



# 2021

## HANDBOOK FOR THE 2021 ANNUAL MEETING OF SHAREHOLDERS

JUNE 29, 2021

STOCK CODE : 2903

PLACE:

AUDITORIUM IN THE TAIPEI  
HERO HOUSE NO.20, CHANGSHA STREET,  
SECTION 1, TAIPEI, TAIWAN

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\*The English version is the translation of the Chinese version and if there is any conflict between the meaning of terms in the Chinese version and English translation, the meaning of the Chinese version shall prevail.

# **Far Eastern Department Stores LTD.**

## **I. Meeting Agenda**

Call Meeting to Order

Chairman Remarks

Reported Items

Approving Items

Items for Discussion and Election

Extemporaneous Motion

Adjournment

## **II. Reported Items**

### **1. 2020 Business Report**

#### **Preface**

Given the global spread of coronavirus in 2020, the majority of countries has imposed border controls causing stagnant human flows, shrinking trade volume, slowing private investments, declining drastically in international oil prices, coupled with turbulent U.S.-China trade war resulting in the restructuring of supply chains as well as consequent impacts that lead into the great economic recession. According to International Monetary Fund, the year 2020 has registered the economic growth of -3.5%, the degree of recession was as serious as that of the 1930's Great Recession. Fortunately, with the launch and the more widely injections of vaccines, each nation has begun to re-open its economic program, the world economy is expected to be relieved from the impact to resume gradual recovery.

Thanks to the effective epidemic prevention, Taiwan's manufacturing sectors and private consumptions continue to progress smoothly. Added with changes in global supply chains, Taiwan businesses in China are making investments to benefit local exports and productions based in Taiwan. In spite of the global pandemic in 2020, Taiwan's economy outperformed and registered a stellar growth at 2.98%. According to National Development Council, looking into future economic prospects, the government will actively introduce private investments into physical constructions, expedite in building supply chains for emerging industries, and strengthen the key position of Taiwanese industries in the world in order to ensure steady economic growth.

During the first half year of Covid-19 impact, the department stores sector was not yet under steady control, people mostly stayed at home, thus reported significant declining revenues with much less customers. Since the second half of 2020, with the epidemic slowdown, the private consumption started to rebound, the sector was also fueled by the government's issuance of "triple stimulus coupons", people began to shop domestically as they cannot travel abroad, revenues of department stores gradually recovered from the decline in the first half. Taiwan department stores' total revenues reached NT\$354.1 billion in 2020, slightly down 0.3% year-over-year, halting the continuous growth in past ten years. Thanks to openings of new stores and consolidating revenues of existing stores, Far Eastern Department Stores (FEDS) continued to boost operating performance and registered sales of NT\$47.8 billion, up 7.7% year-over-year,

created maximum value and return for its shareholders, and outperformed peers to deliver outstanding performance as an industry leader during the challenging retail landscape.

Post the pandemic, the global economies, industries, and lifestyle will be changed fundamentally into the “New Normal.” FEDS is also adjusting its pace to respond with agility towards a nimbler, flexible, and sustainable operating model. During the past year, our comprehensive outstanding performances were often accredited by major domestic and international awards that were bestowed upon with 34 honors. It is worth noting that FEDS has received the “National Sustainable Development Award” by the Executive Yuan for the second time, making us Taiwan’s first and only retail operator to win this award twice within three years. Based on its long-term commitment to sustainable operations, FEDS will continue to create sustainable benchmark, drive sustainable growth in terms of corporate governance, environmental sustainability, and inclusive society, so as to elevate its competitive edge, continue to ride through challenges, and open new opportunities.

## **Operating Report of 2020**

FEDS has delivered an outstanding performance in 2020. Under the guidance of the Board of Directors and the management team, the Company continued to grow and recorded consolidated sales of NT\$114.8 billion (according to IFRS, consolidated revenues were NT\$37.3 billion). Consolidated net profit was NT\$2.54 billion, up 18.2% year-over-year, company alone net profit was NT\$1.94 billion, and earnings per share were NT\$1.38. According to the 12<sup>th</sup> Board Meeting of the 18<sup>th</sup> Board of Directors of FEDS, total cash dividend payout for 2020 was NT\$1.1. Operating result of the Far Eastern Retail Group in 2020 is summarized as follows:

### **(1) Far Eastern Department Stores**

1. Maintaining growth momentum, revenues and profits were both remarkable in 2020, pretax income stood at NT\$2.23 billion, marking new high in the past five years.
2. Under the coronavirus pandemic, FEDS has fully activated epidemic prevention measures, aside from adding hand sterilizer, infrared body temperature sensor, and increasing frequency of sterilizing sales space, the Company also requires the frontline staff to wear masks so as to provide customers a safe shopping environment.
3. While during the pandemic period, each branch store still went through

different scales of counter adjustments such as introducing popular brands of 3C, sports, fast fashion, featured dining to cater to young customers, so as to maintain shopping attraction and management capability.

4. To embrace the trend of digitization, FEDS continued to optimize its APP use, customers can collect bank credit card gifts and voucher coupons directly via FEDS APP, there is no need to queue up at the gift service table, providing customers with more convenient digital services and shopping experiences.
5. Due to the pandemic, people cannot travel abroad. In order to let consumers experience the fun of “pseudo traveling”, each branch has consecutively sponsored nearly 60 exotic gourmet food and local agriculture product exhibitions, attracting crowds to boost revenue.
6. FEDS plans to strengthen its digitized management, create paperless working environment, shorten management, operation and service processes, and improve working efficiency. It currently has already completed 84 digital systems which allow staff to elevate productivity in a mobilized digital environment.
7. The company also fulfills its corporate social responsibilities. FEDS has set up its CSR standards and received a record high of 34 domestic and international major awards in 2020. It also sponsors 600 non-profit events, continue to make best use of channel resources, care for the under-privileged, and bring warmth to those in need.

## **(2)Far Eastern SOGO Department Stores**

1. Sales were NT\$41.84 billion in 2020, pretax income was NT\$1.21 billion. Under the impact of coronavirus, FEDS will enhance digital marketing and push for revenue growth through stimulus vouchers.
2. To improve customer services, FEDS promotes digital marketing and food delivery services, and elevate renovations, strengthen merchandise mix, introduce and adjust new brands of each store, altogether 543 counters were introduced and modified, accounting for 22.6% of total brands, attributing to achieving revenue targets.
3. During anniversary sales application of new generation retail sales methodologies such as SOGO APP, digital marketing, mobile payment, coupled with the promotion with popular Hello Kitty shop gifts, has driven a decade historical high of NT\$10.8 billion sales in revenue, registering 8% growth.
4. Under the impact of the pandemic, with the rise of stay-at-home economies and international travels on halt, the sales of household items, home appliances, 3C products, skin care products and

cosmetics have increased, revenues of fine boutiques also grew more than 10% due to restriction of international travel. Post-Covid 19 era, consumers will focus more on home products, leisure, sports, and health, FEDS will expand relevant products and brand collection so as to enhance growth momentum.

5. In October 2020, Shanghai Bright City concluded operation. Also, the Company has expedited to improve revenues of Shanghai Hsu Huei Store and Chongqing Jiangbei Store, and save operating cost of Chongqing FEDS Metropolitan Plaza Store in order to boost profits.

