>At January 1</u> | | | | | | | |
| Cost | \$ 2,254,656 | \$ 4,788,540 | \$ 6,648,230 | \$ 22,280,204 | \$ 19,092,068 | \$ 10,972,281 | \$ 66,035,979 |
| Accumulated depreciation and impairment | (16,367) | (2,182,810) | (4,554,359) | (14,479,044) | (12,277,549) | (6,507,528) | (40,017,657) |
| | <u>\$ 2,238,289</u> | <u>\$ 2,605,730</u> | <u>\$ 2,093,871</u> | <u>\$ 7,801,160</u> | <u>\$ 6,814,519</u> | <u>\$ 4,464,753</u> | <u>\$ 26,018,322</u> |
| Opening net book amount as of January 1 | \$ 2,238,289 | \$ 2,605,730 | \$ 2,093,871 | \$ 7,801,160 | \$ 6,814,519 | \$ 4,464,753 | \$ 26,018,322 |
| Additions | 30,208 | 1,089 | 172,220 | 1,361,979 | 956,968 | 675,581 | 3,198,045 |
| Disposals | - | - | (3,873) | (19,776) | (38,114) | (2,935) | (64,698) |
| Transfer | - | 1,138 | 92,234 | 133,203 | 123,488 | (359,369) | (9,306) |
| Depreciation charge | - | (101,046) | (251,666) | (1,191,574) | (1,016,036) | (722,374) | (3,282,696) |
| Net exchange differences | <u>116</u> | <u>(3,362)</u> | <u>(1,450)</u> | <u>(13,124)</u> | <u>4,159</u> | <u>12,794</u> | <u>(867)</u> |
| Closing net book amount as of June 30 | <u>\$ 2,268,613</u> | <u>\$ 2,503,549</u> | <u>\$ 2,101,336</u> | <u>\$ 8,071,868</u> | <u>\$ 6,844,984</u> | <u>\$ 4,068,450</u> | <u>\$ 25,858,800</u> |
| <u>At June 30</u> | | | | | | | |
| Cost | \$ 2,284,980 | \$ 4,787,113 | \$ 6,752,554 | \$ 23,009,328 | \$ 19,821,792 | \$ 11,190,866 | \$ 67,846,633 |
| Accumulated depreciation and impairment | (16,367) | (2,283,564) | (4,651,218) | (14,937,460) | (12,976,808) | (7,122,416) | (41,987,833) |
| | <u>\$ 2,268,613</u> | <u>\$ 2,503,549</u> | <u>\$ 2,101,336</u> | <u>\$ 8,071,868</u> | <u>\$ 6,844,984</u> | <u>\$ 4,068,450</u> | <u>\$ 25,858,800</u> |

B. Impairment information about the property, plant and equipment is provided in Note 6(13).

C. Information about the property, plant and equipment pledged to others as collateral is provided in Note 8.

(8) Leasing arrangements — lessee

A. The Group leases various assets including land, buildings, transportation equipment, etc. Rental contracts are typically made for periods of 1 to 41 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 carrying amount of right-of-use assets and the depreciation charge are as follows:

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|-------------------------|---|---|------------------------|
| | <u>Carrying amount</u> | <u>Carrying amount</u> | <u>Carrying amount</u> |
| Land | \$ 858,658 | \$ 856,263 | \$ 623,804 |
| Buildings | 74,629,575 | 73,986,497 | 68,517,806 |
| Machinery and equipment | 23,158 | 38,785 | 54,575 |
| Other equipment | 67,901 | 81,456 | 64,875 |
| | <u>\$ 75,579,292</u> | <u>\$ 74,963,001</u> | <u>\$ 69,261,060</u> |
| | <u>For the three-month period ended June 30, 2021</u> | <u>For the three-month period ended June 30, 2020</u> | |
| | <u>Depreciation charge</u> | <u>Depreciation charge</u> | |
| Land | \$ 35,957 | \$ 35,942 | |
| Buildings | 3,284,557 | 3,079,054 | |
| Machinery and equipment | 5,222 | 8,572 | |
| Other equipment | 9,222 | 6,747 | |
| | <u>\$ 3,334,958</u> | <u>\$ 3,130,315</u> | |
| | <u>For the six-month period ended June 30, 2021</u> | <u>For the six-month period ended June 30, 2020</u> | |
| | <u>Depreciation charge</u> | <u>Depreciation charge</u> | |
| Land | \$ 71,727 | \$ 71,624 | |
| Buildings | 6,503,320 | 6,121,474 | |
| Machinery and equipment | 11,372 | 17,636 | |
| Other equipment | 18,929 | 12,826 | |
| | <u>\$ 6,605,348</u> | <u>\$ 6,223,560</u> | |

C. For the three-month and six-month periods ended June 30, 2021 and 2020, the additions to right-of-use assets were \$4,556,845, \$ 4,396,750, \$9,023,283 and \$ 8,845,062, respectively.

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

| | For the three-month period ended June 30, 2021 | For the three-month period ended June 30, 2020 |
|---|--|--|
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ 266,435 | \$ 282,884 |
| Expense on short-term lease contracts | 79,718 | 107,917 |
| Expense on leases of low-value assets | 28,194 | 9,910 |
| Expense on variable lease payments | 81,794 | 98,677 |
| Gain on sublease of right-of-use assets | 127,970 | 126,339 |
| Gain from lease modification | 25,305 | 21,764 |

| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
|---|--|--|
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ 540,452 | \$ 570,859 |
| Expense on short-term lease contracts | 174,715 | 224,572 |
| Expense on leases of low-value assets | 59,751 | 30,683 |
| Expense on variable lease payments | 231,473 | 237,964 |
| Gain on sublease of right-of-use assets | 269,974 | 263,994 |
| Gain from lease modification | 52,055 | 39,925 |

E. For the six-month periods ended June 30, 2021 and 2020, the Group's total cash outflow for leases were \$7,209,581 and \$6,867,245, respectively.

F. Variable lease payments

- (a) Some of the Group's lease contracts contain variable lease payment terms that are linked to sales generated from a store or department store counter. For the above-mentioned stores, up to 3.04% and 3.27% of lease payments as at June 30, 2021 and 2020, respectively, 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. 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.
- (b) A 1% increase in the aggregate sales amount of all stores with such variable lease contracts would increase total lease payments by approximately \$2,315 and \$2,380 for the six-month periods ended June 30, 2021 and 2020, respectively.

G. The Group's leases not yet commenced to which the lessee is committed are business premises for the lessees, and the lease liabilities undiscounted as at June 30, 2021, December 31, 2020 and June 30, 2020 amounted to \$3,554,189, \$2,773,378 and \$3,349,247, respectively.

H. The Group 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 as other income for the three-month and six-month periods ended June 30, 2021 and 2020, amounting to \$20,495, \$49,938, \$37,601 and \$49,938, respectively.

(9) Leasing arrangements – lessor

- A. The Group leases various assets including land, buildings, machinery and equipment, etc. Rental contracts are typically made for periods of 1 and 35 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. Information on profit or loss in relation to lease contracts is as follows:

| | For the three-month period ended June 30, 2021 | For the three-month period ended June 30, 2020 |
|---|--|--|
| Rental revenue | \$ 305,667 | \$ 325,928 |
| Rental revenue from variable lease payments | \$ 212,831 | \$ 241,113 |

| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
|---|--|--|
| Rental revenue | \$ 688,373 | \$ 671,755 |
| Rental revenue from variable lease payments | \$ 501,862 | \$ 498,267 |

C. The maturity analysis of the undiscounted lease payments in the operating leases is as follows:

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---------------|-------------------|-------------------|---------------------|
| Current year | \$ 119,596 | \$ - | \$ 166,529 |
| Within 1 year | 228,633 | 275,631 | 276,326 |
| 1~2 years | 171,697 | 211,129 | 216,251 |
| 2~3 years | 84,083 | 145,147 | 137,193 |
| 3~4 years | 67,742 | 71,577 | 59,346 |
| 4~5 years | 46,881 | 59,022 | 47,485 |
| Over 5 years | 95,657 | 135,472 | 103,665 |
| | <u>\$ 814,289</u> | <u>\$ 897,978</u> | <u>\$ 1,006,795</u> |

(10) Investment property

| 2021 | | | | |
|---------------------|---------------------|-------------------|---------------------|---------------------|
| | Land | Buildings | Right-of-use assets | Total |
| At January 1 | \$ 1,074,308 | \$ 403,098 | \$ 1,385,740 | \$ 2,863,146 |
| Additions | 137,520 | 22,635 | - | 160,155 |
| Disposals | (9,119) | (6,887) | - | (16,006) |
| Depreciation charge | - | (7,899) | (69,287) | (77,186) |
| At June 30 | <u>\$ 1,202,709</u> | <u>\$ 410,947</u> | <u>\$ 1,316,453</u> | <u>\$ 2,930,109</u> |

| 2020 | | | | |
|---------------------|---------------------|-------------------|---------------------|---------------------|
| | Land | Buildings | Right-of-use assets | Total |
| At January 1 | \$ 1,078,295 | \$ 428,503 | \$ - | \$ 1,506,798 |
| Disposals | - | (1,216) | - | (1,216) |
| Depreciation charge | - | (8,497) | - | (8,497) |
| At June 30 | <u>\$ 1,078,295</u> | <u>\$ 418,790</u> | <u>\$ -</u> | <u>\$ 1,497,085</u> |

A. The fair value of the investment property held by the Group ranged from \$4,044,251 to \$5,464,265 as at June 30, 2021, December 31, 2020, and June 30, 2020, which was assessed based on recent settlement prices of similar and comparable properties, as well as the reports of independent appraisers. Valuations were made using the comparison approach and income approach which is categorized within level 3 in the fair value hierarchy. Key assumptions are discount rates between 0.8% to 2.39% and growth rate of 3%.

