



## Minutes of 2020 Annual General Shareholders' Meeting of Far Eastern Department Stores

**Date:** Wednesday, June 24, 2020

**Time:** 9:00 a.m. Taipei time

**Place:** Auditorium in the Taipei Hero House

No. 20, Changsha Street, Section 1, Taipei, Taiwan

**Shareholders present:**

Total shares (including e-voting) represented by shareholders present: 1,171,873,305 shares, which was 83.19% of total number of outstanding shares 1,408,733,585 shares.

**Attendee Directors:** Mr. Douglas Tong. Hsu, Mrs. Nancy Hsu, Mrs. Chee Ching, Mrs. Jin Lin Lian, Mrs. Philby Lee, Mr. Chien You Hsin (Independent Director), Mr. Edward Yung Do Way (Independent Director).

**Chairman:** Mr. Douglas Tong. Hsu, Chairman of the Board of Directors

**Recorder:** Mr. James Tang

The aggregate shareholding of the shareholders present constituted a quorum.

The Chairman called the meeting to order.

The speech of Chairman (omitted)

The speech of invited observers (none)

### I. Matters to be Reported:

1. 2019 Business Report (please refer to P.2-P.9 of handbook for 2020 AGM).
2. Financial report of 2019 (please refer to P.10-P.32 of handbook for 2020 AGM).
3. Audit Committee's review report on 2019 business report and financial statements (please refer to P.33 of handbook for 2020 AGM).
4. Report of directors' and employees' compensation (please refer to P.34 of handbook for 2020 AGM).
5. Report of the amendment of certain provisions of "Best Practice Principles of Ethical Corporate Management" (please refer to P.35- P.38 of handbook for 2020 AGM).

### II. Matters to be Approved:

#### 1. To accept 2019 business report and financial statements.

The Board of Directors proposes and recommends that each shareholder votes for the acceptance of 2019 business report and financial statements.

**Explanatory Notes:**

- (1) FEDS's 2019 business report and financial statements, including balance sheet, income statement, statement of changes in shareholders' equity, and statement of cash flows, has been audited by independent auditors, Shu-Chuan Yeh and Ming-Hsing Cho of Deloitte & Touche, and has been examined by and determined to be correct and accurate by Audit Committee of FEDS. We thereby submit this report.
- (2) Please approve the above-mentioned business report and financial statements.

**Resolution: the result of voting is as follows:**

**The number of shares represented by the shareholders present at the time of voting (including e-voting) was 1,171,873,305.**

Number of votes (including e-voting)		% of votes represented by the shareholders present
Approval	1,141,732,201	97.4
Disapproval	73,161	-
Invalid	0	-
Abstention votes/No votes	30,067,943	2.6

**RESOLVED, that the above proposals be and hereby were approved as proposed.**

**2. To approve the proposal for the distribution of 2019 surplus earning.**

The Board of Directors proposes and recommends that each shareholder votes for the distribution of 2019 surplus earning.

**Explanatory Notes:**

- (1) All the closing transactions as of 31 , 2019 have been completely closed, and have been audited by the accounting firm, Deloitte and Touche. We thereby submit the proposal for distribution of 2019 profits:

1.	Unappropriated earnings of January 1, 2019	NT\$ 672,226,593
2.	Net Income for the year ended December 31, 2019	1,781,843,070
3.	Effect of retrospective application	(585,446,153)
4.	The adjustments of retained earnings for by using equity method	252 711
5.	The special reserve set aside by the right-of-use assets meet definition of the investment property measured using the fair value and applied to IFRS16 first time	(135,734,873)
6.	Recognizing the re-measurements of defined benefit plans in retained earnings	198,287,459

7.	The amount of the sum of the current after-tax net income and other item accounted to undistributed earnings (=2-3+4-5+6)	1,259,202,214
8.	10% legal reserve (=7*10%)	(125 920,221)
9.	Reversing special reserve	156,087,818
10.	Distributable net profit(=1+7-8+9)	1,961,596,404
11.	Earnings distribution (NT\$0.8 per share)	(1,133,552,471)
12.	Un-appropriated earnings after distribution(=10-11)	828,043,933

- (2) The distribution of 2019 dividends composes of 2019 surplus earning in priority, and the undistributed profit from 1998 to 2018 in case 2019 surplus earning are insufficient to cover 2019 dividends, and then the undistributed profit before 1997 in case the surplus earning from 1997 to 2017 are insufficient to cover 2018 dividends.
- (3) After being approved at the annual General Shareholders' meeting (2020), the cash dividends to holders of common share will be distributed on the record date to be determined by Chairman authorized by the Board of Directors. Cash dividends allocated to each shareholder should be calculated to round down to full NT dollar (decimal places should be ignored). The sum of the amount lower than NT\$1 paid to each shareholder should be reclassified to other income. According to Article 28-2 of the ROC Securities and Exchange Law and other relevant regulations, the total numbers of common shares outstanding may change, and the ultimate cash to be distributed to each common share may need to be adjusted accordingly. It is proposed that the Board of Directors of FEDS be authorized to adjust the cash to be distributed to each common share based on the total amount of profits resolved to be distributed, the amount of earnings resolved to be capitalized, and the number of actual common shares outstanding on the record date for distribution.
- (4) Please approve the above-mentioned proposal for the distribution of 2019 profits.

**Resolution: the result of voting is as follows:**

**The number of shares represented by the shareholders present at the time of voting (including e-voting) was 1,171,873,305.**

Number of votes (including e-voting)		% of votes represented by the shareholders present
Approval	1,144,414,703	97.7
Disapproval	140,349	-
Invalid	0	-
Abstention votes/No votes	27,318,253	2.3

**RESOLVED, that the above proposals be and hereby were approved as proposed.**

### III. Discussion & Election

#### 1. Proposal To Amend The Certain Provisions Of The Company's "Articles of Incorporation"

The Board of Directors proposes and recommends that each shareholder votes

For the amendments of certain provisions of the Company's "Articles of Incorporation".

##### **Explanatory Notes:**

- (1) For the need of Company's operation and in accordance with the Letter No. Economics-Commerce-10802432410 of the Ministry of Economic Affairs dated on 9 January 2020 stipulating expressly the basis to set aside as legal reserve, it is proposed to amend the certain provisions of "Articles of Incorporation".
- (2) The amended provisions are shown in the attached comparison table.
- (3) Please approve the proposed resolutions.

**Resolution: the result of voting is as follows:**

**The number of shares represented by the shareholders present at the time of voting (including e-voting) was 1,171,873,305.**

Number of votes (including e-voting)		% of votes represented by the shareholders present
Approval	958,149,392	81.8
Disapproval	186,299,848	15.9
Invalid	0	-
Abstention votes/No votes	27,424,065	2.3

**RESOLVED, that the above proposals be and hereby were approved as proposed.**

#### 2. Proposal to amend the certain provisions of the Company's "Rules of Procedure of Stockholders Meeting"

The Board of Directors proposes and recommends that each shareholder votes

FOR the amendments of certain provisions of the Company's "Rules of Procedure of Stockholders Meeting".

##### **Explanatory Notes:**

- (1) In order to comply with the operation and refer to "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" by Taiwan Stock Exchange Corporation, it is proposed to amend the certain provisions of "Rules of Procedure of Stockholders Meeting".
- (2) The amended provisions are shown in the attached comparison table.
- (3) Please approve the proposed resolutions.