### **(3) Far Eastern Ai-Mai**

1. Sales in 2020 were NT\$13.82 billion, while under the pandemic, Far Eastern Ai-Mai grew slightly than that of the previous year.
2. Taichung Shuinan Hyper Mall 3.0 Store was opened on September 23, 2020.
3. Ai-Mai's counter-pandemic measures:
  - (1) Improve revenues
    - a. Continue to promote delivery businesses, island-wide foodpanda delivery services for 14 stores were launched online.
    - b. Elevate e-commerce, expand shipping areas of Taoyuan Store and add shipping areas of Tainan Store.
  - (2) Lower costs
    - a. Negotiate with landlords to lower leases.
    - b. Lower marketing expenses.
    - c. All staff take annual leaves between March and June in 2020.
    - d. Shorten business hours.
  - (3) Improve management
    - a. Strengthen food safety management.
    - b. Set up epidemic prevention zone, easy to cook, safe to dine.
    - c. Inventory management.

## **Business Plan**

Facing with diversified, digitized, smart retail development trends, the Far Eastern Retail Group is expediting its adjustments, integrating resources and strategies, continuing to inject the agile mindset and innovative spirit so as to satisfy customer shopping needs, optimize customers' shopping experiences, and continue to deliver outstanding performances and efficiencies.

### **(1) Far Eastern Department Stores**

1. FEDS continues to expand new stores, Chubei New Century Shopping

Mall is expected to open in the second half of 2021 and will become the first large-scale shopping mall in Hsinchu County.

2. To stay with fashion trend, the Company maintains its competitive momentum, and creates unique features. Each branch store is adjusting its merchandise mix, elevating shopping capacity and merchandising power, further boosting operating performance.
3. The retail operator creates popular themes to ensure volume and exposure for the shopping space on social media with pop up shops of trendy brands and live stream of online celebrities to maintain freshness and popularity of the shopping mall.
4. FEDS intends to strengthen customer relationship and elevates transaction stickiness in order to seize consumption trend and direction more clearly via analytics of shopping data and application of digital technologies, so as to plan more flexible and diversified marketing campaigns to effectively incite shopping desire.
5. In responding to changes in media landscape and technological advancements, the Company will strengthen the application of digital media and social platforms, and attract customers in a lively and interesting engagement, and will also continue to enhance the interactions of FEDS APP and its official website, integrate virtual and physical channels, and allow customers to enjoy speedy and personalized services.
6. To increase interactions with the sales space, and in echo with recent artistic creative themes, FEDS shapes the store image as local CSR liason, each branch office continues to organize festivities and cooperate actively with local governments or private sectors to promote various CSR events, hopefully to stay more engaged by providing interactive and enhanced experiences, coupled with promotion of special local products, thus building each store as the daily hub for local commercial center.
7. Taiwan's consumers are highly interested in featured cultures, merchandise, and gourmet cuisines of different areas. In 2021, FEDS continues to sponsor various exotic cultural, local specialties and artistic creativity fairs etc. to attract consumers, emerging customers to get a real feel of the indigent art and culture with authentic local products, featured performances, and interactive experiences.
8. Focus on management: FEDS continues to promote digitization, expedite talent cultivation, reasonably control expenses, strengthen data security; it has also responded to the risk of climate change, continued to implement energy and water preservation, decreased packaging waste, lowered the impact to the environment during operating processes.



## **(2)Far Eastern SOGO Department Stores**

1. Revenues of four major annual campaigns (Chinese New Year, Mother's Day, Mid-Year Sales, and Anniversary Sales) account for 38-41% of total annual revenues. In addition to conventional marketing, we will invest more in digital marketing to succeed in the new retailing era.
2. The quantity and quality of customers are the basic foundation for our business operation. Subsequent to cultivating Happy Go cardholders and the Bank's high-end spending clients in 2020, we will further enhance VIP services, and focus on market demassification to establish Beauty Club, Kid Club, etc. to manage members and raise loyalty.
3. Following top performing store strategies, the Fuxing Store will become more exquisitely high-end as the single store with the highest revenues in the northern Taiwan, while Zhongxiao Store will increase its customer flow by focusing on the family customer base to create a unique and friendly mega store, and will upgrade hardware through renovations to introduce boutique items and shoe collections.
4. SOGO also expedites digital developments to embrace the new economy, it has upgrade and revise SOGO APP to enhance mobile payment, digital marketing, social media , and e-commerce.
5. With dynamic digital advancements in China, each store is also integrating online and offline operations, fully utilizing digital communications, marketing, and campaigns to increase revenues. Shanghai Hsu Huei Store, Chongqing FEDS Metropolitan Plaza Store, and Jiangbei Store are on the priority list to boost profitability.
6. Draw up effective long-term and short-term strategies to promote operations with flexibility:
  - a. Talent cultivation, Big Data application, and precise marketing.
  - b. Expand internet voice by creating popular topics.
  - c. Implement contact-free sales mechanism, provide safe shopping environment, and establish consumption confidence.

## **(3)Far Eastern Ai-Mai**

1. Operation-wise: Extend the experience of Taichung Shuinan Store to the rest of existing stores
  - a. Provide more comfortable space for customers.
  - b. Improve operating efficiency: Introduce electronic labels store-wide.
  - c. Upgrade workshops, theme-oriented restaurants, and further enhance differentiation from peers.

- d. Create shop-in-shop business models.
- 2. Merchandise-wise:
  - a. Continue to strengthen the Category Management: Make timely adjustment to align with market condition.
  - b. Continue to promote the Service Economy: E-commerce and delivery platforms.
  - c. Enlarge differentiation from PX Mart: Strengthen complete collection of merchandise, produce on spot delicacies and bakeries, and introduce meat and seafood cooking in-store for customers.
- 3. Marketing-wise:
  - a. Expedite the development of digital APP applications.
  - b. Apply Big Data algorithm to promote repurchases, and proceed with more precise marketing.
- 4. Information-wise:
  - a. Digital optimization: Renew Point of Sale (POS) system.
  - b. Increase e-commerce collaboration platform.

## **Future Prospective**

Technological innovation leads to dynamic changes in consumer behaviors. The degree of digitization has been increasing for spending with mobile payment and online shopping. Physical stores must expedite their digital transformation to satisfy consumers' shopping needs with digital services, such as: the use of AI to optimize shopping experiences, or analyze consumption data to understand customers' thoughts, and look for products and services to attract consumers according to their preferences, so as to maintain closer customer relationship and loyalty. Furthermore, physical stores also need to focus on virtual and physical channel integrations, take advantage of convenience and speed of virtual channel, enrich consumers online and offline experiences, and thus drive prosperous growth, and march into new retailing by virtual and physical integrations.

Sound corporate governance is the vital foundation for sustainable operations of corporations. As Taiwan's leading listed department stores, FEDS follows the "Corporate Governance 3.0 – Sustainable Development Roadmap" published by the Financial Supervisory Commission, continues to improve corporate governance mechanism, establishes sound governance structure, implements specification and accountability of job assignment, strengthens proficiency of Board of Directors and data transparency, and establishes various functional committees to help elevate efficiency and improve policy making, also actively engages in domestic and international retail associations to expand the

vision of sustainable operations, protects shareholders' benefits as well as other stakeholders' interests.