B. Information on investment property pledged to others as collateral is provided in Note 8.

(11) Intangible assets

| | 2021 | | | | |
|--|-------------------|--------------------|--------------------------------|-------------------|---------------------|
| | License | | | | Total |
| | Software | Goodwill | agreement and customer list | Others | |
| <u>At January 1</u> | | | | | |
| Cost | \$ 2,038,224 | \$2,200,153 | \$ 7,524,890 | \$ 540,225 | \$12,303,492 |
| Accumulated amortization and impairment | (1,576,683) | - | (582,478) | (186,133) | (2,345,294) |
| | <u>\$ 461,541</u> | <u>\$2,200,153</u> | <u>\$ 6,942,412</u> | <u>\$ 354,092</u> | <u>\$ 9,958,198</u> |
| Opening net book amount as of January 1 | \$ 461,541 | \$2,200,153 | \$ 6,942,412 | \$ 354,092 | \$ 9,958,198 |
| Additions | 80,946 | - | - | 867 | 81,813 |
| Acquired through business combinations | 3,792 | - | - | - | 3,792 |
| Transfer | 3,817 | - | - | (1,572) | 2,245 |
| Amortization expense | (108,637) | - | (97,080) | (26,798) | (232,515) |
| Net exchange differences | (2,639) | (1,146) | - | - | (3,785) |
| Closing net book amount as of June 30 | <u>\$ 438,820</u> | <u>\$2,199,007</u> | <u>\$ 6,845,332</u> | <u>\$ 326,589</u> | <u>\$ 9,809,748</u> |
| <u>At June 30</u> | | | | | |
| Cost | \$ 2,103,056 | \$2,199,007 | \$ 7,524,890 | \$ 538,541 | \$12,365,494 |
| Accumulated amortization and impairment | (1,664,236) | - | (679,558) | (211,952) | (2,555,746) |
| | <u>\$ 438,820</u> | <u>\$2,199,007</u> | <u>\$ 6,845,332</u> | <u>\$ 326,589</u> | <u>\$ 9,809,748</u> |

| | 2020 | | | | |
|---|-------------------|---------------------|-----------------------------|-------------------|----------------------|
| | License | | | | Total |
| | Software | Goodwill | agreement and customer list | Others | |
| <u>At January 1</u> | | | | | |
| Cost | \$ 1,853,119 | \$ 2,202,925 | \$ 7,524,890 | \$ 493,171 | \$ 12,074,105 |
| Accumulated amortization and impairment | (1,375,833) | - | (388,319) | (138,511) | (1,902,663) |
| | <u>\$ 477,286</u> | <u>\$ 2,202,925</u> | <u>\$ 7,136,571</u> | <u>\$ 354,660</u> | <u>\$ 10,171,442</u> |
| Opening net book amount as of January 1 | \$ 477,286 | \$ 2,202,925 | \$ 7,136,571 | \$ 354,660 | \$ 10,171,442 |
| Additions | 54,890 | - | - | 7,754 | 62,644 |
| Transfer | 3,408 | - | - | (1,370) | 2,038 |
| Amortization expense | (103,592) | - | (97,080) | (24,206) | (224,878) |
| Net exchange differences | (1,831) | (647) | - | 2,401 | (77) |
| Closing net book amount as of June 30 | <u>\$ 430,161</u> | <u>\$ 2,202,278</u> | <u>\$ 7,039,491</u> | <u>\$ 339,239</u> | <u>\$ 10,011,169</u> |
| <u>At June 30</u> | | | | | |
| Cost | \$ 1,898,594 | \$ 2,202,278 | \$ 7,524,890 | \$ 499,551 | \$ 12,125,313 |
| Accumulated amortization and impairment | (1,468,433) | - | (485,399) | (160,312) | (2,114,144) |
| | <u>\$ 430,161</u> | <u>\$ 2,202,278</u> | <u>\$ 7,039,491</u> | <u>\$ 339,239</u> | <u>\$ 10,011,169</u> |

Amortization expense on intangible assets are recognized as operating expenses.

(12) Other non-current assets

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|-------------------------|----------------------|--------------------------|----------------------|
| Guarantee deposits paid | \$ 3,142,683 | \$ 3,106,790 | \$ 3,006,672 |
| Others | <u>605,171</u> | <u>461,010</u> | <u>550,072</u> |
| | <u>\$ 3,747,854</u> | <u>\$ 3,567,800</u> | <u>\$ 3,556,744</u> |

(13) Impairment of non-financial assets

- A. There were neither impairment loss nor reversal of impairment loss recognized for the six-month periods ended June 30, 2021 and 2020.
- B. The Group performs impairment testing annually. The recoverable amount has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. The recoverable amount calculated using the value-in-use exceeded their carrying amount for the quarter ended December 31, 2020, so goodwill was not impaired. The key assumptions used for value-in-use calculations is provided in Note 6(13) in the consolidated financial statements for the year ended December 31, 2020.

(14) Short-term borrowings

| Type of borrowings | June 30, 2021 | Interest rate range | Collateral |
|--------------------|-------------------|---------------------|------------|
| Bank borrowings | | | |
| Credit loan | \$ 6,089,079 | 0.35%~4.875% | None |
| Type of borrowings | December 31, 2020 | Interest rate range | Collateral |
| Bank borrowings | | | |
| Credit loan | \$ 4,739,411 | 0.49%~4.875% | None |
| Type of borrowings | June 30, 2020 | Interest rate range | Collateral |
| Bank borrowings | | | |
| Credit loan | \$ 5,812,109 | 0.55%~5.25% | None |

There was no capitalization of borrowing costs for the six-month periods ended June 30, 2021 and 2020. Relevant interest expense on borrowings is recognized as “finance costs”.

(15) Short-term notes and bills payable

| | December 31, 2020 | Pledged or secured |
|----------------------------|-------------------|---------------------------------------|
| Commercial papers payable | \$ 3,400,000 | Please refer to the below for details |
| Less: Unamortized discount | (853) | |
| | \$ 3,399,147 | |
| Interest rate range | 0.408% | |

A. There was no commercial papers payable as at June 30, 2021 and 2020.

B. The above commercial papers were issued and secured by Sumitomo Mitsui Banking Corporation and International Bills Finance Corporation for short-term financing.

(16) Other payables

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|---------------|-------------------|---------------|
| Store collections | \$ 12,199,752 | \$ 10,519,829 | \$ 13,753,691 |
| Dividend payable | 10,653,529 | - | 10,409,636 |
| Wages, salaries and bonus payable | 4,707,194 | 4,958,514 | 4,624,661 |
| Sales receipt on behalf of others | 1,454,374 | 1,617,261 | 1,041,740 |
| Incentive bonus payable to franchisees | 881,510 | 934,922 | 1,202,271 |
| Payables for acquisition of property, plant and equipment | 758,612 | 1,355,119 | 624,813 |
| Employees' compensation and remuneration for directors and supervisors | 380,416 | 852,461 | 421,481 |
| Payables for labor and health insurance | 270,209 | 252,313 | 244,752 |
| Rent payable | 68,253 | 62,477 | 69,412 |
| Others | 4,203,925 | 4,540,886 | 4,146,781 |
| | \$ 35,577,774 | \$ 25,093,782 | \$ 36,539,238 |

(17) Other current liabilities

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|---------------------|---------------------|---------------------|
| Advance receipts for gift certificates | \$ 1,466,056 | \$ 1,489,185 | \$ 1,390,268 |
| Advance receipts of deposits in | | | |
| ICASH cards | 1,649,655 | 1,474,937 | 1,386,072 |
| Current portion of long-term liabilities | 397,315 | 291,575 | 223,693 |
| Others | 367,259 | 333,173 | 359,368 |
| | <u>\$ 3,880,285</u> | <u>\$ 3,588,870</u> | <u>\$ 3,359,401</u> |