**Resolution: the result of voting is as follows:**

**The number of shares represented by the shareholders present at the time of voting (including e-voting) was 1,171,873,305.**

Number of votes (including e-voting)		% of votes represented by the shareholders present
Approval	1,144,367,392	97.7
Disapproval	78,848	-
Invalid	-	-
Abstention votes/No votes	27,427,065	2.3

**RESOLVED, that the above proposals be and hereby were approved as proposed**

### **3. Proposal to hold a by-election to fill the vacancy of one independent director.**

The Board of Directors proposes and recommends that each shareholder votes FOR by-election to fill the vacancy of one independent director.

#### **Explanatory Notes:**

- (1) The number of vacancies in the board of independent directors is one. The Company hold a by-election to fill the vacancy at the shareholders meeting in 2020 in accordance with “Securities and Exchange Act”.
- (2) In accordance with the Article 17 of Articles of Incorporation of the Company, the Company hold a by-election to fill the vacancies. His/her term of office as a director is valid from the date of his/her election as an independent director to Jun. 20, 2021.
- (3) The candidate nomination system is adopted by the Company for election of independent director. The candidate shall be nominated by the Board of Directors or by the stockholders holding over 1% of the shares of the Company. The period for receiving nominations of independent director candidates is from April 15, 2020 to April 24, 2020. During the period, the Company receives a nomination of independent director candidate from Far Eastern New Century Corporation. It’s been proposed to and approved by the 9th Board of Directors Meeting of the 18th Term on 5 May, 2020.

Title	Independent director
Nominee	Dong, Ding Yu
Education	Ph.D. in Engineering Stanford University, USA
Experience	Assistant Professor, San Jose State University, USA Chairman and President of Elite Material Co., Ltd.
Present position	Chairman and President of Elite Material Co., Ltd.
On the behalf of the name of the governmental organization or juristic-person	None
Served as an independent director of the Company for three consecutive terms or more	No

(4) Please elect.

The following table is the election result.

Election result

<b>Title</b>	<b>Shareholder Number/ID</b>	<b>Name</b>	<b>Votes Received</b>
<b>Independent Director</b>	<b>F12094****</b>	<b>Dong, Ding Yu</b>	<b>935,951,118</b>

#### **IV. Extemporary motion**

None

#### **V. Motion to Adjourn**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Far Eastern Department Stores, Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of Far Eastern Department Stores, Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

#### **Evaluation of Impairment Loss of Goodwill**

As of December 31, 2019, the goodwill of the Group was NT\$2,206,898 thousand, accounting for 2% of total consolidated assets. Under IAS 36, management must test impairment annually.

The goodwill of the Group mainly derives from the merger and acquisition of operating segments in mainland China. When testing goodwill for impairment, management should

evaluate whether the recoverable amount is higher than the carrying amount. In determining the recoverable amount, management should estimate the future cash flows from operating segments in mainland China and determine the optimal discount rate. Significant assumptions involve both judgments made by management and material estimation uncertainty. Thus, the evaluation of impairment loss of goodwill is considered a key audit matter. For the accounting policy related to impairment loss of the goodwill, refer to Notes 4(j), 5(a) and 17 to the accompanying consolidated financial statements.

The key audit procedures that we performed in respect of the impairment loss of goodwill are as follows:

1. We evaluated the expertise, competency and independence of external valuation specialists mandated by management. We verified the qualification of valuation specialists to ensure their objectivity and assignment were not influenced or restricted and we verified the methodology conducted conform to regulations.
2. We understood the process of management's estimation of the future sales growth rate and profit margin predicted by the operating segments in mainland China.
3. As a consideration for the assessment reliability for year 2020 and succeeding years, we compared the 2019 budget and the actual operating results of the operating segments in mainland China and evaluated the accuracy of management's historical forecast.
4. We confirmed the appropriateness of the discount rate used by management to assess goodwill impairment by using the same evaluation model to calculate the weighted average cost of capital ratio and whether the weighted average cost of capital used by management was significantly different.

#### Fair Value Evaluation of Investment Properties

As of December 31, 2019, the carrying amount of investment properties of NT\$9,086,641 thousand, accounting for 7% of total consolidated assets, is material to the consolidated financial statements. The Group's investment properties are subsequently measured using the fair value model. The fair value evaluation involved management's significant accounting estimation and judgment. Therefore, the fair value evaluation of investment property is considered to be a key audit matter. Refer to Notes 4(i), 5(c) and 16 to the accompanying consolidated financial statements for the relevant detailed information.

The key audit procedures that we performed in respect of the fair value of investment properties are as follows:

1. We evaluated the expertise, competency and independence of external valuation specialists mandated by management. We verified the qualification of valuation specialists to ensure that their objectivity and assignment were not influenced or restricted and we verified the methodology conducted conform to regulations.
2. We reviewed significant lease contracts and compared relevant market rental prices to assess the reasonableness of future cash flow forecasts.
3. We assessed the reasonableness of the valuer's assumptions and methods used in the valuation.

#### **Others Matter**

We have also audited the parent company only financial statements of Far Eastern



Department Stores, Ltd. as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including members of the audit committee, are responsible for overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chuan Yeh and Ming-Hsing Cho.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 27, 2020

#### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with*

*accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# **FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES**