Employee is the most important asset for corporations, FEDS is not only recruiting potential outstanding talents as well as continuing to introduce the new workforce, but also expediting in cultivating professional managers to fill for future developments, as a comprehensive talent team for the deployment of smart retailing. Presently the applications of 5G have emerged into each industry and daily lives. The new technology training with regards to AI, IoT, Big Data, as well as the elevation of foreign language capabilities are the focus of human resource management for the new retailing.

Entering into the post-pandemic era, people will need to deal with various New Normal situations, such as, social distancing measures has opened up contactless business opportunities and changed the shopping models. Facing with complexities of the New Normal, the industry must define its position and look for proper development targets. After adjusting operation mindset accordingly, through changes, transformations, innovation, elevation of competitiveness, so the operators can quickly adapt to the New Normal. In the future, the outstanding management team of the Company will continue to innovate and change, take the initiative to plan development strategies with foresight, lead the industry development, ensure lasting growth and excellence, continue to create maximum value for its shareholders, and seek for sustainable operation model to ensure its leading position in the next phase.

## **2. Financial report of 2020.**

### **Explanation:**

The 2020 Financial Statements are on page 17-33.

- a ∙ Consolidated balance sheets (December 31, 2020)
- b ∙ Consolidated statement of comprehensive income (January 1, 2020~ December 31, 2020)
- c ∙ Consolidated statements of changes in equity (January 1, 2020 ~December 31, 2020)
- d ∙ Consolidated statements of cash flows (January 1, 2020~ December 31, 2020)
- e ∙ Balance sheets (December 31, 2020)
- f ∙ Statement of comprehensive income (January 1, 2020~ December 31, 2020)
- g ∙ Statements of changes in equity (January 1, 2020~ December 31, 2020)
- h ∙ Statements of cash flows (January 1, 2020~ December 31, 2020)

Independent auditor's reports by Deloitte & Touche are on page 12-16 and page 24-27.

# **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, 2020 and 2019, 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, 2020 and 2019, 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, 2020. 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 matter identified in the Group's consolidated financial statements for the year ended December 31, 2020 is stated as follows:

#### Fair Value Evaluation of Investment Properties

As of December 31, 2020, the carrying amount of investment properties was NT\$9,021,607 thousand, accounting for 7% of consolidated total assets and 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 estimates and judgments. Therefore, the fair value evaluation of investment property was considered to be a key audit matter. Refer to Notes 4(i), 5 and 16 to the accompanying consolidated financial statements for the relevant detailed information.

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

1. We evaluated the expertise, competency and independence of external valuation specialists appointed by management. We verified the qualification of valuation specialists to ensure that their objectivity and scope of work were not influenced or restricted, and confirmed that the methodology adopted was in compliance with relevant 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 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, 2020 and 2019 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, 2020 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 23, 2021

#### 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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 14,791,434	12	\$ 13,424,223	10
Financial assets at fair value through profit or loss - current	450,046	-	457,256	1
Financial assets at fair value through other comprehensive income - current	278,539	-	297,456	-
Financial assets at amortized cost - current	1,171,058	1	1,443,974	1
Notes receivable	1,864	-	1,132	-
Trade receivables	600,242	-	744,436	1
Trade receivables from related parties	124,738	-	161,935	-
Other receivables	1,007,684	1	915,309	1
Current tax assets	1,063	-	10,812	-
Inventories	2,374,459	2	2,780,889	2
Prepayments	211,102	-	398,558	-
Other current assets	103,887	-	110,095	-
Total current assets	<u>21,116,116</u>	<u>16</u>	<u>20,746,075</u>	<u>16</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current	4,659,302	4	5,030,564	4
Financial assets at amortized cost - non-current	24,000	-	146,000	-
Investments accounted for using the equity method	10,164,724	8	10,107,165	8
Property, plant and equipment	33,945,566	26	34,323,257	26
Right-of-use assets	42,712,637	33	44,764,810	34
Investment properties	9,021,607	7	9,086,641	7
Intangible assets	2,581,127	2	2,477,815	2
Deferred tax assets	572,186	1	589,225	-
Net defined benefit assets	205,863	-	234,035	-
Long-term prepayments for lease	1,517,865	1	1,060,658	1
Other non-current assets	1,902,776	2	1,944,860	2
Total non-current assets	<u>107,307,653</u>	<u>84</u>	<u>109,765,030</u>	<u>84</u>
<b>TOTAL</b>	<u>\$128,423,769</u>	<u>100</u>	<u>\$130,511,105</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 9,045,746	7	\$ 9,630,896	7
Short-term bills payable	3,729,003	3	3,622,993	3
Contract liabilities - current	8,121,734	6	7,770,828	6
Notes payable	6,626	-	3,184	-
Trade payables	15,844,472	12	15,120,910	11
Trade payables to related parties	68,101	-	93,455	-
Other payables	3,721,330	3	3,971,660	3
Current tax liabilities	485,553	1	772,780	1
Provisions - current	3,000	-	3,000	-
Lease liabilities - current	3,473,928	3	3,381,049	3
Advance receipts	510,474	1	440,970	-
Current portion of long-term borrowings	299,933	-	2,540,000	2
Other current liabilities	373,784	-	315,976	-
Total current liabilities	<u>45,683,684</u>	<u>36</u>	<u>47,667,701</u>	<u>36</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	15,139,828	12	14,999,757	12
Provisions - non-current	25,047	-	24,823	-
Deferred tax liabilities	2,348,055	2	2,312,954	2
Lease liabilities - non-current	24,335,088	19	25,406,473	19
Net defined benefit liabilities	737,454	-	738,431	1
Other non-current liabilities	366,325	-	457,159	-
Total non-current liabilities	<u>42,951,797</u>	<u>33</u>	<u>43,939,597</u>	<u>34</u>
Total liabilities	<u>88,635,481</u>	<u>69</u>	<u>91,607,298</u>	<u>70</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital				
Ordinary shares	14,169,406	11	14,169,406	11
Capital surplus	3,338,791	2	3,327,466	3
Retained earnings				
Legal reserve	3,424,615	3	3,298,695	3
Special reserve	2,709,263	2	2,865,351	2
Unappropriated earnings	2,695,084	2	1,931,429	1
Total retained earnings	8,828,962	7	8,095,475	6
Other equity	4,953,871	4	5,295,169	4
Treasury shares	(97,110)	-	(97,110)	-
Total equity attributable to owners of the Company	31,193,920	24	30,790,406	24
<b>NON-CONTROLLING INTERESTS</b>	<u>8,594,368</u>	<u>7</u>	<u>8,113,401</u>	<u>6</u>
Total equity	<u>39,788,288</u>	<u>31</u>	<u>38,903,807</u>	<u>30</u>
<b>TOTAL</b>	<u>\$128,423,769</u>	<u>100</u>	<u>\$130,511,105</u>	<u>100</u>