(18) Long-term borrowings

| Type of borrowings | Interest rate range | Collateral | June 30, 2021 |
|---------------------------|---------------------|-------------------------------|---------------------|
| Long-term bank borrowings | | | |
| Credit loan | 3.875%~5.30% | None | \$ 977,518 |
| Secured borrowings | 1.46%~1.72% | Property, plant and equipment | 538,416 |
| | | | <u>1,515,934</u> |
| Less: Current portion | | | (397,315) |
| | | | <u>\$ 1,118,619</u> |

| Type of borrowings | Interest rate range | Collateral | December 31, 2020 |
|---------------------------|---------------------|-------------------------------|---------------------|
| Long-term bank borrowings | | | |
| Credit loan | 3.875%~5.30% | None | \$ 790,662 |
| Secured borrowings | 1.49%~1.75% | Property, plant and equipment | 529,466 |
| | | | <u>1,320,128</u> |
| Less: Current portion | | | (291,575) |
| | | | <u>\$ 1,028,553</u> |

| Type of borrowings | Interest rate range | Collateral | June 30, 2020 |
|---------------------------|---------------------|-------------------------------|-------------------|
| Long-term bank borrowings | | | |
| Credit loan | 4.931% ~ 4.98% | None | \$ 240,430 |
| Secured borrowings | 1.49% ~ 1.75% | Property, plant and equipment | 486,028 |
| | | | <u>726,458</u> |
| Less: Current portion | | | (223,693) |
| | | | <u>\$ 502,765</u> |

There was no capitalization of borrowing costs for the six-month periods ended June 30, 2021 and 2020. Relevant interest expense on borrowings is recognized as “finance costs”.

(19) Pensions

- A. The Company and its domestic subsidiaries operate a defined benefit pension plan, in accordance with the Labor Standards Law, which covers 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 Labor Standards 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 six months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2%~8% of employees' monthly salaries and wages to a retirement fund at the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March. Furthermore, the subsidiary, Philippine Seven Corporation has defined benefit pension plan.

For the aforementioned pension plan, the Group recognized pension costs of \$28,699, \$32,907, \$58,076 and \$65,832 for the three-month and six-month periods ended June 30, 2021 and 2020, respectively.

- B. Effective July 1, 2005, the Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute 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.

(a) The Company's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the six-month periods ended June 30, 2021 and 2020 were 14%~20%. Other than the monthly contributions, the Group has no further obligations.

(b) The pension costs under the defined contribution pension plans of the Group for the three-month and six-month periods ended June 30, 2021 and 2020 were \$253,229, \$226,930, \$500,138 and \$461,872, respectively.

(20) Other non-current liabilities

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|---|----------------------|--------------------------|----------------------|
| Guarantee deposit received | \$ 3,895,119 | \$ 3,784,654 | \$ 3,650,393 |
| Provision for decommissioning liability | 613,995 | 576,406 | 541,673 |
| Others | 494,734 | 295,213 | 304,289 |
| | <u>\$ 5,003,848</u> | <u>\$ 4,656,273</u> | <u>\$ 4,496,355</u> |

(21) Share capital

As of June 30, 2021, the Company's authorized capital was \$10,500,000, consisting of 1,050,000,000 shares of ordinary stock, and the paid-in capital was \$10,396,223 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The number of the Company's outstanding ordinary shares was both 1,039,622,255 as of June 30, 2021 and January 1, 2021.

(22) Capital surplus

In accordance with the Company Act of the Republic of China, any capital surplus arising from paid-in capital in excess of the 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 of the Republic of China requires that the amount of capital surplus to be capitalized, as above, should not exceed 10% of paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(23) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, must first be used to pay all taxes and offset prior years' operating losses, then 10% of the remaining amount is to be set aside as a legal reserve. The Company may then set aside or reserve a certain amount as special reserve according to the relevant regulations. The appropriation of the remaining earnings and prior years' unappropriated retained earnings should be proposed by the Board of Directors and voted on by the shareholders at the shareholders' meeting. The dividends and bonus to be distributed to shareholders may be 50%-100% of the total distributable amount, and 50%-100% of dividends are to be distributed as cash dividends, and the remaining undistributed amount to be set aside as unappropriated retained earnings.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside a special reserve for the debit balance on other equity items at the balance sheet date before distributing earnings. When the debit balance on other equity items is reversed subsequently, the reversed amount should be included in the distributable earnings.
- D. The appropriations for 2020 and 2019 were resolved by the shareholders on July 16, 2021 and June 17, 2020, respectively, as follows:

| | 2020 | | 2019 | |
|------------------------------|--------------|--|--------------|--|
| | Amount | Dividends per share (in dollars) | Amount | Dividends per share (in dollars) |
| Legal reserve | \$ 1,010,560 | | \$ 1,055,147 | |
| Special reserve appropriated | 952,434 | | 380,187 | |
| Cash dividends | 9,356,600 | \$ 9.00 | 9,356,600 | \$ 9.00 |

(24) Other equity items

| | 2021 | | |
|-----------------------------------|--|--|----------------|
| | Financial statements translation differences of foreign operations | Unrealized gains (or loss) on valuation of financial assets at fair value through other comprehensive income | Total |
| At January 1 | (\$ 1,973,268) | \$ 640,647 | (\$ 1,332,621) |
| Revaluation and transfer | | | |
| – Group | - | 279,035 | 279,035 |
| – Associates | - | 2,630 | 2,630 |
| Revaluation-tax | - | 9,299 | 9,299 |
| Currency translation differences: | | | |
| – Group | (558,210) | - | (558,210) |
| – Associates | (2,357) | - | (2,357) |
| At June 30 | (\$ 2,533,835) | \$ 931,611 | (\$ 1,602,224) |

| | 2020 | | |
|-----------------------------------|--|--|--------------|
| | Financial statements translation differences of foreign operations | Unrealized gains (or loss) on valuation of financial assets at fair value through other comprehensive income | Total |
| At January 1 | (\$ 869,908) | \$ 489,721 | (\$ 380,187) |
| Revaluation and transfer | | | |
| – Group | - (54,337) | (54,337) | (54,337) |
| – Associates | - (6,685) | (6,685) | (6,685) |
| Revaluation-tax | - | 4,752 | 4,752 |
| Currency translation differences: | | | |
| – Group | (292,998) | - | (292,998) |
| – Associates | 1,935 | - | 1,935 |
| At June 30 | (\$ 1,160,971) | \$ 433,451 | (\$ 727,520) |

(25) Operating revenue

| | For the three-month period ended June 30, 2021 | For the three-month period ended June 30, 2020 |
|---------------------------------------|--|--|
| Revenue from contracts with customers | \$ 63,593,394 | \$ 61,492,529 |
| | | |
| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
| Revenue from contracts with customers | \$ 128,646,597 | \$ 124,542,278 |

A. Disaggregation of revenue from contracts with customers

The Group operates a chain of retail stores and derives revenue from the transfer of goods and services overtime and at a point in time. The operating revenue is categorized based on operating departments provided in Note 14(3) and goods or services recognition timing as follows:

| For the three-month period ended June 30, 2021 | Convenience stores | Retail business group | Logistics business group | Others | Total |
|---|-----------------------|--------------------------|-----------------------------|---------------------|----------------------|
| Timing of revenue recognition | | | | | |
| – At a point in time | \$ 41,048,173 | \$ 13,648,180 | \$ 3,636 | \$ 4,196,528 | \$ 58,896,517 |
| – Over time | 201,357 | 3,726,342 | 516,687 | 252,491 | 4,696,877 |
| | <u>\$ 41,249,530</u> | <u>\$ 17,374,522</u> | <u>\$ 520,323</u> | <u>\$ 4,449,019</u> | <u>\$ 63,593,394</u> |
| For the three-month period ended June 30, 2020 | Convenience stores | Retail business group | Logistics business group | Others | Total |
| Timing of revenue recognition | | | | | |
| – At a point in time | \$ 41,080,357 | \$ 11,752,822 | \$ 169,799 | \$ 4,262,387 | \$ 57,265,365 |
| – Over time | 178,248 | 3,463,037 | 347,150 | 238,729 | 4,227,164 |
| | <u>\$ 41,258,605</u> | <u>\$ 15,215,859</u> | <u>\$ 516,949</u> | <u>\$ 4,501,116</u> | <u>\$ 61,492,529</u> |
| For the six-month period ended June 30, 2021 | Convenience stores | Retail business group | Logistics business group | Others | Total |
| Timing of revenue recognition | | | | | |
| – At a point in time | \$ 82,359,111 | \$ 27,854,956 | \$ 6,468 | \$ 9,291,223 | \$119,511,758 |
| – Over time | 417,865 | 7,181,567 | 1,042,978 | 492,429 | 9,134,839 |
| | <u>\$ 82,776,976</u> | <u>\$ 35,036,523</u> | <u>\$ 1,049,446</u> | <u>\$ 9,783,652</u> | <u>\$128,646,597</u> |
| For the six-month period ended June 30, 2020 | Convenience stores | Retail business group | Logistics business group | Others | Total |
| Timing of revenue recognition | | | | | |
| – At a point in time | \$ 79,969,173 | \$ 26,760,907 | \$ 339,149 | \$ 8,999,068 | \$116,068,297 |
| – Over time | 383,506 | 6,980,776 | 709,388 | 400,311 | 8,473,981 |
| | <u>\$ 80,352,679</u> | <u>\$ 33,741,683</u> | <u>\$ 1,048,537</u> | <u>\$ 9,399,379</u> | <u>\$124,542,278</u> |