## **CONSOLIDATED BALANCE SHEETS** **DECEMBER 31, 2019 AND 2018** (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 13,424,223	10	\$ 14,594,847	14
Financial assets at fair value through profit or loss - current	457,256	1	437,747	-
Financial assets at fair value through other comprehensive income - current	297,456	-	244,785	-
Financial assets at amortized cost - current	1,443,974	1	2,077,919	2
Notes receivable	1,132	-	2,287	-
Trade receivables	744,436	1	1,582,273	2
Trade receivables from related parties	161,935	-	155,942	-
Other receivables	915,309	1	2,159,355	2
Current tax assets	10,812	-	5,655	-
Inventories	2,780,889	2	2,729,234	3
Prepayments	398,558	-	977,014	1
Other current assets	110,095	-	85,798	-
Total current assets	<u>20,746,075</u>	<u>16</u>	<u>25,052,856</u>	<u>24</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current	5,030,564	4	3,960,014	4
Financial assets at amortized cost- non-current	146,000	-	227,400	-
Investments accounted for using the equity method	10,107,165	8	8,678,647	8
Property, plant and equipment	34,323,257	26	43,532,941	42
Right-of-use assets	44,764,810	34	-	-
Investment properties	9,086,641	7	8,690,640	8
Intangible assets	2,477,815	2	3,449,258	3
Deferred tax assets	589,225	-	772,100	1
Net defined benefit assets	234,035	-	-	-
Long-term prepayments for lease	1,060,658	1	7,704,464	8
Other non-current assets	1,944,860	2	1,678,021	2
Total non-current assets	<u>109,765,030</u>	<u>84</u>	<u>78,693,485</u>	<u>76</u>
<b>TOTAL</b>	<u>\$130,511,105</u>	<u>100</u>	<u>\$103,746,341</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 9,630,896	7	\$ 12,957,612	13
Short-term bills payable	3,622,993	3	3,480,365	3
Contract liabilities - current	7,770,828	6	7,525,468	7
Notes payable	3,184	-	3,683	-
Trade payables	15,120,910	11	17,579,453	17
Trade payables to related parties	93,455	-	104,999	-
Other payables	3,971,660	3	3,687,578	4
Current tax liabilities	772,780	1	609,796	1
Provisions - current	3,000	-	6,592	-
Lease liabilities - current	3,381,049	3	-	-
Advance receipts	440,970	-	354,277	-
Current portion of long-term borrowings	2,540,000	2	-	-
Other current liabilities	315,976	-	320,947	-
Total current liabilities	<u>47,667,701</u>	<u>36</u>	<u>46,630,770</u>	<u>45</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	14,999,757	12	15,090,000	15
Provisions - non-current	24,823	-	24,909	-
Deferred tax liabilities	2,312,954	2	2,114,362	2
Lease liabilities - non-current	25,406,473	19	-	-
Net defined benefit liabilities	738,431	1	808,480	1
Other non-current liabilities	457,159	-	1,387,430	1
Total non-current liabilities	<u>43,939,597</u>	<u>34</u>	<u>19,425,181</u>	<u>19</u>
Total liabilities	<u>91,607,298</u>	<u>70</u>	<u>66,055,951</u>	<u>64</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital				
Ordinary shares	14,169,406	11	14,169,406	14
Capital surplus	3,327,466	3	3,315,420	3
Retained earnings				
Legal reserve	3,298,695	3	3,166,880	3
Special reserve	2,865,351	2	2,656,286	2
Unappropriated earnings	1,931,429	1	2,081,772	2
Total retained earnings	8,095,475	6	7,904,938	7
Other equity	5,295,169	4	4,231,252	4
Treasury shares	(97,110)	-	(97,110)	-
Total equity attributable to owners of the Company	30,790,406	24	29,523,906	28
<b>NON-CONTROLLING INTERESTS</b>	<u>8,113,401</u>	<u>6</u>	<u>8,166,484</u>	<u>8</u>
Total equity	<u>38,903,807</u>	<u>30</u>	<u>37,690,390</u>	<u>36</u>
<b>TOTAL</b>	<u>\$130,511,105</u>	<u>100</u>	<u>\$103,746,341</u>	<u>100</u>

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

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE	\$37,896,062	100	\$39,242,551	100
OPERATING COSTS	<u>18,253,449</u>	<u>48</u>	<u>19,091,584</u>	<u>49</u>
GROSS PROFIT	<u>19,642,613</u>	<u>52</u>	<u>20,150,967</u>	<u>51</u>
OPERATING EXPENSES				
Selling and marketing expenses	891,625	2	923,663	2
General and administrative expenses	14,211,781	38	15,056,030	39
Expected credit loss (gain)	<u>556</u>	<u>-</u>	<u>(16,055)</u>	<u>-</u>
Total operating expenses	<u>15,103,962</u>	<u>40</u>	<u>15,963,638</u>	<u>41</u>
OPERATING PROFIT	<u>4,538,651</u>	<u>12</u>	<u>4,187,329</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	376,748	1	530,849	1
Other losses	(1,035,197)	(3)	(1,743,179)	(4)
Finance costs	(835,329)	(2)	(437,280)	(1)
Share of profit of associates accounted for using the equity method	<u>58,065</u>	<u>-</u>	<u>11,396</u>	<u>-</u>
Total non-operating income and expenses	<u>(1,435,713)</u>	<u>(4)</u>	<u>(1,638,214)</u>	<u>(4)</u>
PROFIT BEFORE INCOME TAX	3,102,938	8	2,549,115	6
INCOME TAX EXPENSE	<u>950,669</u>	<u>2</u>	<u>898,620</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>2,152,269</u>	<u>6</u>	<u>1,650,495</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	1,118,564	3	534,199	2
Remeasurement of defined benefit plans	230,902	-	(50,328)	-
Share of other comprehensive (loss) income of associates accounted for using the equity method	(61,630)	-	409,335	1

(Continued)

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(46,260)</u>	<u>-</u>	<u>23,366</u>	<u>-</u>
	<u>1,241,576</u>	<u>3</u>	<u>916,572</u>	<u>3</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	53,578	-	(14,562)	-
Share of other comprehensive (loss) income of associates accounted for using the equity method	<u>(57,504)</u>	<u>-</u>	<u>5,267</u>	<u>-</u>
	<u>(3,926)</u>	<u>-</u>	<u>(9,295)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>1,237,650</u>	<u>3</u>	<u>907,277</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,389,919</u>	<u>9</u>	<u>\$ 2,557,772</u>	<u>7</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,781,843	5	\$ 1,318,150	3
Non-controlling interests	<u>370,426</u>	<u>1</u>	<u>332,345</u>	<u>1</u>
	<u>\$ 2,152,269</u>	<u>6</u>	<u>\$ 1,650,495</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 3,044,048	8	\$ 2,029,426	5
Non-controlling interests	<u>345,871</u>	<u>1</u>	<u>528,346</u>	<u>2</u>
	<u>\$ 3,389,919</u>	<u>9</u>	<u>\$ 2,557,772</u>	<u>7</u>
EARNINGS PER SHARE				
Basic	<u>\$ 1.26</u>		<u>\$ 0.94</u>	
Diluted	<u>\$ 1.26</u>		<u>\$ 0.93</u>	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