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE	\$37,287,949	100	\$37,896,062	100
OPERATING COSTS	<u>18,580,671</u>	<u>50</u>	<u>18,253,449</u>	<u>48</u>
GROSS PROFIT	<u>18,707,278</u>	<u>50</u>	<u>19,642,613</u>	<u>52</u>
OPERATING EXPENSES				
Selling and marketing expenses	987,735	3	891,625	2
General and administrative expenses	13,639,718	36	14,211,781	38
Expected credit (gain) loss	<u>(5,139)</u>	<u>-</u>	<u>556</u>	<u>-</u>
Total operating expenses	<u>14,622,314</u>	<u>39</u>	<u>15,103,962</u>	<u>40</u>
OPERATING PROFIT	<u>4,084,964</u>	<u>11</u>	<u>4,538,651</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	66,244	-	90,449	-
Other income	312,581	1	286,299	1
Other losses	(651,295)	(2)	(1,035,197)	(3)
Finance costs	(851,591)	(2)	(835,329)	(2)
Share of profit of associates accounted for using the equity method	<u>39,868</u>	<u>-</u>	<u>58,065</u>	<u>-</u>
Total non-operating income and expenses	<u>(1,084,193)</u>	<u>(3)</u>	<u>(1,435,713)</u>	<u>(4)</u>
PROFIT BEFORE INCOME TAX	3,000,771	8	3,102,938	8
INCOME TAX EXPENSE	<u>455,874</u>	<u>1</u>	<u>950,669</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>2,544,897</u>	<u>7</u>	<u>2,152,269</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(384,300)	(1)	1,118,564	3
Remeasurement of defined benefit plans	(96,805)	-	230,902	-
Share of other comprehensive income (loss) of associates accounted for using the equity method	31,283	-	(61,630)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>19,377</u>	<u>-</u>	<u>(46,260)</u>	<u>-</u>
	<u>(430,445)</u>	<u>(1)</u>	<u>1,241,576</u>	<u>3</u>

(Continued)

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (25,068)	-	\$ 53,578	-
Share of other comprehensive income (loss) of associates accounted for using the equity method	<u>25,525</u>	<u>-</u>	<u>(57,504)</u>	<u>-</u>
	<u>457</u>	<u>-</u>	<u>(3,926)</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(429,988)</u>	<u>(1)</u>	<u>1,237,650</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,114,909</u>	<u>6</u>	<u>\$ 3,389,919</u>	<u>9</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,939,139	5	\$ 1,781,843	5
Non-controlling interests	<u>605,758</u>	<u>2</u>	<u>370,426</u>	<u>1</u>
	<u>\$ 2,544,897</u>	<u>7</u>	<u>\$ 2,152,269</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,525,741	4	\$ 3,044,048	8
Non-controlling interests	<u>589,168</u>	<u>2</u>	<u>345,871</u>	<u>1</u>
	<u>\$ 2,114,909</u>	<u>6</u>	<u>\$ 3,389,919</u>	<u>9</u>
EARNINGS PER SHARE				
Basic	<u>\$1.38</u>		<u>\$1.26</u>	
Diluted	<u>\$1.37</u>		<u>\$1.26</u>	

(Concluded)

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company					Other Equity						
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain on Property Revaluation	Treasury Shares	Total	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings							
BALANCE AT JANUARY 1, 2019	\$ 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
Appropriation of 2019 earnings	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	125,920	-	(125,920)	-	-	-	-	-	-	-
Special reverse	-	-	-	(156,088)	156,088	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,133,552)	-	-	-	-	(1,133,552)	-	(1,133,552)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(117,859)	(117,859)
	-	-	125,920	(156,088)	(1,103,384)	-	-	-	-	(1,133,552)	(117,859)	(1,251,411)
Net profit for the year ended December 31, 2020	-	-	-	-	1,939,139	-	-	-	-	1,939,139	605,758	2,544,897
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(71,064)	3,225	(345,559)	-	-	(413,398)	(16,590)	(429,988)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,868,075	3,225	(345,559)	-	-	1,525,741	589,168	2,114,909
Adjustments resulting from investments in associates accounted for using the equity method	-	11,325	-	-	-	-	-	-	-	11,325	9,658	20,983
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	(1,036)	-	1,036	-	-	-	-	-
BALANCE AT DECEMBER 31, 2020	\$ 14,169,406	\$ 3,338,791	\$ 3,424,615	\$ 2,709,263	\$ 2,695,084	\$ 68,550	\$ 2,714,351	\$ 2,170,970	\$ (97,110)	\$ 31,193,920	\$ 8,594,368	\$ 39,788,288

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 3,000,771	\$ 3,102,938
Adjustments for:		
Depreciation expenses	5,790,171	5,555,195
Amortization expenses	83,971	60,149
Expected credit loss (reversed) recognized on receivables	(5,139)	556
Loss (gain) on financial assets and liabilities at fair value through profit or loss	11,520	(691)
Finance costs	851,591	835,329
Interest income	(66,244)	(90,449)
Dividend income	(312,581)	(286,299)
Share of profit of associates accounted for using the equity method	(39,868)	(58,065)
Loss on disposal of property, plant and equipment	17,035	84,473
Loss on disposal of intangible assets	-	1,435
Gain on lease modifications	(5,935)	(678)
Gain on disposal of investments	(553)	(291)
Impairment loss recognized on intangible assets	6,384	1,095,884
Impairment loss recognized on property, plant and equipment	16,853	-
Impairment loss recognized on right-of-use assets	613,770	-
Unrealized gain on physical and slow-moving inventories	(32)	(9,418)
Loss on changes in fair value of investment properties	71,617	151,597
Amortization of prepayments	39,674	12,544
Concession on lease liabilities	(280,698)	-
Reversal of unrealized purchase discounts	(210)	(400)
Net changes in operating assets and liabilities		
Increase in financial assets mandatorily classified as at fair value through profit or loss	(15,360)	(18,527)
Notes receivable	(732)	1,155
Trade receivables	144,075	836,753
Trade receivables from related parties	38,282	(3,995)
Other receivables	(120,004)	8,008
Inventories	406,672	(41,837)
Prepayments	188,606	90,044
Other current assets	6,208	(24,297)
Contract liabilities - current	350,906	245,360
Notes payable	3,442	(499)
Trade payables	723,562	(2,458,543)
Trade payables to related parties	(25,354)	(11,544)
Other payables	(58,840)	(519,160)
Provisions	-	(4,050)
Advance receipts	239,964	226,939
Other current liabilities	57,808	(4,971)
Net defined benefit liabilities	(53,507)	(125,339)
Cash generated from operations	11,677,825	8,649,306
Dividends received	431,307	317,922
Interest paid	(796,027)	(854,447)

(Continued)