B. Contract liabilities

(a) The Group has recognized the following revenue-related contract liabilities:

| | June 30, 2021 | December 31, 2020 | June 30, 2020 | January 1, 2020 |
|--|---------------------|---------------------|---------------------|---------------------|
| Contract liabilities – advance receipts of gift certificates and gift payments | \$ 4,106,002 | \$ 3,430,999 | \$ 2,208,687 | \$ 1,786,894 |
| Contract liabilities – members’ deposits | 821,630 | 804,373 | 797,305 | 793,115 |
| Contract liabilities – franchise fee | 406,647 | 429,578 | 445,248 | 444,470 |
| Contract liabilities – customer loyalty programs | 961,744 | 807,168 | 590,088 | 503,861 |
| Contract liabilities – others | 393,859 | 326,513 | 334,148 | 363,291 |
| | <u>\$ 6,689,882</u> | <u>\$ 5,798,631</u> | <u>\$ 4,375,476</u> | <u>\$ 3,891,631</u> |

(b) Revenues recognized that were included in the contract liabilities balance at the beginning were \$3,479,745 and \$1,939,194 for the six-month periods ended June 30, 2021 and 2020, respectively.

(26) Expenses by nature

| | For the three-month period ended June 30, 2021 | For the three-month period ended June 30, 2020 |
|--|--|--|
| Net cost of goods sold | \$ 37,314,892 | \$ 36,201,356 |
| Employee benefit expense | 6,574,493 | 6,348,022 |
| Incentive bonuses for franchisees | 5,532,115 | 5,558,625 |
| Depreciation and amortization | 5,213,393 | 4,918,658 |
| Utilities expense | 1,091,665 | 1,133,167 |
| Operating lease payments | 189,706 | 216,504 |
| Other costs and expenses | 5,598,012 | 4,533,680 |
| Total operating costs and operating expenses | <u>\$ 61,514,276</u> | <u>\$ 58,910,012</u> |

| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
|--|--|--|
| Net cost of goods sold | \$ 75,375,296 | \$ 72,969,039 |
| Employee benefit expense | 13,294,539 | 12,894,683 |
| Incentive bonuses for franchisees | 10,834,142 | 10,955,108 |
| Depreciation and amortization | 10,358,016 | 9,783,989 |
| Utilities expense | 2,066,003 | 2,181,428 |
| Operating lease payments | 465,939 | 493,219 |
| Other costs and expenses | 11,015,946 | 9,491,918 |
| Total operating costs and operating expenses | <u>\$ 123,409,881</u> | <u>\$ 118,769,384</u> |

(27) Employee benefit expense

| | For the three-month period ended June 30, 2021 | For the three-month period ended June 30, 2020 |
|---------------------------------|--|--|
| Wages and salaries | \$ 5,357,847 | \$ 5,233,668 |
| Labor and health insurance fees | 553,431 | 466,167 |
| Pension costs | 281,928 | 259,837 |
| Other personnel expenses | 381,287 | 388,350 |
| | <u>\$ 6,574,493</u> | <u>\$ 6,348,022</u> |

| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
|---------------------------------|--|--|
| Wages and salaries | \$ 10,883,031 | \$ 10,647,012 |
| Labor and health insurance fees | 1,102,990 | 972,613 |
| Pension costs | 558,214 | 527,704 |
| Other personnel expenses | 750,304 | 747,354 |
| | <u>\$ 13,294,539</u> | <u>\$ 12,894,683</u> |

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' remuneration.
- B. For the three-month and six-month periods ended June 30, 2021 and 2020, employees' compensation was accrued at \$95,022, \$126,024, \$229,445 and \$265,687, respectively; while directors' remuneration was accrued at \$31,747, \$42,104, \$76,657 and \$88,765, respectively.

The employees' compensation and directors' remuneration were estimated and accrued based on 4.37% and 1.46% of distributable profit of the current period for the six-month period ended June 30, 2021, respectively.

Employees' compensation and directors' remuneration for 2020 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2020 financial statements and the employee's compensation will be distributed in form of cash.

Information about employees' compensation and directors' remuneration of 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.

(28) Interest income

| | For the three-month period ended June 30, 2021 | For the three-month period ended June 30, 2020 |
|-----------------|--|--|
| Interest income | \$ 52,247 | \$ 148,817 |

| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
|-----------------|--|--|
| Interest income | \$ 106,666 | \$ 315,658 |

(29) Other income

| | For the three-month period ended June 30, 2021 | For the three-month period ended June 30, 2020 |
|-----------------|--|--|
| Grants income | \$ 228,712 | \$ 166,179 |
| Rental revenue | 72,800 | 70,007 |
| Dividend income | 2,815 | 60,312 |
| Others | 225,962 | 251,282 |
| | <u>\$ 530,289</u> | <u>\$ 547,780</u> |

| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
|-----------------|--|--|
| Grants income | \$ 418,431 | \$ 344,794 |
| Rental revenue | 142,912 | 139,225 |
| Dividend income | 2,815 | 60,312 |
| Others | 382,261 | 395,306 |
| | <u>\$ 946,419</u> | <u>\$ 939,637</u> |

(30) Other gains and losses

| | For the three-month period ended June 30, 2021 | For the three-month period ended June 30, 2020 |
|---|--|--|
| Depreciation of investment property | (\$ 38,590) | (\$ 4,251) |
| Gain from lease modification | 25,305 | 21,764 |
| Gain on disposal of investment property | 22,549 | - |
| Gain (loss) on disposal of property, plant and equipment | 7,489 | (3,567) |
| Other gains and losses | (48,156) | (10,568) |
| | <u>(\$ 31,403)</u> | <u>\$ 3,378</u> |
| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
| Depreciation of investment property | (\$ 77,186) | (\$ 8,497) |
| Gain from lease modification | 52,055 | 39,925 |
| Gain on disposal of investment property | 22,549 | - |
| Gain (loss) on disposal of property, plant and equipment | 12,680 | 15,751 |
| Other gains and losses | (57,111) | (15,965) |
| | <u>(\$ 47,013)</u> | <u>\$ 31,214</u> |

(31) Finance costs

| | For the three-month period ended June 30, 2021 | For the three-month period ended June 30, 2020 |
|---------------------------------------|--|--|
| Interest expense on lease liabilities | \$ 266,435 | \$ 282,884 |
| Financial expense, others | 41,374 | 51,595 |
| | <u>\$ 307,809</u> | <u>\$ 334,479</u> |
| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
| Interest expense on lease liabilities | \$ 540,452 | \$ 570,859 |
| Financial expense, others | 74,228 | 79,483 |
| | <u>\$ 614,680</u> | <u>\$ 650,342</u> |

(32) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | For the three-month period ended June 30, 2021 | For the three-month period ended June 30, 2020 |
|--|--|--|
| Current tax: | | |
| Current tax on profit for the period | \$ 584,636 | \$ 648,482 |
| Under (over) provision of prior year's income tax | 1,409 | (204,754) |
| Total current tax | 586,045 | 443,728 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (103,568) | (105,482) |
| Income tax expense | \$ 482,477 | \$ 338,246 |
| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
| Current tax: | | |
| Current tax on profit for the period | \$ 1,303,099 | \$ 1,414,522 |
| Under (over) provision of prior year's income tax | 559 | (204,753) |
| Total current tax | 1,303,658 | 1,209,769 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (390,818) | (157,324) |
| Income tax expense | \$ 912,840 | \$ 1,052,445 |

(b) The income tax charge relating to the components of other comprehensive income is as follows:

| | For the three-month period ended June 30, 2021 | For the three-month period ended June 30, 2020 |
|--|--|--|
| Changes in fair value of financial assets at fair value through other comprehensive income | (\$ 4,732) | (\$ 2,182) |
| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
| Changes in fair value of financial assets at fair value through other comprehensive income | (\$ 9,299) | (\$ 4,752) |

B. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(33) Earnings per share

| For the three-month period ended June 30, 2021 | | | |
|--|---------------------|---|---------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 1,768,408 | 1,039,622 | \$ 1.70 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 1,768,408 | 1,039,622 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 361 | |
| Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 1,768,408 | 1,039,983 | \$ 1.70 |
| For the three-month period ended June 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 of the parent | \$ 2,537,225 | 1,039,622 | \$ 2.44 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 2,537,225 | 1,039,622 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 425 | |
| Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 2,537,225 | 1,040,047 | \$ 2.44 |

| For the six-month period ended June 30, 2021 | | | |
|--|---------------------|---|---------------------------------------|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 4,478,010 | 1,039,622 | \$ 4.31 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 4,478,010 | 1,039,622 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 1,549 | |
| Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 4,478,010 | 1,041,171 | \$ 4.30 |
| For the six-month period ended June 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 of the parent | \$ 5,091,668 | 1,039,622 | \$ 4.90 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 5,091,668 | 1,039,622 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 1,533 | |
| Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 5,091,668 | 1,041,155 | \$ 4.89 |

(34) Transactions with non-controlling interest

A. Acquisition of additional equity interest in a subsidiary

In February 2021, the Group acquired an additional 1.64% shares of the subsidiary, Philippine Seven Corp., for a cash consideration of \$721,798. The carrying amount of non-controlling interest in Philippine Seven Corp. was \$71,405 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by \$71,405. The effect of changes in interests in Philippine Seven Corp. on the equity attributable to owners of the parent for the six-month period ended June 30, 2021 is as follows:

| | For the six-month period ended June 30, 2021 |
|--|--|
| Carrying amount of non-controlling interest acquired | \$ 71,405 |
| Consideration paid to non-controlling interest | (721,798) |
| Difference between proceeds on actual acquisition of equity interest in a subsidiary and its carrying amount (Decrease in "Retained earnings") | (\$ 650,393) |

B. The Group did not conduct any transaction with non-controlling interest for the six-month period ended June 30, 2020.

(35) Supplemental cash flow information

A. Investing activities with partial cash payments

| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
|--|--|--|
| Purchase of property, plant and equipment | \$ 3,527,937 | \$ 3,198,045 |
| Add: Opening balance of payable on equipment | 1,355,119 | 1,364,370 |
| Less: Ending balance of payable on equipment | (758,612) | (624,813) |
| Cash paid during the period | \$ 4,124,444 | \$ 3,937,602 |

B. Declared cash dividends

| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
|-------------------------------------|--|--|
| Unpaid cash dividends – the Company | \$ 9,356,600 | \$ 9,356,600 |
| Unpaid cash dividends – subsidiary | 1,296,929 | 1,053,036 |
| | \$ 10,653,529 | \$ 10,409,636 |

(36) Changes in liabilities from financing activities

| | 2021 | | | | | | | |
|--|-----------------------|------------------------------------|----------------------|----------------------|---------------------|-----------------------------|-------------------------------|---|
| | Short-term borrowings | Short-term notes and bills payable | Dividend payable | Long-term borrowings | Lease liabilities | Guarantee deposits received | Other non-current liabilities | Total liabilities from financing activities |
| At January 1 | \$ 4,739,411 | \$ 3,399,147 | \$ - | \$ 1,028,553 | \$78,137,016 | \$3,784,654 | \$ 871,619 | \$ 91,960,400 |
| Changes in cash flow from financing activities | 1,344,668 | (3,399,147) | - | 225,369 | (6,203,190) | 110,414 | 199,521 | (7,722,365) |
| Interest paid (Note) | - | - | - | - | (540,452) | - | - | (540,452) |
| Impact of changes in foreign exchange rate | - | - | - | (24,204) | (225,441) | - | - | (249,645) |
| Changes in other non-cash items | 5,000 | - | 10,653,529 | (111,099) | 7,960,045 | 51 | 37,589 | 18,545,115 |
| At June 30 | <u>\$ 6,089,079</u> | <u>\$ -</u> | <u>\$ 10,653,529</u> | <u>\$ 1,118,619</u> | <u>\$79,127,978</u> | <u>\$3,895,119</u> | <u>\$ 1,108,729</u> | <u>\$ 101,993,053</u> |
| | 2020 | | | | | | | |
| | Short-term borrowings | Short-term notes and bills payable | Dividend payable | Long-term borrowings | Lease liabilities | Guarantee deposits received | Other non-current liabilities | Total liabilities from financing activities |
| At January 1 | \$ 6,014,658 | \$ - | \$ - | \$ 508,112 | \$68,827,038 | \$3,560,485 | \$ 808,335 | \$ 79,718,628 |
| Changes in cash flow from financing activities | (202,549) | - | - | (4,969) | (5,803,167) | 89,908 | 4,661 | (5,916,116) |
| Interest paid (Note) | - | - | - | - | (570,859) | - | - | (570,859) |
| Impact of changes in foreign exchange rate | - | - | - | 963 | (140) | - | - | 823 |
| Changes in other non-cash items | - | - | 10,409,636 | (1,341) | 8,353,512 | - | 32,966 | 18,794,773 |
| At June 30 | <u>\$ 5,812,109</u> | <u>\$ -</u> | <u>\$ 10,409,636</u> | <u>\$ 502,765</u> | <u>\$70,806,384</u> | <u>\$3,650,393</u> | <u>\$ 845,962</u> | <u>\$ 92,027,249</u> |

Note: Presented in cash flows from operating activities.

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company's parent company and the Group's ultimate parent company is Uni-President Enterprises Corp. which holds a 45.4% equity interest in the Company as of June 30, 2021.

(2) Names of related parties and relationship

| <u>Names of related parties</u> | <u>Relationship with the Group</u> |
|---|--|
| Uni-President Enterprises Corp. | Ultimate parent company |
| Mister Donut Taiwan Co., Ltd. | Investee of the Company accounted for using the equity method |
| Presicarre Corp. | " |
| Uni-President Organics Corp. | " |
| President Technology Corp. | " |
| President Fair Development Corp. | " |
| Uni-President Development Corp. | " |
| President Property Corp. | Subsidiaries of investee of the Company accounted for using the equity method |
| Presco Netmarketing Inc. | Subsidiary of ultimate parent company |
| President (Kunshan) Trading Co., Ltd. | " |
| Tait Marketing & Distribution Co., Ltd. | " |
| President Packaging Industrial Corp. | " |
| President Tokyo Corp. | " |
| Kai Ya Food Co., Ltd. | Sub-subsidiary of ultimate parent company |
| Tung Ang Enterprises Corp. | " |
| Lien Bo Corp. | " |
| Songjiang President Enterprises Co., Ltd. | " |
| Zhenzhou President Enterprises Co., Ltd. | " |
| Kuang Chuan Dairy Co., Ltd. | Investee of ultimate parent company accounted for using the equity method |
| Wei Lih Food Industrial Co., Ltd. | " |
| Prince Housing & Development Corp. | " |
| Wei Kuon Co., Ltd. | Subsidiaries of investee of ultimate parent company accounted for using the equity method |
| Tong Zhan Corporation Ltd. | Investees of subsidiaries of ultimate parent company accounted for using the equity method |
| Koasa Yamako Corp. | The Company is a director of Koasa Yamako Corp. |

(3) Significant related party transactions and balances

A. Operating revenue

| | For the three-month period ended June 30, 2021 | For the three-month period ended June 30, 2020 |
|--------------------------|--|--|
| <u>Sales of goods</u> | | |
| Ultimate parent company | \$ 139,005 | \$ 134,504 |
| Associates | 32,909 | 28,643 |
| Sister companies | 98,388 | 82,738 |
| Other related parties | 15,739 | 13,725 |
| <u>Sales of services</u> | | |
| Ultimate parent company | 4,457 | 4,503 |
| Associates | 25,002 | 11,359 |
| Sister companies | 4,305 | 3,418 |
| Other related parties | 1,791 | 999 |
| | <u>\$ 321,596</u> | <u>\$ 279,889</u> |
| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
| <u>Sales of goods</u> | | |
| Ultimate parent company | \$ 290,378 | \$ 277,823 |
| Associates | 67,641 | 62,746 |
| Sister companies | 196,305 | 165,112 |
| Other related parties | 29,675 | 29,609 |
| <u>Sales of services</u> | | |
| Ultimate parent company | 9,330 | 9,050 |
| Associates | 43,994 | 30,978 |
| Sister companies | 8,764 | 6,781 |
| Other related parties | 3,187 | 2,158 |
| | <u>\$ 649,274</u> | <u>\$ 584,257</u> |

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases

| | For the three-month period ended June 30, 2021 | For the three-month period ended June 30, 2020 |
|-------------------------|--|--|
| Ultimate parent company | \$ 4,109,319 | \$ 4,068,817 |
| Associates | 62,986 | 51,218 |
| Sister companies | 1,447,547 | 1,283,892 |
| Other related parties | 459,929 | 552,787 |
| | <u>\$ 6,079,781</u> | <u>\$ 5,956,714</u> |

| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
|-------------------------|--|--|
| Ultimate parent company | \$ 8,320,894 | \$ 8,026,744 |
| Associates | 129,832 | 104,266 |
| Sister companies | 2,824,572 | 2,463,901 |
| Other related parties | 958,284 | 1,097,776 |
| | <u>\$ 12,233,582</u> | <u>\$ 11,692,687</u> |

Goods and services are purchased from related parties on normal commercial terms and conditions.