# **FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company													
	Retained Earnings					Other Equity					Non-controlling	Total Equity		
						Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive	Gain on Property Revaluation	Treasury Shares			Total	Interests
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Earnings									
BALANCE AT JANUARY 1, 2018	\$ 14,169,406	\$ 3,315,931	\$ 3,013,281	\$ 2,643,743	\$ 2,274,946	\$ 86,048	\$ 1,421,503	\$ -	\$ 2,170,970	\$ (97,110)	\$ 28,998,718	\$ 7,859,460	\$ 36,858,178	
Effect of retrospective application and retrospective restatement	-	-	-	-	92,444	-	(1,421,503)	1,242,300	-	-	(86,759)	-	(86,759)	
BALANCE AT JANUARY 1, 2018 AS RESTATEMENT	14,169,406	3,315,931	3,013,281	2,643,743	2,367,390	86,048	-	1,242,300	2,170,970	(97,110)	28,911,959	7,859,460	36,771,419	
Appropriation of 2017 earnings														
Legal reserve	-	-	153,599	-	(153,599)	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	12,543	(12,543)	-	-	-	-	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	(1,416,940)	-	-	-	-	-	(1,416,940)	-	(1,416,940)	
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(220,697)	(220,697)	
	-	-	153,599	12,543	(1,583,082)	-	-	-	-	-	(1,416,940)	(220,697)	(1,637,637)	
Net profit for the year ended December 31, 2018	-	-	-	-	1,318,150	-	-	-	-	-	1,318,150	332,345	1,650,495	
Other comprehensive (loss) income for the year ended December 31, 2018, net of income tax	-	-	-	-	(24,850)	4,606	-	731,520	-	-	711,276	196,001	907,277	
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	1,293,300	4,606	-	731,520	-	-	2,029,426	528,346	2,557,772	
Adjustments resulting from investments in associates accounted for using the equity method	-	(511)	-	-	(28)	-	-	-	-	-	(539)	(625)	(1,164)	
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	4,192	-	-	(4,192)	-	-	-	-	-	
BALANCE AT DECEMBER 31, 2018	14,169,406	3,315,420	3,166,880	2,656,286	2,081,772	90,654	-	1,969,628	2,170,970	(97,110)	29,523,906	8,166,484	37,690,390	
Effect of retrospective application and retrospective restatement	-	-	-	-	(585,446)	-	-	-	-	-	(585,446)	(159,751)	(745,197)	
BALANCE AT JANUARY 1, 2019 AS RESTATEMENT	14,169,406	3,315,420	3,166,880	2,656,286	1,496,326	90,654	-	1,969,628	2,170,970	(97,110)	28,938,460	8,006,733	36,945,193	
Special reserve under Rule No. 1030006415 issued by the FSC	-	-	-	135,735	(135,735)	-	-	-	-	-	-	-	-	
Appropriation of 2018 earnings														
Legal reserve	-	-	131,815	-	(131,815)	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	73,330	(73,330)	-	-	-	-	-	-	-	-	
Cash dividends distributed by the Company	-	-	-	-	(1,204,400)	-	-	-	-	-	(1,204,400)	-	(1,204,400)	
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(239,203)	(239,203)	
	-	-	131,815	73,330	(1,409,545)	-	-	-	-	-	(1,204,400)	(239,203)	(1,443,603)	
Net profit for the year ended December 31, 2019	-	-	-	-	1,781,843	-	-	-	-	-	1,781,843	370,426	2,152,269	
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	198,288	(25,329)	-	1,089,246	-	-	1,262,205	(24,555)	1,237,650	
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,980,131	(25,329)	-	1,089,246	-	-	3,044,048	345,871	3,389,919	
Adjustments resulting from investments in associates accounted for using the equity method	-	12,046	-	-	252	-	-	-	-	-	12,298	-	12,298	
BALANCE AT DECEMBER 31, 2019	\$ 14,169,406	\$ 3,327,466	\$ 3,298,695	\$ 2,865,351	\$ 1,931,429	\$ 65,325	\$ -	\$ 3,058,874	\$ 2,170,970	\$ (97,110)	\$ 30,790,406	\$ 8,113,401	\$ 38,903,807	

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

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 3,102,938	\$ 2,549,115
Adjustments for:		
Depreciation expenses	5,555,195	2,355,319
Amortization expenses	60,149	51,903
Expected credit loss recognized (reversed) on receivables	556	(16,055)
Net gain on financial assets or liabilities at fair value through profit or loss	(691)	(10,443)
Finance costs	835,329	437,280
Interest income	(90,449)	(128,124)
Dividend income	(286,299)	(152,720)
Share of profit of associates accounted for using the equity method	(58,065)	(11,396)
Loss on disposal of property, plant and equipment	84,473	26,487
Loss on disposal of investment properties	-	90,621
Loss on disposal of intangible assets	1,435	-
Gain on disposal of right-of-use assets	(678)	-
Gain on disposal of investments	(291)	-
Impairment loss recognized on intangible assets	1,095,884	1,630,000
Impairment loss recognized on property, plant and equipment	-	38,047
Unrealized gain on physical and slow-moving inventories	(9,418)	(18,415)
Loss (gain) on changes in fair value of investment properties	151,597	(43,045)
Amortization of prepayments	12,544	5,582
Amortization of prepayments for leases	-	337,503
Reversal of unrealized purchase discounts	(400)	433
Net changes in operating assets and liabilities		
(Increase) decrease in financial assets mandatorily classified as at fair value through profit or loss	(18,527)	69,151
Notes receivable	1,155	(1,156)
Trade receivables	836,753	(465,119)
Trade receivables from related parties	(3,995)	(26,163)
Other receivables	8,008	(319,715)
Inventories	(41,837)	(127,977)
Prepayments	90,044	36,461
Other current assets	(24,297)	(16,730)
Contract liabilities - current	245,360	361,734
Notes payable	(499)	612
Trade payables	(2,458,543)	(705,652)
Trade payables to related parties	(11,544)	(22,881)
Other payables	(519,160)	(718,428)
Provisions	(4,050)	(2,045)
Advance receipts	226,939	120,205
Other current liabilities	(4,971)	56,402
Net defined benefit liabilities	(125,339)	(191,239)
Cash generated from operations	8,649,306	5,189,552

(Continued)



# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Dividends received	\$ 317,922	\$ 290,342
Interest paid	(854,447)	(436,417)
Interest received	109,832	115,480
Income tax returned	2,191	194
Income tax paid	<u>(337,318)</u>	<u>(672,202)</u>
Net cash generated from operating activities	<u>7,887,486</u>	<u>4,486,949</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(4,744)	-
Purchase of financial assets amortized at cost	-	(163,931)
Proceeds from sale of financial assets at amortized cost	715,345	-
Acquisition of investments accounted for using the equity method	(1,605,034)	-
Decrease in prepaid long-term investments	25,383	49,288
Payments for property, plant and equipment	(1,801,799)	(2,257,557)
Proceeds from disposal of property, plant and equipment	39,189	606
Decrease in other receivables	1,225,948	-
Payments for intangible assets	(173,406)	(63,726)
Proceeds from disposal of intangible assets	139	-
Payments for investment properties	(8,015)	-
Increase in other non-current assets	<u>(1,924,566)</u>	<u>(82,785)</u>
Net cash used in investing activities	<u>(3,511,560)</u>	<u>(2,518,105)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	139,427,113	174,720,516
Repayments of short-term borrowings	(142,602,371)	(174,820,679)
Proceeds from short-term bills payable	36,935,184	26,313,358
Repayments of short-term bills payable	(36,792,556)	(25,347,693)
Repayments of bond payables	-	(1,000,000)
Proceeds from long-term borrowings	79,279,757	75,821,898
Repayments of long-term borrowings	(76,830,000)	(77,490,000)
Repayment of the principal portion of lease liabilities	(3,386,357)	-
Decrease in other non-current liabilities	(36,410)	(26,346)
Dividends paid to owners of the Company	(1,202,733)	(1,414,847)
Dividends paid to non-controlling interests	<u>(198,624)</u>	<u>(256,698)</u>
Net cash used in financing activities	<u>(5,406,997)</u>	<u>(3,500,491)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(139,553)</u>	<u>10,010</u>

(Continued)

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(In Thousands of New Taiwan Dollars)

---

	<u>2019</u>	<u>2018</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (1,170,624)	\$ (1,521,637)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>14,594,847</u>	<u>16,116,484</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 13,424,223</u>	<u>\$ 14,594,847</u>

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Far Eastern Department Stores, Ltd.

### **Opinion**

We have audited the accompanying financial statements of Far Eastern Department Stores, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Company's financial statements for the year ended December 31, 2019 are stated as follows:

#### Evaluation of Impairment Loss of Goodwill on Investments in Subsidiaries

The carrying amounts of investments in the Company's subsidiaries include goodwill, which was acquired through indirect investment on Pacific Liu Tong Investment Co. Ltd. for its operating segments in mainland China. Under IAS 36, the management of the Company performs impairment annually. When testing goodwill for impairment, the management should evaluate whether the recoverable amount is higher than the carrying amount. In determining the recoverable amount, management should estimate the future cash flows from operating segments in mainland China and determine the optimal discount rate. Significant assumptions involve both judgments made by management and material estimation uncertainty. Thus, the evaluation of impairment loss of goodwill in subsidiaries is considered a key audit matter. For the accounting policy related to investments in subsidiaries, refer to Notes 4(f) and 5(a) to the accompanying financial statements in which goodwill impairment of investments in subsidiaries is included.