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Interest received	\$ 62,228	\$ 109,832
Income tax returned	2,801	2,191
Income tax paid	<u>(690,968)</u>	<u>(337,318)</u>
Net cash generated from operating activities	<u>10,687,166</u>	<u>7,887,486</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(41,279)	(4,744)
Proceeds from sale of financial assets at fair value through other comprehensive income	46,717	-
Purchase of financial assets amortized at cost	(1,305,880)	(2,147,035)
Proceeds from sale of financial assets at amortized cost	1,706,277	2,857,542
Acquisition of investments accounted for using the equity method	-	(1,605,034)
Proceeds from sale of financial assets at fair value through profit or loss	11,603	-
Decrease in prepaid long-term investments	-	25,383
Payments for property, plant and equipment	(2,011,132)	(1,801,799)
Proceeds from disposal of property, plant and equipment	1,473	39,189
Decrease in other receivables	-	1,225,948
Payments for intangible assets	(193,635)	(173,406)
Proceeds from disposal of intangible assets	-	139
Acquisition of right-of-use assets	(110,833)	-
Acquisition of investment properties	(6,583)	(8,015)
Increase in other non-current assets	<u>(509,118)</u>	<u>(1,924,566)</u>
Net cash used in investing activities	<u>(2,412,390)</u>	<u>(3,516,398)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	115,681,868	139,427,113
Repayments of short-term borrowings	(116,326,590)	(142,602,371)
Proceeds from short-term bills payable	35,197,389	36,935,184
Repayments of short-term bills payable	(35,091,379)	(36,792,556)
Proceeds from long-term borrowings	103,720,004	79,279,757
Repayments of long-term borrowings	(105,820,000)	(76,830,000)
Repayment of the principal portion of lease liabilities	(2,957,964)	(3,386,357)
Decrease in other non-current liabilities	(90,834)	(36,410)
Dividends paid to owners of the Company	(1,131,061)	(1,202,733)
Dividends paid to non-controlling interests	<u>(117,859)</u>	<u>(198,624)</u>
Net cash used in financing activities	<u>(6,936,426)</u>	<u>(5,406,997)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>28,861</u>	<u>(134,715)</u>

(Continued)

# FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

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	2020	2019
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 1,367,211	\$ (1,170,624)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>13,424,223</u>	<u>14,594,847</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 14,791,434</u>	<u>\$ 13,424,223</u>
		(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, 2020 and 2019, 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, 2020 and 2019, 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, 2020. 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 matter identified in the Company's financial statements for the year ended December 31, 2020 is stated as follows:

#### Fair Value Evaluation of Investment Properties

As of December 31, 2020, the carrying amount of investment properties was NT\$9,023,303 thousand, accounting for 11% of the total assets and 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 economic benefits of investment properties to estimate the discounted 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 identified the evaluation of investment properties' fair value as a key audit matter. Please refer to Notes 4(i), 5 and 14 to the accompanying financial statements for the relevant detailed information.

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

1. We evaluated the expertise, competency and independence of external valuation specialists appointed by management. We verified the qualification of valuation specialists to ensure that their objectivity and scope of work were not influenced or restricted, and confirmed that the methodology adopted was in compliance with relevant 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 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, 2020 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 audits resulting in this independent auditors' report are Shu-Chuan Yeh and Ming-Hsing Cho.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 23, 2021

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, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 812,706	1	\$ 538,361	1
Financial assets at amortized cost - current	25,424	-	25,271	-
Notes receivable	-	-	3	-
Trade receivables	246,868	-	345,747	1
Trade receivables from related parties	75,243	-	79,534	-
Other receivables	255,872	1	279,279	-
Inventories	353,129	1	512,976	1
Prepayments	247,525	-	215,686	-
Other current assets	60,981	-	64,807	-
Total current assets	<u>2,077,748</u>	<u>3</u>	<u>2,061,664</u>	<u>3</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current	2,845,620	4	3,101,049	4
Investments accounted for using the equity method	20,054,557	26	19,821,401	25
Property, plant and equipment	18,176,915	23	18,724,837	24
Right-of-use assets	24,929,817	32	25,836,205	32
Investment properties	9,023,303	11	8,997,056	11
Intangible assets	69,628	-	55,892	-
Deferred tax assets	80,218	-	70,344	-
Net defined benefit assets	205,863	-	234,035	-
Other non-current assets	562,571	1	536,733	1
Total non-current assets	<u>75,948,492</u>	<u>97</u>	<u>77,377,552</u>	<u>97</u>
<b>TOTAL</b>	<u><b>\$78,026,240</b></u>	<u><b>100</b></u>	<u><b>\$79,439,216</b></u>	<u><b>100</b></u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 4,650,000	6	\$ 5,000,000	6
Short-term bills payable	2,449,280	3	2,499,312	3
Contract liabilities - current	3,202,942	4	3,024,526	4
Trade payables	3,822,290	5	3,612,036	5
Trade payables to related parties	49,983	-	56,943	-
Other payables	1,827,132	3	2,075,491	3
Current tax liabilities	111,095	-	161,580	-
Lease liabilities - current	941,237	1	929,821	1
Advance receipts	243,905	-	193,734	-
Current portion of long-term borrowings	299,933	1	2,500,000	3
Other current liabilities	128,603	-	154,488	-
Total current liabilities	<u>17,726,400</u>	<u>23</u>	<u>20,207,931</u>	<u>25</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	12,999,828	16	11,799,757	15
Deferred tax liabilities	2,183,467	3	2,142,641	3
Lease liabilities - non-current	13,844,089	18	14,397,967	18
Other non-current liabilities	78,536	-	100,514	-
Total non-current liabilities	<u>29,105,920</u>	<u>37</u>	<u>28,440,879</u>	<u>36</u>
Total liabilities	<u>46,832,320</u>	<u>60</u>	<u>48,648,810</u>	<u>61</u>
<b>EQUITY</b>				
Share capital				
Ordinary shares	14,169,406	18	14,169,406	18
Capital surplus	3,338,791	4	3,327,466	4
Retained earnings				
Legal reserve	3,424,615	4	3,298,695	4
Special reserve	2,709,263	4	2,865,351	4
Unappropriated earnings	2,695,084	3	1,931,429	2
Total retained earnings	<u>8,828,962</u>	<u>11</u>	<u>8,095,475</u>	<u>10</u>
Other equity	4,953,871	7	5,295,169	7
Treasury shares	(97,110)	-	(97,110)	-
Total equity	<u>31,193,920</u>	<u>40</u>	<u>30,790,406</u>	<u>39</u>
<b>TOTAL</b>	<u><b>\$78,026,240</b></u>	<u><b>100</b></u>	<u><b>\$79,439,216</b></u>	<u><b>100</b></u>

## FAR EASTERN DEPARTMENT STORES, LTD.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE	\$11,037,055	100	\$10,614,744	100
OPERATING COSTS	<u>4,405,831</u>	<u>40</u>	<u>4,168,762</u>	<u>39</u>
GROSS PROFIT	<u>6,631,224</u>	<u>60</u>	<u>6,445,982</u>	<u>61</u>
OPERATING EXPENSES				
Selling and marketing expenses	355,331	3	378,762	4
General and administrative expenses	4,288,347	39	3,941,540	37
Expected credit loss	<u>801</u>	<u>-</u>	<u>513</u>	<u>-</u>
Total operating expenses	<u>4,644,479</u>	<u>42</u>	<u>4,320,815</u>	<u>41</u>
OPERATING PROFIT	<u>1,986,745</u>	<u>18</u>	<u>2,125,167</u>	<u>20</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	933	-	242	-
Other income	181,578	2	177,242	2
Other gains and losses	65,005	-	(28,844)	-
Finance costs	(466,377)	(4)	(377,869)	(4)
Share of profit of subsidiaries and associates accounted for using the equity method	<u>462,395</u>	<u>4</u>	<u>298,615</u>	<u>3</u>
Total non-operating income and expenses	<u>243,534</u>	<u>2</u>	<u>69,386</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	2,230,279	20	2,194,553	21
INCOME TAX EXPENSE	<u>291,140</u>	<u>2</u>	<u>412,710</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>1,939,139</u>	<u>18</u>	<u>1,781,843</u>	<u>17</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(71,053)	(1)	288,102	3
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(255,429)	(2)	746,698	7