C. Receivables from related parties

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|----------------------------|----------------------|--------------------------|----------------------|
| <u>Accounts receivable</u> | | | |
| Ultimate parent company | \$ 166,611 | \$ 232,286 | \$ 157,534 |
| Associates | 50,724 | 60,516 | 49,950 |
| Sister companies | 53,390 | 96,824 | 45,561 |
| Other related parties | 3,641 | 4,435 | 6,686 |
| | <u>\$ 274,366</u> | <u>\$ 394,061</u> | <u>\$ 259,731</u> |

Receivables from related parties arise mainly from sales transactions. Receivables are unsecured in nature and are non-interest bearing. There are no provisions for receivables from related parties.

D. Payables to related parties

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|---|----------------------|--------------------------|----------------------|
| <u>Notes payable and accounts payable</u> | | | |
| Ultimate parent company | \$ 1,600,846 | \$ 1,850,470 | \$ 1,869,770 |
| Associates | 30,356 | 58,443 | 40,517 |
| Sister companies | 648,432 | 634,707 | 687,646 |
| Other related parties | 264,641 | 321,798 | 370,008 |
| | <u>\$ 2,544,275</u> | <u>\$ 2,865,418</u> | <u>\$ 2,967,941</u> |

Payables to related parties arise mainly from purchase transactions. Payables bear no interest.

E. Leasing arrangements — lessee

(a) The Group holds various lease agreements with related parties based on the market price. The leases were paid on a monthly basis.

(b) Acquisition of right-of-use assets

| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
|-------------------------|---|---|
| Ultimate parent company | \$ 73,635 | \$ 8,723 |
| Associates | - | 40,820 |
| Sister companies | - | 11,686 |
| | <u>\$ 73,635</u> | <u>\$ 61,229</u> |

(c) Lease liabilities

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-------------------------|---------------------|---------------------|---------------------|
| Ultimate parent company | \$ 107,715 | \$ 73,102 | \$ 96,577 |
| Associates | 3,469,432 | 3,654,236 | 384,728 |
| Sister companies | 228,424 | 265,288 | 277,609 |
| Other related parties | 499,744 | 472,611 | 499,217 |
| | <u>\$ 4,305,315</u> | <u>\$ 4,465,237</u> | <u>\$ 1,258,131</u> |

(4) Key management compensation

| | For the three-month period ended June 30, 2021 | For the three-month period ended June 30, 2020 |
|------------------------------|--|--|
| Short-term employee benefits | <u>\$ 115,221</u> | <u>\$ 129,970</u> |
| | For the six-month period ended June 30, 2021 | For the six-month period ended June 30, 2020 |
| Short-term employee benefits | <u>\$ 267,743</u> | <u>\$ 303,797</u> |

8. PLEDGED ASSETS

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

| Pledged asset | Book value | | | Purpose |
|--|---------------------|----------------------|-------------------|--|
| | June 30, 2021 | December 31, 2020 | June 30, 2020 | |
| Land | \$ 218,675 | \$ 218,675 | \$ 128,643 | Guarantee facilities and performance guarantee |
| Buildings | 26,109 | 31,450 | 36,790 | Long-term borrowings and guarantee facilities |
| Transportation equipment | 725,203 | 706,193 | 662,522 | Long-term borrowings |
| Investment property | 56,845 | 56,898 | - | Performance guarantee |
| Pledged time deposits (Recognized as "Other non-current assets - guarantee deposits paid ") | 93,386 | 110,122 | 81,089 | Performance guarantee |
| | <u>\$ 1,120,218</u> | <u>\$ 1,123,338</u> | <u>\$ 909,044</u> | |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives in this area are to retain the confidence of investors and the market, to fund future capital expenditures and stable dividend flows for ordinary shares, and to maintain the most appropriate capital structure to maximize the equity interest of shareholders.

(2) Financial instruments

A. Financial instruments by category

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|--|----------------------|--------------------------|----------------------|
| <u>Financial assets</u> | | | |
| Financial assets at fair value through profit or loss | | | |
| Financial assets mandatorily measured at fair value through profit or loss | <u>\$ 1,854,467</u> | <u>\$ 2,191,019</u> | <u>\$ 2,592,852</u> |
| Financial assets at fair value through other comprehensive income | | | |
| Designation of equity instrument | <u>\$ 1,238,862</u> | <u>\$ 959,827</u> | <u>\$ 752,778</u> |
| Financial assets at amortized cost | | | |
| Cash and cash equivalents | \$ 47,027,960 | \$ 46,562,907 | \$ 51,962,812 |
| Accounts receivable, net | 5,540,169 | 6,215,272 | 4,841,692 |
| Other receivables | 3,985,545 | 1,950,481 | 2,895,663 |
| Other current assets (Note) | 2,536,664 | 2,491,850 | 2,318,451 |
| Guarantee deposits paid | 3,142,683 | 3,106,790 | 3,006,672 |
| Other non-current assets (Note) | 31,606 | 47,442 | 29,932 |
| | <u>\$ 62,264,627</u> | <u>\$ 60,374,742</u> | <u>\$ 65,055,222</u> |
| <u>Financial liabilities</u> | | | |
| Financial liabilities at amortized cost | | | |
| Short-term borrowings | \$ 6,089,079 | \$ 4,739,411 | \$ 5,812,109 |
| Short-term notes and bills payable | - | 3,399,147 | - |
| Notes payable | 1,326,019 | 1,079,496 | 1,031,775 |
| Accounts payable (including related parties) | 22,566,647 | 25,056,836 | 23,769,615 |
| Other payables | 35,577,774 | 25,093,782 | 36,539,238 |
| Long-term borrowings (including current portion) | 1,515,934 | 1,320,128 | 726,458 |
| Guarantee deposits received | 3,895,119 | 3,784,654 | 3,650,393 |
| | <u>\$ 70,970,572</u> | <u>\$ 64,473,454</u> | <u>\$ 71,529,588</u> |
| Lease liabilities | <u>\$ 79,127,978</u> | <u>\$ 78,137,016</u> | <u>\$ 70,806,384</u> |

Note: The Group's trust account for advance receipts of gift certificates and deposits.

B. Risk management policies

- (a) The Group's risk management and hedging policies mainly focus on hedging business risk. The Group also establishes hedge positions when trading derivative financial instruments. The choice of instruments should hedge risks relating to interest expense, assets or liabilities arising from business operations.
- (b) For managing derivative instruments, the treasury department is responsible for managing trading positions of derivative instruments and assesses market values periodically. If transactions and gains (losses) are unusual, the treasury will respond accordingly and report to the Board of Directors immediately.
- (c) There is no related transaction with derivative financial instruments that are used to hedge certain exchange rate risk.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- I. The Group operates internationally and is exposed to foreign exchange risk arising from of the Company and its subsidiaries used in various functional currency, the transactions primarily with respect to the USD and RMB. Exchange risk arises from future commercial transactions and recognized assets and liabilities.
- II. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currencies.
- III. The Company's and certain subsidiaries' functional currency is the New Taiwan dollar (NTD), and for other certain subsidiaries, the functional currency is the Renminbi (RMB). The details of assets and liabilities denominated in foreign currencies whose values would be materially affected by exchange rate fluctuations are as follows:

| (Foreign currency: functional currency) | June 30, 2021 | | | December 31, 2020 | | |
|--|------------------|----------|------------|-------------------|----------|------------|
| | Foreign currency | | Book value | Foreign currency | | Book value |
| | amount | Exchange | | amount | Exchange | |
| | (In thousands) | rate | (NTD) | (In thousands) | rate | (NTD) |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD : NTD | \$ 1,710 | 27.8600 | \$ 47,641 | \$ 1,878 | 28.4800 | \$ 53,485 |
| RMB : NTD | 2,151 | 4.3146 | 9,281 | 2,790 | 4.3633 | 12,174 |
| JPY : NTD | 61,349 | 0.2521 | 15,466 | 55,921 | 0.2763 | 15,451 |
| HKD : NTD | 1,455 | 3.5878 | 5,220 | 1,267 | 3.6734 | 4,654 |
| EUR : NTD | 847 | 33.1500 | 28,078 | 43 | 35.0200 | 1,506 |
| <u>Non-monetary items</u> | | | | | | |
| JPY : NTD | \$ 760,200 | 0.2521 | \$ 191,646 | \$ 861,900 | 0.2763 | \$ 238,143 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD : NTD | \$ 4,195 | 27.8600 | \$ 116,873 | \$ 3,081 | 28.4800 | \$ 87,747 |
| RMB : NTD | 2,182 | 4.3146 | 9,414 | 2,182 | 4.3633 | 9,521 |
| JPY : NTD | 105,741 | 0.2521 | 26,657 | 70,741 | 0.2763 | 19,546 |