The key audit procedures that we performed in respect of the impairment loss of goodwill are as follows:

1. We evaluated the expertise, competency and independence of external valuation specialists mandated by management. We verified the qualification of valuation specialists to ensure their objectivity and assignment were not influenced or restricted and we verified the methodology conducted conform to regulations.
2. We understood the process of management's estimation of the future sales growth rate and profit margin predicted by the operating segments in mainland China.

3. As a consideration for the assessment reliability for year 2020 and succeeding years, we compared the 2019 budget and the actual operating results of the operating segments in mainland China and evaluated the accuracy of management's historical forecast.
4. We confirmed the appropriateness of the discount rate used by management to assess goodwill impairment by using the same evaluation model to calculate the weighted average cost of capital ratio and whether the weighted average cost of capital used by management was significantly different.

#### Fair Value Evaluation of Investment Properties

As of December 31, 2019, the carrying amount of investment properties of NT\$8,997,056 thousand, accounting for 11% of the total assets, is material to the financial statements. The Company's investment properties are subsequently measured using the fair value model. In the process of fair value assessment, valuation technique and inputs require consideration of the future scheme of investment properties to estimate the discounted fair value of future cash flows. Future cash flows are extrapolated using the existing lease contracts of the Company and market rentals.

Since cash flow forecasts are subject to economic conditions, which have a high level of measurement uncertainty, we have resultantly identified the fair value evaluation of investment properties as a key audit matter. Please refer to Notes 4(i), 5(b) and 14 to the accompanying financial statements for the relevant detailed information.

The key audit procedures that we performed in respect of the fair value of investment properties are as follows:

1. We evaluated the expertise, competency and independence of external valuation specialists mandated by management. We verified the qualification of valuation specialists to ensure that their objectivity and assignment were not influenced or restricted and we verified the methodology conducted conform to regulations
2. We reviewed significant lease contracts to ensure the accuracy of fundamental information for cash flow forecasts.
3. We assessed the reasonableness of the valuer's assumptions and methods used in the valuation.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chuan Yeh and Ming-Hsing Cho.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 27, 2020

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent 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. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

# FAR EASTERN DEPARTMENT STORES, LTD.

## BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash	\$ 538,361	1	\$ 746,181	1
Financial assets at amortized cost - current	25,271	-	25,095	-
Notes receivable	3	-	140	-
Trade receivables	345,747	1	710,140	1
Trade receivables from related parties	79,534	-	70,052	-
Other receivables	279,279	-	337,628	1
Inventories	512,976	1	378,188	1
Prepayments	215,686	-	237,820	-
Other current assets	64,807	-	13,780	-
Total current assets	<u>2,061,664</u>	<u>3</u>	<u>2,519,024</u>	<u>4</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current	3,101,049	4	2,354,351	4
Investments accounted for using the equity method	19,821,401	25	19,570,715	32
Property, plant and equipment	18,724,837	24	25,314,067	41
Right-of-use assets	25,836,205	32	-	-
Investment properties	8,997,056	11	9,062,640	15
Intangible assets	55,892	-	50,207	-
Deferred tax assets	70,344	-	192,145	-
Net defined benefit assets	234,035	-	-	-
Long-term prepayments for lease	-	-	2,173,763	4
Other non-current assets	536,733	1	321,053	-
Total non-current assets	<u>77,377,552</u>	<u>97</u>	<u>59,038,941</u>	<u>96</u>
TOTAL	<u>\$79,439,216</u>	<u>100</u>	<u>\$61,557,965</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 5,000,000	6	\$ 6,710,000	11
Short-term bills payable	2,499,312	3	2,299,032	4
Contract liabilities - current	3,024,526	4	2,847,832	5
Trade payables	3,612,036	5	4,878,840	8
Trade payables to related parties	56,943	-	76,148	-
Other payables	2,075,491	3	1,284,856	2
Current tax liabilities	161,580	-	148,613	-
Lease liabilities - current	929,821	1	-	-
Advance receipts	193,734	-	188,206	-
Current portion of long-term borrowings	2,500,000	3	-	-
Other current liabilities	154,488	-	154,900	-
Total current liabilities	<u>20,207,931</u>	<u>25</u>	<u>18,588,427</u>	<u>30</u>
NON-CURRENT LIABILITIES				
Long-term borrowings	11,799,757	15	11,100,000	18
Deferred tax liabilities	2,142,641	3	2,064,540	4
Lease liabilities - non-current	14,397,967	18	-	-
Net defined benefit liabilities	-	-	89,001	-
Other non-current liabilities	100,514	-	192,091	-
Total non-current liabilities	<u>28,440,879</u>	<u>36</u>	<u>13,445,632</u>	<u>22</u>
Total liabilities	<u>48,648,810</u>	<u>61</u>	<u>32,034,059</u>	<u>52</u>
EQUITY				
Share capital				
Ordinary shares	14,169,406	18	14,169,406	23
Capital surplus	3,327,466	4	3,315,420	5
Retained earnings				
Legal reserve	3,298,695	4	3,166,880	5
Special reserve	2,865,351	4	2,656,286	4
Unappropriated earnings	1,931,429	2	2,081,772	4
Total retained earnings	8,095,475	10	7,904,938	13
Other equity	5,295,169	7	4,231,252	7
Treasury shares	(97,110)	-	(97,110)	-
Total equity	<u>30,790,406</u>	<u>39</u>	<u>29,523,906</u>	<u>48</u>
TOTAL	<u>\$79,439,216</u>	<u>100</u>	<u>\$61,557,965</u>	<u>100</u>

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

# **FAR EASTERN DEPARTMENT STORES, LTD.**

## **STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
OPERATING REVENUE	\$10,614,744	100	\$10,781,588	100
OPERATING COSTS	<u>4,168,762</u>	<u>39</u>	<u>4,285,132</u>	<u>40</u>
GROSS PROFIT	<u>6,445,982</u>	<u>61</u>	<u>6,496,456</u>	<u>60</u>
OPERATING EXPENSES				
Selling and marketing expenses	378,762	4	375,165	4
General and administrative expenses	3,941,540	37	4,031,963	37
Expected credit loss (gain)	<u>513</u>	<u>-</u>	<u>(11)</u>	<u>-</u>
Total operating expenses	<u>4,320,815</u>	<u>41</u>	<u>4,407,117</u>	<u>41</u>
OPERATING PROFIT	<u>2,125,167</u>	<u>20</u>	<u>2,089,339</u>	<u>19</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	177,484	2	335,487	3
Other losses	(28,844)	-	(14,332)	-
Finance costs	(377,869)	(4)	(169,089)	(1)
Share of profit or loss of subsidiaries and associates accounted for using the equity method	<u>298,615</u>	<u>3</u>	<u>(607,556)</u>	<u>(6)</u>
Total non-operating income and expenses	<u>69,386</u>	<u>1</u>	<u>(455,490)</u>	<u>(4)</u>
PROFIT BEFORE INCOME TAX	2,194,553	21	1,633,849	15
INCOME TAX EXPENSE	<u>412,710</u>	<u>4</u>	<u>315,699</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>1,781,843</u>	<u>17</u>	<u>1,318,150</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	288,102	3	(5,559)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	746,698	7	311,658	3
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	307,216	3	390,615	4