(Continued)

## FAR EASTERN DEPARTMENT STORES, LTD.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
Share of other comprehensive (loss) income of subsidiaries and associates accounted for using the equity method	\$ (109,861)	(1)	\$ 307,216	3
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>14,211</u>	<u>-</u>	<u>(57,620)</u>	<u>(1)</u>
	<u>(422,132)</u>	<u>(4)</u>	<u>1,284,396</u>	<u>12</u>
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	<u>8,734</u>	<u>-</u>	<u>(22,191)</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(413,398)</u>	<u>(4)</u>	<u>1,262,205</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,525,741</u>	<u>14</u>	<u>\$ 3,044,048</u>	<u>29</u>
EARNINGS PER SHARE, NT\$				
Basic	<u>\$ 1.38</u>		<u>\$ 1.26</u>	
Diluted	<u>\$ 1.38</u>		<u>\$ 1.26</u>	

(Concluded)

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	Retained Earnings					Exchange Differences on Translating the Financial Statements of Foreign Operations	Other Equity		Gain on Property Revaluation	Treasury Shares	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2019	\$ 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	
Appropriation of 2019 earnings											
Legal reserve	-	-	125,920	-	(125,920)	-	-	-	-	-	
Special reserve	-	-	-	(156,088)	156,088	-	-	-	-	-	
Cash dividends	-	-	-	-	(1,133,552)	-	-	-	-	(1,133,552)	
	-	-	125,920	(156,088)	(1,103,384)	-	-	-	-	(1,133,552)	
Net profit for the year ended December 31, 2020	-	-	-	-	1,939,139	-	-	-	-	1,939,139	
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(71,064)	3,225	(345,559)	-	-	(413,398)	
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,868,075	3,225	(345,559)	-	-	1,525,741	
Adjustments resulting from investments in associates accounted for using the equity method	-	11,325	-	-	-	-	-	-	-	11,325	
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	(1,036)	-	1,036	-	-	-	
BALANCE AT DECEMBER 31, 2020	\$ 14,169,406	\$ 3,338,791	\$ 3,424,615	\$ 2,709,263	\$ 2,695,084	\$ 68,550	\$ 2,714,351	\$ 2,170,970	\$ (97,110)	\$ 31,193,920	



# FAR EASTERN DEPARTMENT STORES, LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 2,230,279	\$ 2,194,553
Adjustments for:		
Depreciation expenses	2,034,760	1,654,458
Amortization expenses	50,182	26,757
Expected credit loss recognized on receivables	801	513
Amortization of prepayments	1,576	-
Finance costs	466,377	377,869
Share of profit of subsidiaries and associates accounted for using the equity method	(462,395)	(298,615)
Interest income	(933)	(242)
Dividend income	(181,578)	(177,242)
Loss on disposal of property, plant and equipment	5,157	6,229
Loss on disposal of investment properties	116	247
Impairment loss recognized on intangible assets	6,307	-
(Gain) loss on changes in fair value of investment properties	(19,544)	75,802
Concession on lease liabilities	(113,828)	-
Net changes in operating assets and liabilities		
Notes receivable	3	137
Trade receivables	98,078	363,880
Trade receivables from related parties	4,291	(9,482)
Other receivables	23,407	58,349
Inventories	159,847	(134,788)
Prepayments	(31,839)	22,134
Other current assets	3,826	(51,027)
Contract liabilities	178,416	176,694
Notes payable and trade payables	210,254	(1,266,804)
Trade payables to related parties	(6,960)	(19,205)
Other payables	31,563	51,696
Advance receipts	145,551	89,656
Other current liabilities	(25,885)	(412)
Net defined benefit liabilities	(42,881)	(34,934)
Cash generated from operations	4,764,948	3,106,223
Interest paid	(445,758)	(427,523)
Interest received	933	242
Dividends received	321,015	332,030
Income tax paid	(296,462)	(257,461)
Net cash generated from operating activities	<u>4,344,676</u>	<u>2,753,511</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(25,424)	(25,271)
Proceeds from sale of financial assets at amortized cost	25,271	25,495
Acquisition of investments accounted for using the equity method	-	(400,000)
Payments for property, plant and equipment	(760,367)	(986,290)

(Continued)

## FAR EASTERN DEPARTMENT STORES, LTD.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Proceeds from disposal of property, plant and equipment	\$ 484	\$ 39
Payments for investment properties	(6,819)	(8,369)
Increase in other non-current assets	(55,669)	(1,421,459)
Acquisition of right-of-use assets	(97,504)	-
Payments for intangible assets	<u>(27,035)</u>	<u>(26,080)</u>
Net cash used in investing activities	<u>(947,063)</u>	<u>(2,841,935)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	73,550,000	77,850,000
Repayments of short-term borrowings	(73,900,000)	(79,560,000)
Proceeds from short-term bills payable	26,283,806	22,093,578
Repayments of short-term bills payable	(26,333,838)	(21,893,298)
Proceeds from long-term borrowings	111,250,004	65,199,757
Repayments of long-term borrowings	(112,250,000)	(62,000,000)
Repayment of the principal portion of lease liabilities	(570,201)	(620,491)
(Decrease) increase in other non-current liabilities	(21,978)	13,791
Dividends paid	<u>(1,131,061)</u>	<u>(1,202,733)</u>
Net cash used in financing activities	<u>(3,123,268)</u>	<u>(119,396)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	274,345	(207,820)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>538,361</u>	<u>746,181</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 812,706</u>	<u>\$ 538,361</u>

(Concluded)

### **3. Audit Committee's review report for 2020 business report and financial statements.**

#### **Audit Committee's Review Report**

To the 2021 General Shareholders Meeting of Far Eastern Department Stores, Ltd, In accordance with Article 14-4 of Securities and Exchange Act and Article 219 of the Company Law, we have examined the Business Report, the Resolution for Distribution of Surplus Earning, and Financial Statements which had been certified by Deloitte & Touche, submitted by the Board of Directors for the year ending 2020 and found them in order.

The Convener of the Audit Committee: Edward Yung Do Way

May 5, 2021

#### **4. Report of 2020 employees' compensation and Directors' remuneration**

1. Pursuant to the Article 27 of the Company's "Articles of Incorporation", if the Company profits for the year, the Company shall allocate from 2% to 3.5% of it for the employees' compensation, and the maximum of 2.5% of it for Directors' compensation. However, the company's accumulated losses shall reserve the amount of covering in advance. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash. The ratio and amount of actual distribution shall be approved by the board of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders meeting.
2. 2020 employees' compensation and Directors' remuneration were calculated as NT\$75,602,672 and NT\$56,702,004 respectively. The aforesaid items will be paid in cash.
3. The proposal of compensation had been approved by the 12<sup>th</sup> meeting of the 18<sup>th</sup> term Board of Directors.