| (Foreign currency: functional currency) | June 30, 2020 | | |
|--|----------------------------|----------|------------|
| | Foreign currency amount | Exchange | Book value |
| | (In thousands) | rate | (NTD) |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ 1,715 | 29.6300 | \$ 50,815 |
| RMB : NTD | 2,395 | 4.1937 | 10,044 |
| JPY : NTD | 49,556 | 0.2751 | 13,633 |
| HKD : NTD | 598 | 3.8230 | 2,286 |
| EUR : NTD | 72 | 33.2700 | 2,395 |
| <u>Non-monetary items</u> | | | |
| JPY : NTD | \$ 824,100 | 0.2751 | \$ 226,710 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ 2,885 | 29.6300 | \$ 85,483 |
| RMB : NTD | 200 | 4.1937 | 839 |
| JPY : NTD | 104,117 | 0.2751 | 28,643 |

IV. Total exchange gain, including realized and unrealized arising from significant foreign exchange variations on monetary items held by the Group amounted to \$3,376, \$2,315, \$7,900 and \$4,935 for the three-month and six-month periods ended June 30, 2021 and 2020, respectively.

V. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Foreign exchange risk with respect to USD primarily arises from the exchange gain or loss resulting from foreign currency translation of cash and cash equivalents, accounts receivable and accounts payable denominated in USD. If the NTD:USD exchange rate appreciates/depreciates by 5% with all other factors remaining constant, the Group's profit for the six-month periods ended June 30, 2021 and 2020 would increase/decrease by \$3,462 and \$1,733, respectively. Foreign exchange risk with respect to JPY primarily arises from the exchange gain or loss resulting from foreign currency translation of cash and cash equivalents, financial assets at fair value through other comprehensive income – non-current and accounts payable denominated in JPY. If the NTD:JPY exchange rate appreciates/depreciates by 5%, with all other factors remaining constant, the Group's comprehensive income for the six-month periods ended June 30, 2021 and 2020 would increase/decrease by \$9,023 and \$10,585, respectively.

Price risk

- I. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- II. The Group's investments in equity securities comprise shares and open-ended funds issued by the domestic companies. The prices of equity securities would change due to change of the future value of investee companies. If the prices of these equity securities increase/decrease by 5%, and open-ended funds increase/decrease by 0.25%, with all other variables held constant, the post-tax profit for the six-month periods ended June 30, 2021 and 2020 would have increased/decreased by \$8,698 and \$10,544, respectively, as a result of gains/losses on equity securities and open-ended funds classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$61,943 and \$37,639, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- I. The Group's interest rate risk arises from short-term borrowings and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, which are partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the six-month periods ended June 30, 2021 and 2020, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars and Philippine Peso.
- II. If the borrowing interest rate had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the six-month periods ended June 30, 2021 and 2020 would have increased/decreased by \$3,790 and \$1,816, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Group 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 of the contract cash flows of the accounts receivable based on the agreed terms.
- II. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.
- III. The Group adopts management of credit risk, whereby the default occurs when the contract payments are past due over 90 days.
- IV. The Group 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.
- V. The Group operates a chain of retail stores, thus the ratio of accounts receivable to total asset is low and the probability that accounts receivable cannot be received is low. For accounts receivable from other transactions, the Group manages individually and follow up regularly. The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the simplified approach to estimate expected credit loss to assess the default possibility of accounts receivable. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

| | 2021 |
|----------------------------|----------------------------|
| | <u>Accounts receivable</u> |
| At January 1 | \$ 107,485 |
| Provision for impairment | 30,630 |
| Write-offs | (7,189) |
| Effect of foreign exchange | (3,540) |
| At June 30 | <u>\$ 127,386</u> |
| | 2020 |
| | <u>Accounts receivable</u> |
| At January 1 | \$ 55,829 |
| Provision for impairment | 12,228 |
| Write-offs | (1,091) |
| Effect of foreign exchange | 114 |
| Reversal of impairment | (106) |
| At June 30 | <u>\$ 66,974</u> |

- VI. The Group has no written-off financial assets that are still under recourse procedures on June 30, 2021, December 31, 2020 and June 30, 2020.

(c) Liquidity risk

- I. Cash flow forecasting is performed by the operating entities of the Group and aggregated by the Group's finance department. It monitors rolling forecasts of liquidity requirements to ensure the Group has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities, at all times, so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, and compliance with internal balance sheet ratio targets.
- II. The Group invests surplus cash in interest bearing current accounts, time deposits, money market fund and marketable securities, and chooses instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the aforementioned forecasting. The Group held money market funds of \$1,768,944, \$2,105,496 and \$2,507,329 as at June 30, 2021, December 31, 2020, and June 30, 2020, respectively, which are expected to readily generate cash inflows for the purpose of managing liquidity risk.
- III. The Group has undrawn borrowing facilities of \$17,334,782, \$12,120,795 and \$16,331,642 as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively.
- IV. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. Except for notes payable, accounts payable and other payables, whose contractual undiscounted cash flows are about to book value, maturing within one-year, the amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

| | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Over 3 years |
|---|---------------------|--------------------------|--------------------------|--------------|
| June 30, 2021 | | | | |
| Short-term borrowings | \$ 6,103,087 | \$ - | \$ - | \$ - |
| Lease liabilities | 14,926,938 | 14,434,454 | 12,654,183 | 44,633,580 |
| Long-term borrowings (including current portion) | 450,823 | 169,946 | 148,587 | 877,833 |

Non-derivative financial liabilities:

| | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Over 3 years |
|---|---------------------|--------------------------|--------------------------|--------------|
| December 31, 2020 | | | | |
| Short-term borrowings | \$ 4,741,449 | \$ - | \$ - | \$ - |
| Short-term notes and bills payable | 3,399,147 | - | - | - |
| Lease liabilities | 13,963,145 | 13,048,917 | 12,614,870 | 44,710,678 |
| Long-term borrowings (including current portion) | 336,467 | 162,794 | 137,045 | 798,892 |

Non-derivative financial liabilities:

| | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Over 3 years |
|---|---------------------|--------------------------|--------------------------|--------------|
| June 30, 2020 | | | | |
| Short-term borrowings | \$ 5,823,710 | \$ - | \$ - | \$ - |
| Lease liabilities | 13,220,152 | 14,054,425 | 13,583,236 | 35,402,866 |
| Long-term borrowings (including current portion) | 243,590 | 129,941 | 105,722 | 292,583 |

- V. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels of the inputs used in valuation techniques to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, beneficiary certificates and on-the-run Taiwan central government bonds is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investments without an active market is included in Level 3.

B. Fair value information of the Group's investment property at cost is provided in Note 6(10).

C. Financial instruments not measured at fair value

(a) Except for those listed in the table below, the carrying amounts of cash and cash equivalents, accounts receivable, other receivables, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables and long-term borrowings are approximate to their fair values.

| June 30, 2021 | | | | |
|-------------------------------|--------------|------------|---------|--------------|
| | | Fair value | | |
| | Book value | Level 1 | Level 2 | Level 3 |
| <u>Financial assets:</u> | | | | |
| Guarantee deposits paid | \$ 3,142,683 | \$ - | \$ - | \$ 3,129,179 |
| <u>Financial liabilities:</u> | | | | |
| Guarantee deposits received | \$ 3,895,119 | \$ - | \$ - | \$ 3,875,912 |
| December 31, 2020 | | | | |
| | | Fair value | | |
| | Book value | Level 1 | Level 2 | Level 3 |
| <u>Financial assets:</u> | | | | |
| Guarantee deposits paid | \$ 3,106,790 | \$ - | \$ - | \$ 3,092,709 |
| <u>Financial liabilities:</u> | | | | |
| Guarantee deposits received | \$ 3,784,654 | \$ - | \$ - | \$ 3,764,776 |
| June 30, 2020 | | | | |
| | | Fair value | | |
| | Book value | Level 1 | Level 2 | Level 3 |
| <u>Financial assets:</u> | | | | |
| Guarantee deposits paid | \$ 3,006,672 | \$ - | \$ - | \$ 2,994,346 |
| <u>Financial liabilities:</u> | | | | |
| Guarantee deposits received | \$ 3,650,393 | \$ - | \$ - | \$ 3,633,138 |

(b) Guarantee deposits paid/received are measured at fair value, which is calculated based on the discounted future cash flow.