(Continued)



# **FAR EASTERN DEPARTMENT STORES, LTD.**

## **STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(57,620)</u>	<u>(1)</u>	<u>5,528</u>	<u>-</u>
	<u>1,284,396</u>	<u>12</u>	<u>702,242</u>	<u>7</u>
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive (loss) income of subsidiaries and associates accounted for using the equity method	<u>(22,191)</u>	<u>-</u>	<u>9,034</u>	<u>-</u>
	<u>(22,191)</u>	<u>-</u>	<u>9,034</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>1,262,205</u>	<u>12</u>	<u>711,276</u>	<u>7</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><b>\$ 3,044,048</b></u>	<u><b>29</b></u>	<u><b>\$ 2,029,426</b></u>	<u><b>19</b></u>
<b>EARNINGS PER SHARE, NT\$</b>				
Basic	<u><u>\$ 1.26</u></u>		<u><u>\$ 0.94</u></u>	
Diluted	<u><u>\$ 1.26</u></u>		<u><u>\$ 0.93</u></u>	

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

(Concluded)

# **FAR EASTERN DEPARTMENT STORES, LTD.**

## **STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)**

	Other Equity										
	Retained Earnings					Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized (Loss) Gain on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain on Property Revaluation	Treasury Shares	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Earnings						
BALANCE AT JANUARY 1, 2018	\$ 14,169,406	\$ 3,315,931	\$ 3,013,281	\$ 2,643,743	\$ 2,274,946	\$ 86,048	\$ 1,421,503	\$ -	\$ 2,170,970	\$ (97,110)	\$28,998,718
Effect of retrospective application and retrospective restatement	-	-	-	-	92,444	-	(1,421,503)	1,242,300	-	-	(86,759)
BALANCE AT JANUARY 1, 2018 AS RESTATED	14,169,406	3,315,931	3,013,281	2,643,743	2,367,390	86,048	-	1,242,300	2,170,970	(97,110)	28,911,959
Appropriation of 2017 earnings											
Legal reserve	-	-	153,599	-	(153,599)	-	-	-	-	-	-
Special reserve	-	-	-	12,543	(12,543)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,416,940)	-	-	-	-	-	(1,416,940)
	-	-	153,599	12,543	(1,583,082)	-	-	-	-	-	(1,416,940)
Net profit for the year ended December 31, 2018	-	-	-	-	1,318,150	-	-	-	-	-	1,318,150
Other comprehensive (loss) income for the year ended December 31, 2018, net of income tax	-	-	-	-	(24,850)	4,606	-	731,520	-	-	711,276
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	1,293,300	4,606	-	731,520	-	-	2,029,426
Adjustments resulting from investments in subsidiaries and associates accounted for using the equity method	-	(511)	-	-	(28)	-	-	-	-	-	(539)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by subsidiaries	-	-	-	-	4,192	-	-	(4,192)	-	-	-
BALANCE AT DECEMBER 31, 2018	14,169,406	3,315,420	3,166,880	2,656,286	2,081,772	90,654	-	1,969,628	2,170,970	(97,110)	29,523,906
Effect of retrospective application and retrospective restatement	-	-	-	-	(585,446)	-	-	-	-	-	(585,446)
BALANCE AT JANUARY 1, 2019 AS RESTATED	14,169,406	3,315,420	3,166,880	2,656,286	1,496,326	90,654	-	1,969,628	2,170,970	(97,110)	28,938,460
Special reserve under Rule No. 1030006415 issued by the FSC	-	-	-	135,735	(135,735)	-	-	-	-	-	-
Appropriation of 2018 earnings											
Legal reserve	-	-	131,815	-	(131,815)	-	-	-	-	-	-
Special reserve	-	-	-	73,330	(73,330)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,204,400)	-	-	-	-	-	(1,204,400)
	-	-	131,815	73,330	(1,409,545)	-	-	-	-	-	(1,204,400)
Net profit for the year ended December 31, 2019	-	-	-	-	1,781,843	-	-	-	-	-	1,781,843
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	198,288	(25,329)	-	1,089,246	-	-	1,262,205
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,980,131	(25,329)	-	1,089,246	-	-	3,044,048
Adjustments resulting from investments in subsidiaries and associates accounted for using the equity method	-	12,046	-	-	252	-	-	-	-	-	12,298
BALANCE AT DECEMBER 31, 2019	\$ 14,169,406	\$ 3,327,466	\$ 3,298,695	\$ 2,865,351	\$ 1,931,429	\$ 65,325	\$ -	\$ 3,058,874	\$ 2,170,970	\$ (97,110)	\$30,790,406

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

# **FAR EASTERN DEPARTMENT STORES, LTD.**

## **STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**(In Thousands of New Taiwan Dollars)**

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 2,194,553	\$ 1,633,849
Adjustments for:		
Depreciation expenses	1,654,458	1,016,063
Amortization expenses	26,757	18,678
Expected credit loss recognized (reversed) on receivables	513	(11)
Amortization of prepayments	-	476
Finance costs	377,869	169,089
Share of (profit) loss of subsidiaries and associates accounted for using the equity method	(298,615)	607,556
Interest income	(242)	(160)
Dividend income	(177,242)	(85,322)
Loss on disposal of property, plant and equipment	6,229	6,439
Loss on disposal of investment properties	247	90,700
Loss (gain) on changes in fair value of investment properties	75,802	(32,218)
Net changes in operating assets and liabilities		
Notes receivable	137	(140)
Trade receivables	363,880	(261,485)
Trade receivables from related parties	(9,482)	(11,805)
Other receivables	58,349	(251,557)
Inventories	(134,788)	(47,108)
Prepayments	22,134	(15,109)
Other current assets	(51,027)	(2,372)
Contract liabilities	176,694	166,895
Notes payable and trade payables	(1,266,804)	(148,006)
Trade payables to related parties	(19,205)	(8,907)
Other payables	51,696	26,491
Advance receipts	89,656	36,068
Other current liabilities	(412)	41,344
Net defined benefit liabilities	(34,934)	(154,066)
Cash generated from operations	3,106,223	2,795,382
Interest paid	(427,523)	(210,771)
Interest received	242	160
Dividends received	332,030	378,552
Income tax returned	-	170
Income tax paid	(257,461)	(186,940)
Net cash generated from operating activities	<u>2,753,511</u>	<u>2,776,553</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	-	(25,095)
Proceeds from sale of financial assets at amortized cost	224	-
Acquisition of investments accounted for using the equity method	(400,000)	-
Payments for property, plant and equipment	(986,290)	(1,272,504)

(Continued)