### **III. Approving Items**

#### **1. To accept 2020 business report and financial statements.**

The Board of Directors proposes and recommends that each shareholder votes for the acceptance of 2020 business report and financial statements.

#### **Explanatory Notes:**

1. FEDS's 2020 business report and financial statements (including consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, and balance sheets, statements of comprehensive income, statements of changes in equity, statements of cash flows) have been audited by independent auditors, Shu-Chuan Yeh and Ming-Xin Zhuo of Deloitte & Touche (**please refer to P.3-P.33**), and have been examined by and determined to be correct and accurate by the Audit Committee of FEDS. We thereby submit this report.
2. Please approve the above-mentioned business report and financial statements.

#### **Resolution:**

## 2. To approve the proposal for the distribution of 2020 surplus earning.

The Board of Directors proposes and recommends that each shareholder votes for the distribution of 2020 surplus earning.

### Explanatory Notes:

1. All the closing transactions as of December 31, 2020 have been completely closed, and have been audited by the accounting firm, Deloitte and Touche. We thereby submit the proposal for distribution of 2020 profits:

1.	Unappropriated earnings of January 1, 2020	NT\$ 828,043,933
2.	Net Income for the year ended December 31, 2020	1,939,138,859
3.	The adjustments of retained earnings for by using equity method	(1,035,119)
4.	Recognizing the re-measurements of defined benefit plans in retained earnings	(71,064,350)
5.	The amount of the sum of the current after-tax net income and other item accounted to undistributed earnings (=2-3-4)	1,867,039,390
6.	10% legal reserve (=5*10%)	(186,703,939)
7.	Reversing special reserve	89,694,479
8.	Distributable net profit(=1+5-6+7)	2,598,073,863
9.	Earnings distribution (NT\$1.1 per share)	(1,558,634,648)
10.	Un-appropriated earnings after distribution(=8-9)	1,039,439,215

2. The distribution of 2020 dividends composes of 2020 surplus earning in priority, and the undistributed profit from 1998 to 2019 in case 2020 surplus earning are insufficient to cover 2020 dividends, and then the undistributed profit before 1998 in case the surplus earning from 1998 to 2019 are insufficient to cover 2020 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 2020 profits.

### Resolution

## **IV. Items for Discussion and Election**

### **1. Proposal to elect Directors (including Independent Directors) of the Company**

The Board of Directors proposes and recommends that each shareholder to elect Directors (including three Independent Directors).

Proposed by Board of Directors

#### **Explanatory Notes:**

1. As stated in Article 17 of the Company's Articles of Incorporation, the directors' election adopts a nomination system, and the directors shall be selected from among the list of director candidates by the shareholders.
2. The term of the 18th Board of Directors of the Company expired on June 20, (2021). According to Article 18 of the Company's Articles of Incorporation, the directors shall be re-elected in the 2021 general shareholders meeting. 7 directors (of which 3 are independent directors) shall be elected in the election, and the term of the new directors after the re-election is from June 29, 2021 to June 28, 2024, totaling 3 years.
3. In accordance with Article 192-1 of the Company Act and related laws and regulations, the list of candidates for directors (including independent directors) approved by the Company's 13th meeting of the 18th Board of Directors on May 5, 2021 is as follows.
4. Please elect.

#### **Resolution:**

## List of Candidates and Summary Table of Related Information

Title	Name	Education	Experience	Current Position	Legal Entity Represent
Director	Douglas Tong Hsu	Honor Ph.D. in Management, National Chiao Tung University, Taiwan	<ol style="list-style-type: none"> <li>1. Chairman, <ul style="list-style-type: none"> <li>■ Far Eastern Department Stores Ltd.</li> <li>■ Far Eastern New Century Co. Ltd.</li> <li>■ Asia Cement Corporation</li> <li>■ Far EasTone Telecommunications Co. Ltd.</li> <li>■ Oriental Union Chemical Corporation</li> <li>■ U-Ming Marine Transport Corp.</li> </ul> </li> <li>2. Vice-Chairman, <ul style="list-style-type: none"> <li>■ Far Eastern International Bank</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>1. Chairman, <ul style="list-style-type: none"> <li>■ Far Eastern Department Stores Ltd.</li> <li>■ Far Eastern New Century Co. Ltd.</li> <li>■ Asia Cement Corporation</li> <li>■ Far EasTone Telecommunications Co. Ltd.</li> <li>■ Oriental Union Chemical Corporation</li> <li>■ U-Ming Marine Transport Corp.</li> </ul> </li> <li>2. Vice-Chairman, <ul style="list-style-type: none"> <li>■ Far Eastern International Bank</li> </ul> </li> </ol>	-
Director	Nancy Hsu	Department of Fashion Design, Shih Chien University, Taiwan	<ol style="list-style-type: none"> <li>1. Far Eastern Department Stores Ltd., <ul style="list-style-type: none"> <li>■ Director</li> <li>■ President</li> </ul> </li> <li>2. Chairman, <ul style="list-style-type: none"> <li>■ YuMing Advertising Agency Co., Ltd.</li> <li>■ Ya Tung Department Stores Ltd.</li> <li>■ Bai Yang Investment Co., Ltd.</li> <li>■ Far Eastern Hon Li Do Co., Ltd.</li> <li>■ Far Eastern City Super Co. Ltd.</li> <li>■ Bai Fa China Holding (HK) Limited,</li> <li>■ Pacific (China) Investment Co., Ltd.</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>1. Far Eastern Department Stores Ltd., <ul style="list-style-type: none"> <li>■ Director</li> <li>■ President</li> </ul> </li> <li>2. Chairman, <ul style="list-style-type: none"> <li>■ YuMing Advertising Agency Co., Ltd.</li> <li>■ Ya Tung Department Stores Ltd.</li> <li>■ Bai Yang Investment Co., Ltd.</li> <li>■ Far Eastern Hon Li Do Co., Ltd.</li> <li>■ Far Eastern City Super Co. Ltd.</li> <li>■ Bai Fa China Holding (HK) Limited,</li> <li>■ Pacific (China) Investment Co., Ltd.</li> </ul> </li> </ol>	Ding Ding Management Consultant Corporation



Title	Name	Education	Experience	Current Position	Legal Entity Represent
Director	Nicole Hsu	Bachelor, major in Fine Arts in Interior Design, New York School of Interior Design, USA	<ol style="list-style-type: none"> <li>1. Director, Far Eastern Department Stores Ltd.,</li> <li>2. Senior Designer, Saladino Group, Inc., New York</li> </ol>	Director, Far Eastern Department Stores Ltd.	Far Eastern New Century Co., Ltd.
Director	Philby Lee	Bachelor, Department of Accounting, Arizona State University, USA	<ol style="list-style-type: none"> <li>1. Director, Far Eastern Department Stores Ltd.</li> <li>2. Chairman, <ul style="list-style-type: none"> <li>■ Far Eastern Big City Shopping Malls Co., Ltd.</li> <li>■ Chubei New Century Shopping Mall Co., Ltd</li> </ul> </li> <li>3. CEO, Far Eastern Retail Business Development HQ.</li> </ol>	<ol style="list-style-type: none"> <li>1. Director, <ul style="list-style-type: none"> <li>■ Far Eastern Department Stores Ltd.</li> <li>■ Far Eastern Amart Company Ltd.</li> <li>■ Yuanshi digital technology Co.,Ltd.</li> </ul> </li> <li>2. Chairman, <ul style="list-style-type: none"> <li>■ Far Eastern Big City Shopping Malls Co., Ltd.</li> <li>■ Chubei New Century Shopping Mall Co., Ltd</li> </ul> </li> <li>3. CEO, Far Eastern Retail Business Development HQ.</li> <li>4. Supervisor, Yuan Bao Fintech Co., Ltd</li> </ol>	Yue Li Investment Corporation,