D. The related information for financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) Classification according to the nature of assets and liabilities, relevant information is as follows:

| <u>June 30, 2021</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|---------------------|----------------|------------------|---------------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value | | | | |
| through profit or loss | | | | |
| Beneficiary certificates | \$ 1,768,944 | \$ - | \$ - | \$ 1,768,944 |
| Equity securities | - | - | 85,523 | 85,523 |
| | <u>1,768,944</u> | <u>-</u> | <u>85,523</u> | <u>1,854,467</u> |
| Financial assets at fair value | | | | |
| through other comprehensive | | | | |
| income | | | | |
| Equity securities | \$ 1,234,514 | \$ - | \$ 4,348 | \$ 1,238,862 |
| | <u>1,234,514</u> | <u>-</u> | <u>4,348</u> | <u>1,238,862</u> |
| | <u>\$ 3,003,458</u> | <u>\$ -</u> | <u>\$ 89,871</u> | <u>\$ 3,093,329</u> |
| <u>December 31, 2020</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value | | | | |
| through profit or loss | | | | |
| Beneficiary certificates | \$ 2,105,496 | \$ - | \$ - | \$ 2,105,496 |
| Equity securities | - | - | 85,523 | 85,523 |
| | <u>2,105,496</u> | <u>-</u> | <u>85,523</u> | <u>2,191,019</u> |
| Financial assets at fair value | | | | |
| through other comprehensive | | | | |
| income | | | | |
| Equity securities | \$ 955,479 | \$ - | \$ 4,348 | \$ 959,827 |
| | <u>955,479</u> | <u>-</u> | <u>4,348</u> | <u>959,827</u> |
| | <u>\$ 3,060,975</u> | <u>\$ -</u> | <u>\$ 89,871</u> | <u>\$ 3,150,846</u> |

| <u>June 30, 2020</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|---------------------|----------------|------------------|---------------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Beneficiary certificates | \$ 2,507,329 | \$ - | \$ - | \$ 2,507,329 |
| Equity securities | - | - | 85,523 | 85,523 |
| | <u>2,507,329</u> | <u>-</u> | <u>85,523</u> | <u>2,592,852</u> |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | \$ 748,430 | \$ - | \$ 4,348 | \$ 752,778 |
| | <u>748,430</u> | <u>-</u> | <u>4,348</u> | <u>752,778</u> |
| | <u>\$ 3,255,759</u> | <u>\$ -</u> | <u>\$ 89,871</u> | <u>\$ 3,345,630</u> |

(b) The methods and assumptions the Group used to measure fair value are as follows:

- I. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

| | <u>Listed shares</u> | <u>Open-ended fund</u> | <u>Government bond</u> |
|---------------------|----------------------|------------------------|------------------------|
| Market quoted price | Closing price | Net asset value | Closing price |

- II. Except for financial instruments with active markets, the fair value of other financial instruments is measured using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, by discounted cash flow method or other valuation methods, including calculations by applying models using market information available at the consolidated balance sheet date.
- E. For the six-month periods ended June 30, 2021 and 2020, there was no transfer between Level 1 and Level 2.
 - F. For the six-month periods ended June 30, 2021 and 2020, there was no significant transfer in or out of Level 3.
 - G. The Group is in charge of valuation procedures for fair value measurements being categorized within Level 3, which to verify the independent fair value of financial instruments. Such assessments are to ensure the valuation results are reasonable by applying independent information to compare the results to current market conditions, confirming the information resources are independent, reliable and in line with other resources, and represented as the exercisable price, and frequently making any other necessary adjustments to the fair value. Investment property is assessed by independent appraisers or based on recent closing prices of similar property in the neighboring area.

H. The qualitative information on significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement are provided below:

| | Fair value at June 30, 2021 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|--------------------------------------|---------------------------------------|-----------------------------------|--------------------------------------|--------------------------------|---|
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | \$ 89,871 | Market comparable companies | Price to book ratio multiplier | 2.58 | The higher the multiplier, the higher the fair value |
| | | Net asset value | Net asset value | - | The higher the net asset value, the higher the fair value |
| | Fair value at December 31, 2020 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | \$ 89,871 | Market comparable companies | Price to book ratio multiplier | 2.58 | The higher the multiplier, the higher the fair value |
| | | Net asset value | Net asset value | - | The higher the net asset value, the higher the fair value |
| | Fair value at June 30, 2020 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | \$ 89,871 | Market comparable companies | Price to book ratio multiplier | 2.94 | The higher the multiplier, the higher the fair value |
| | | Net asset value | Net asset value | - | The higher the net asset value, the higher the fair value |

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, the use of different valuation models or assumptions may result in different measurements. If valuation assumptions from financial assets and liabilities categorized within Level 3 had increased or decreased by 1%, net income or other comprehensive income would not have been significantly impacted for the six-month periods ended June 30, 2021 and 2020.

(4) Other information

Due to the spread of the COVID-19 and the impact of the government's prevention measures, some convenience stores of the Group were temporarily closed or reduced their operating hours. In response to the prevention measures, the Group has adopted related measures and continued to launch several promotion programs. The working capital of the Group is still sufficient and all operating departments are operating normally. Based on the assessment, the outbreak of the COVID-19 did not have a significant impact on the financial status and financial performance of the Group as of June 30, 2021.

13. SUPPLEMENTARY DISCLOSURE

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 1.
- D. Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital: Please refer to Table 2.
- 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. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Table 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to Table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 6.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to Table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

List of shareholders holding more than 5% (inclusive) of shares: Please refer to Table 8.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on reports reviewed by the chief operating decision-maker and used to make strategic decisions.

There was no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information during this period.

The chief operating decision-maker considers the business from industry and geographic perspectives. By industry, the Group focuses on convenience stores, retail business groups, logistics business groups and others. Geographically, the Group focuses on Taiwan and mainland China where most of its business premises are located. As the operation of convenience stores in Taiwan is the focus of the Group, it is classified as a single operating segment. The whole of mainland China is considered the same operating segment.

The revenue of the Group's reportable segments is derived from the operations of convenience stores, retail business group and logistics business group. Other operating segments include a restaurant-related business group, supporting business group and China business. The supporting business group mainly provides services relating to the Group's business, such as system maintenance and development and food manufacturing and supply.

(2) Measurement of segment information

The chief operating decision-maker evaluates the performance of the operating segments based on operating revenue and profit before income tax, which are the basis for measuring performance.

(3) Segment information

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

| For the six-month period ended June 30, 2021 | | | | | | |
|--|-----------------------|--------------------------|-----------------------------|-----------------------------|-------------------------------|-----------------------|
| | Convenience stores | Retail business group | Logistics business group | Other operating segments | Adjustment and elimination | Total |
| External revenue (net) | \$ 82,776,976 | \$ 35,036,523 | \$ 1,049,446 | \$ 9,783,652 | \$ - | \$ 128,646,597 |
| Internal department revenue | 559,693 | 1,481,203 | 7,769,629 | 4,144,875 | (13,955,400) | - |
| Total segment revenue | <u>\$ 83,336,669</u> | <u>\$ 36,517,726</u> | <u>\$ 8,819,075</u> | <u>\$ 13,928,527</u> | <u>(\$ 13,955,400)</u> | <u>\$ 128,646,597</u> |
| Segment income (loss) | <u>\$ 4,944,349</u> | <u>\$ 1,310,437</u> | <u>\$ 732,441</u> | <u>(\$ 540,047)</u> | <u>(\$ 615,060)</u> | <u>\$ 5,832,120</u> |
| For the six-month period ended June 30, 2020 | | | | | | |
| | Convenience stores | Retail business group | Logistics business group | Other operating segments | Adjustment and elimination | Total |
| External revenue (net) | \$ 80,352,679 | \$ 33,741,683 | \$ 1,048,537 | \$ 9,399,379 | \$ - | \$ 124,542,278 |
| Internal department revenue | 329,703 | 1,177,994 | 6,847,188 | 3,767,354 | (12,122,239) | - |
| Total segment revenue | <u>\$ 80,682,382</u> | <u>\$ 34,919,677</u> | <u>\$ 7,895,725</u> | <u>\$ 13,166,733</u> | <u>(\$ 12,122,239)</u> | <u>\$ 124,542,278</u> |
| Segment income (loss) | <u>\$ 5,725,334</u> | <u>\$ 956,587</u> | <u>\$ 737,670</u> | <u>(\$ 14,311)</u> | <u>(\$ 762,359)</u> | <u>\$ 6,642,921</u> |

(4) Reconciliation of segment income (loss)

Revenue from external customers and segment income (loss) reported to the Chief Operating Decision-Maker are measured using the same method as for revenue and profit before tax in the financial statements. Thus, no reconciliation is needed.