# **FAR EASTERN DEPARTMENT STORES, LTD.**

## **STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**(In Thousands of New Taiwan Dollars)**

	<b>2019</b>	<b>2018</b>
Proceeds from disposal of property, plant and equipment	39	26
Payments for investment properties	(8,369)	(306)
Increase in other non-current assets	(1,421,459)	(54,007)
Payments for intangible assets	<u>(26,080)</u>	<u>(13,155)</u>
Net cash used in investing activities	<u>(2,841,935)</u>	<u>(1,365,041)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	77,850,000	93,400,000
Repayments of short-term borrowings	(79,560,000)	(92,990,000)
Proceeds from short-term bills payable	22,093,578	16,610,243
Repayments of short-term bills payable	(21,893,298)	(16,010,399)
Proceeds from long-term borrowings	65,199,757	61,000,000
Repayments of long-term borrowings	(62,000,000)	(62,000,000)
Repayment of the principal portion of lease liabilities	(620,491)	-
Increase in other non-current liabilities	13,791	8,561
Dividends paid	<u>(1,202,733)</u>	<u>(1,414,847)</u>
Net cash used in financing activities	<u>(119,396)</u>	<u>(1,396,442)</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	(207,820)	15,070
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<u>746,181</u>	<u>731,111</u>
<b>CASH AT THE END OF THE YEAR</b>	<u><u>\$ 538,361</u></u>	<u><u>\$ 746,181</u></u>

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

(Concluded)

## Amendment of the certain provisions of the Company’s “Best Practice Principles of Ethical Corporate Management”

Section	Proposed Changes	Current Articles
Article 6	<p>Article 6 (Prevention procedures and rules)</p> <p>In accordance with the Principles <u>and in refer to prevailing domestic and foreign standards or guidelines</u>, the Company shall establish <u>the programs to forestall unethical conduct, including operational procedures, guidelines, and training</u>; meanwhile, specifically identify what Company Professionals must pay attention to while conducting business.</p>	<p>Article 6 (Prevention procedures and rules)</p> <p>In accordance with the Principles, the Company shall establish <u>procedures and rules to prevent Company Professionals from conducting business without prudence and integrity</u>; meanwhile, specifically identify what Company Professionals must pay attention to while conducting business.</p>
Article 7	<p>Article 7 (Commitment and execution)</p> <p><u>The Company shall request their directors and senior management to issue a statement in compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.</u></p> <p>The policy of ethical corporate management with sincerity and integrity shall be disclosed explicitly in the website and annual reports of the Company. Board of Directors and the management shall have strong and rigorous commitment to the execution of such policy, and enforce the policy to the internal management and external commercial activities.</p> <p><u>The Company shall compile documented information on the ethical management policy, statement, commitment and implementation mentioned in the first and second paragraphs and retain said information properly</u></p>	<p>Article 7 (Commitment and execution)</p> <p>The policy of ethical corporate management with sincerity and integrity shall be disclosed explicitly in the website and annual reports of the Company. Board of Directors and the management shall have strong and rigorous commitment to the execution of such policy, and enforce the policy to the internal management and external commercial activities.</p>
Article 9	<p><b>Article 9 (Ethical commercial activities and <u>prohibitions of Engaging in unfair competitive practices</u>)</b></p> <p>The Company shall act with integrity and fairness when engaging in a commercial activity with counterparty in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by</p>	<p><b>Article 9 (Ethical commercial activities)</b></p> <p>The Company shall act with integrity and fairness when engaging in a commercial activity with counterparty in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by</p>

Section	Proposed Changes	Current Articles
Article 9	<p>allocating customers, suppliers, territories, or lines of commerce.</p> <p>Prior to engaging in a commercial transaction, the Company shall take into consideration the legitimacy and legality of the counterparty such as agents, vendors, customers, and other entities, and their Misconduct record, if any. The Company shall avoid engaging in business with counterparty with any record of Misconducts.</p> <p>When entering into material contracts with counterparties, the Company shall include provisions in such contracts demanding the compliance of ethical corporate management policy. And such contracts shall also include clauses to terminate or cancel the contracts at any time by the Company, if Misconducts are performed, or suspected of being performed, by the counterparties.</p>	<p>allocating customers, suppliers, territories, or lines of commerce.</p> <p>Prior to engaging in a commercial transaction, the Company shall take into consideration the legitimacy and legality of the counterparty such as agents, vendors, customers, and other entities, and their Misconduct record, if any. The Company shall avoid engaging in business with counterparty with any record of Misconducts.</p> <p>When entering into material contracts with counterparties, the Company shall include provisions in such contracts demanding the compliance of ethical corporate management policy. And such contracts shall also include clauses to terminate or cancel the contracts at any time by the Company, if Misconducts are performed, or suspected of being performed, by the counterparties.</p>
Article 15	<p>Article 15 (Organization and responsibility)</p> <p>Company Professionals shall exercise the due care of good administrators to urge the Company to prevent Misconducts, review the results of the preventive procedures at any time, and continually make adjustments so as to ensure thorough implementation of the ethical corporate management policies.</p> <p>To fulfill the best practices of the ethical corporate management, <u>a chief corporate governance officer under the board of directors and Human Resources Department of the Company are dedicated to be in charge of establishing and enforcing the ethical corporate management policies and prevention procedures, and shall report to the Board of Directors on a regular basis (at least once a year).</u></p>	<p>Article 15 (Organization and responsibility)</p> <p>Company Professionals shall exercise the due care of good administrators to urge the Company to prevent Misconducts, review the results of the preventive procedures at any time, and continually make adjustments so as to ensure thorough implementation of the ethical corporate management policies.</p> <p>To fulfill the best practices of the ethical corporate management, Human Resources Department of the Company is dedicated to be in charge of establishing and enforcing the ethical corporate management policies and prevention procedures, and shall report to the Board of Directors <u>if there is any material misconduct.</u></p>

Section	Proposed Changes	Current Articles
Article 20	<p>Article 20 (Blow-the-whistle and discipline <u>and appeal system</u>)</p> <p>For any violation of the Principles being found, Company Professionals shall proactively report to the Audit Committee, the Management, Head of Internal Audit, <u>a chief corporate governance officer</u>, Human Resources Department, and other appropriate authorized managers. The Company shall strictly preserve the identity of the whistle-blower and the content of the report.</p> <p>The Company tolerates no violation. Any of the Company Professionals obtains, or intends to obtain, improper Benefits for oneself or others at the cost of the Company by using one’s position and authority shall be dismissed, and unconditionally indemnify the Company for all losses, if occurred.</p> <p>Any of the Company Professionals found to be in violation of the Principles shall be disciplined in accordance with the reward and disciplinary rules of the Company. Those who as a result of violation are dismissed by the Company will no longer be employed again by the Company or its affiliates. <u>Where necessary, a case shall be reported to the competent authority or referred to the judicial authority.</u></p> <p><u>The Company shall establish “The Operational Procedures And Guidelines Of Ethical Management” hereof to guide any of Company Professionals on how to conduct business.</u></p>	<p>Article 20 (Blow-the-whistle and discipline)</p> <p>For any violation of the Principles being found, Company Professionals shall proactively report to the Audit Committee, the Management, Head of Internal Audit, Human Resources Department, and other appropriate authorized managers. The Company shall strictly preserve the identity of the whistle-blower and the content of the report.</p> <p>The Company tolerates no violation. Any of the Company Professionals obtains, or intends to obtain, improper Benefits for oneself or others at the cost of the Company by using one’s position and authority shall be dismissed, and unconditionally indemnify the Company for all losses, if occurred.</p> <p>Any of the Company Professionals found to be in violation of the Principles shall be disciplined in accordance with the reward and disciplinary rules of the Company. Those who as a result of violation are dismissed by the Company will no longer be employed again by the Company or its affiliates.</p> <p><u>An appeal system is established in the Company. Any of Company Professionals being accused to violate the Principles may appeal for remedy via the system.</u></p>

## **Amendment of the certain provisions of the Company's "Articles of Incorporation"**

<b>Section</b>	<b>Proposed Changes</b>	<b>Current Articles</b>
Article 17	<p>There shall be <u>5</u> to 9 Directors of the Company, who are elected and appointed from the persons with legal capacity at the shareholders' meeting. The total shares number of the registered shares of the Company held by all of the Directors shall be determined according to the provisions of "Rules and Review Procedures for Director and Supervisor Ownership Ratios at Public Companies".</p> <p>Among the directors in the preceding paragraph have three independent directors.</p> <p>In accordance with Article 192-1 of the Company Act, the Company shall adopt a candidate nomination system for election of the directors, and the shareholders shall elect the directors from among the nominees listed in the roster of candidates. Independent and non-independent directors shall be elected at the same time but on separate ballots.</p>	<p>There shall be 7 to 9 Directors of the Company, who are elected and appointed from the persons with legal capacity at the shareholders' meeting. The total shares number of the registered shares of the Company held by all of the Directors shall be determined according to the provisions of "Rules and Review Procedures for Director and Supervisor Ownership Ratios at Public Companies".</p> <p>Among the directors in the preceding paragraph have three independent directors.</p> <p>In accordance with Article 192-1 of the Company Act, the Company shall adopt a candidate nomination system for election of the directors, and the shareholders shall elect the directors from among the nominees listed in the roster of candidates. Independent and non-independent directors shall be elected at the same time but on separate ballots.</p>
Article 28	<p>Apart from paying all its income taxes in the case where there are profits at the end of the year, the Company shall make up for accumulated losses in past years. Where there is still balance, 10% of <u>the amount of the sum of the current after-tax net income and other item accounted to undistributed earnings</u> shall be set aside by the Company as legal reserve. Subject to certain business conditions under which the Company may retain a portion, the Company may distribute to the shareholders the bonus which is the remainder based on shareholdings after deducting special reserve as required by law together with undistributed profits from previous years.</p> <p>The distribution of dividends shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Dividends shall be paid aimed at maintaining</p>	<p>Apart from paying all its income taxes in the case where there are profits at the end of the year, the Company shall make up for accumulated losses in past years. Where there is still balance, 10% of which shall be set aside by the Company as legal reserve. Subject to certain business conditions under which the Company may retain a portion, the Company may distribute to the shareholders the bonus which is the remainder based on shareholdings after deducting special reserve as required by law together with undistributed profits from previous years.</p> <p>The distribution of dividends shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Dividends shall be paid aimed at maintaining</p>



Section	Proposed Changes	Current Articles
Article 28	the stability of dividend distributions. Save for the purposes of improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required, when distributing shareholders' dividend, the dividend payout ratio each fiscal year shall be no less than fifty percent ( 50% ) of the final surplus which is the sum of after-tax profit of the fiscal year to withhold previous loss, if any, legal reserve and special reserve as required by law; the cash dividends shall not be less than 10% of bonus to the shareholders distributed in the same year.	the stability of dividend distributions. Save for the purposes of improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required, when distributing shareholders' dividend, the dividend payout ratio each fiscal year shall be no less than fifty percent ( 50% ) of the final surplus which is the sum of after-tax profit of the fiscal year to withhold previous loss, if any, legal reserve and special reserve as required by law; the cash dividends shall not be less than 10% of bonus to the shareholders distributed in the same year.
Article 30	<p>These Articles of Incorporation were drafted on August 2, 1967, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings.</p> <p><u>Forty-eighth amendment of June 24, 2020</u></p>	<p>These Articles of Incorporation were drafted on August 2, 1967, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings.</p> <p><u>Forty-seventh amendment of June 21, 2018</u></p>

## **Amendment of the certain provisions of the Company’s “Rules of Procedure of Stockholders Meeting”**

Section	Proposed Changes	Current Articles
Article 10	<p>For proposal in which discussion has been concluded or closed, the chairperson shall submit it for voting.</p> <p>No discussion or voting shall proceed for matters unrelated to the proposals.</p> <p>The personnel responsible for overseeing and counting of the votes for resolutions shall be appointed by the chairperson. The person responsible for vote overseeing shall be of the stockholder status.</p>	<p>For proposal in which discussion has been concluded or closed, the chairperson shall submit it for voting.</p> <p>No discussion or voting shall proceed for matters unrelated to the proposals.</p> <p>The personnel responsible for overseeing and counting of the votes for resolutions shall be appointed by the chairperson <u>with the consent of the stockholders (or proxies)</u>. The person responsible for vote overseeing shall be of the stockholder status.</p>
Article 11	<p>In regards to the resolution of proposals, unless otherwise provided for in the relevant law and regulation or Company’s articles of incorporation, resolution shall be passed by a majority of the voting rights represented by the stockholders (or proxies) attending the meeting.</p> <p><u>The proposal(s) should been put to vote. The Chairman can decide that the resolution of proposal(s) should been put to vote one by one, or the resolution of proposals including the proposal to re-elect the directors and supervisors should been put to vote several times or one time with counting of votes by each proposal.</u></p> <p>If there are amendments or substitute proposals for the same proposal, the sequence of which to be put to vote shall be decided by the chairperson. If one of the two proposals has been approved, the other proposal shall be deemed rejected without requirement to put it to vote.</p> <p>The results of voting and election shall be announced on the spot after the vote counting and be kept for records.</p>	<p>In regards to the resolution of proposals, unless otherwise provided for in the relevant law and regulation or Company’s articles of incorporation, resolution shall be passed by a majority of the voting rights represented by the stockholders (or proxies) attending the meeting.</p> <p><u>The proposal for a resolution shall be deemed approved if the shareholder(s) present(s) no objection by exercising voting in electronic form and the chairperson inquires and received no objection at a shareholders meeting, the validity of such approval has the same effect as if the resolution has been put to vote.</u></p> <p><u>If the shareholder object the proposal(s), the resolution of proposal(s) should been put to vote. The Chairman can decide that the resolution of proposal(s) should been put to vote one by one, or the resolution of proposals including the proposal to re-elect the directors and supervisors should been put to vote several times or one time with counting of votes by each proposal.</u></p> <p>If there are amendments or substitute proposals for the same proposal, the sequence of which to be put to vote shall be decided by the chairperson. If one of the two proposals has been approved, the other proposal shall be deemed rejected without requirement to put it to vote.</p> <p>The results of voting and election shall be announced on the spot after the vote counting and be kept for records.</p>

Section	Proposed Changes	Current Articles
Article 13	<u>During the Meeting, in case of incident of force majeure, the chairman may decide to temporarily suspend the meeting and announce, depending on the situation, when the meeting will resume.</u>	<u>The meeting shall be adjourned if encountering an air-raid alarm during the meeting. The meeting shall resume one hour after the alarm is lifted.</u>