Title	Name	Education	Experience	Current Position	Legal Entity Represent
Independent Director	Edward Yung Do Way	MBA, University of Georgia, USA	<ol style="list-style-type: none"> <li>1. Independent Director, Far Eastern Department Stores Ltd.</li> <li>2. CEO, Deloitte Taiwan</li> <li>3. Director, <ul style="list-style-type: none"> <li>■ The Child Welfare League Foundation</li> <li>■ Deloitte Greater China Board</li> <li>■ Deloitte Global Board</li> </ul> </li> <li>4. Chairman, United Way of Taiwan, R.O.C.</li> <li>5. CPA, University of Georgia, USA</li> </ol>	<ol style="list-style-type: none"> <li>1. Chairman, Yong Qin Xing Ye Limited Co.</li> <li>2. Independent Director, <ul style="list-style-type: none"> <li>■ Far Eastern Department Stores Ltd.</li> <li>■ Synnex Technology International Corp.</li> <li>■ Cathay Financial Holdings Co., Ltd.</li> <li>■ Cathay United Commercial Bank Co., Ltd.</li> <li>■ Cathay Securities Corp.</li> </ul> </li> <li>3. Supervisor, <ul style="list-style-type: none"> <li>■ Chilisin Electronics Corp.</li> <li>■ Kaimei Electronic corp.</li> </ul> </li> <li>4. Director, <ul style="list-style-type: none"> <li>■ Vanguard International Semiconductor Corp.</li> <li>■ MiTAC Holdings Corp.</li> <li>■ Iron force industrial Co., Ltd</li> </ul> </li> </ol>	-
Independent Director	Eugene You-Hsin Chien	Ph.D., Aeronautics and Astronautics, New York University, USA.	<ol style="list-style-type: none"> <li>1. Independent Director, <ul style="list-style-type: none"> <li>■ Far Eastern Department Stores Ltd.</li> <li>■ EVA Airways Corporation</li> </ul> </li> <li>2. Director, ECOVE Environment Corporation.</li> <li>3. The first Minister, Department of the Environmental Protection Administration, Executive Yuan, R.O.C. (Taiwan)</li> <li>4. Minister, Ministry of Transportation and Communications</li> <li>5. Minister, Ministry of Foreign Affairs</li> <li>6. Representative, Taipei Representative Office in the U.K.</li> <li>7. Legislator, Legislative Yuan (Member of Parliament)</li> </ol>	<ol style="list-style-type: none"> <li>1. Chairman, Taiwan Institute for Sustainable Energy</li> <li>2. Independent Director, <ul style="list-style-type: none"> <li>■ Eva Airways Corporation.</li> <li>■ Far Eastern Department Stores Ltd</li> </ul> </li> <li>3. Director, ECOVE Environment Corporation.</li> <li>4. Managing Director, Ten Outstanding Young Person Foundation</li> </ol>	-

Title	Name	Education	Experience	Current Position	Legal Entity Represent
Independent Director	Dong, Ding Yu	Ph.D. in Engineering Stanford University, USA	<ol style="list-style-type: none"> <li>1. Independent Director, Far Eastern Department Stores Ltd.</li> <li>2. Assistant Professor, San Jose State University, USA</li> <li>3. Chairman and President, Elite Material Co., Ltd.</li> </ol>	<ol style="list-style-type: none"> <li>1. Independent Director, Far Eastern Department Stores Ltd</li> <li>2. Chairman and President, Elite Material Co., Ltd.</li> <li>3. Director, Newaisa Construction</li> </ol>	-

Note 1 : Independent Director Edward Way is currently serving as an independent director for the third consecutive term. He has the necessary knowledge, skills and literacy to execute the duties, as well as various professional abilities. Independent Director Edward Way also served as the convener of the Audit Committee and the Remuneration Committee. He was once the president of Deloitte Taiwan. He has outstanding expertise in accounting, auditing, strategy and management, and has a high degree of professional governance and operational management capabilities. He is able to provide guidance and benefit the Company.

Note 2 : Independent Director Eugene You-Hsin Chien is currently serving as an independent director for the third consecutive term. He has the necessary knowledge, skills and literacy to execute the duties, as well as various professional abilities. Independent Director Eugene You-Hsin Chien has extensive experience in diplomacy, environmental protection and CSR, and has a high degree of professional governance and operational management capabilities. He has provided extensive guidance and benefits to the Company's corporate governance and operations.

## **2. Proposal to release the non-competition restriction for directors in Article 209 of the Company Act**

The Board of Directors proposes and recommends that each shareholder votes for releasing the restriction on non-competition of directors in Article 209 of the Company Act.

Proposed by Board of Directors

### **Explanatory Notes:**

1. According to Paragraph 1 of Article 209 of the Company Act, which states “a director who performs any act for himself or on behalf of another person that is within the scope of the company's business shall explain to the shareholders meeting of the essential contents of such an act and secure its approval.
2. As a newly appointed director of the Company might have invested or engaged in other business that are the same or similar to the scope of the Company's business, we hereby ask the shareholders meeting to approve the relief of the Company's restrictions on the non-competition of new directors and their representatives in accordance with Article 209 of the Company Act.

### **Resolution:**

To release the non-competition restriction of the Company's directors

Title	Name	Title and Competition Company	Major Business Scope
Director	Douglas Tong Hsu	<p><b>Chairman</b></p> <ul style="list-style-type: none"> <li>● Far Eastern Ai Mai Co., Ltd.</li> <li>● FEDS Asia Pacific Development Co., Ltd.</li> <li>● FEDS New Century Development Co., Ltd.</li> </ul> <p><b>Director</b></p> <ul style="list-style-type: none"> <li>● Pacific Sogo Department Stores Co., Ltd.</li> <li>● Ya Tung Department Stores Ltd.</li> <li>● Far Eastern City Super Co. Ltd.</li> <li>● Far Eastern Hon Li Do Co. Ltd.</li> </ul>	Retail and wholesale.
Director	Nancy Hsu, Representative of Ding Ding Management Consultant Corporation	<p><b>Chairman</b></p> <ul style="list-style-type: none"> <li>● Ya Tung Department Stores Ltd.</li> <li>● Far Eastern City Super Co. Ltd.</li> <li>● Far Eastern Hon Li Do Co. Ltd.</li> </ul> <p><b>Director</b></p> <ul style="list-style-type: none"> <li>● Far Eastern Ai Mai Co., Ltd.</li> <li>● FEDS Asia Pacific Development Co., Ltd.</li> <li>● FEDS New Century Development Co., Ltd.</li> <li>● Chubei New Century Shopping mall Co., Ltd.</li> </ul>	Retail and wholesale.
Director	Philby Lee, Representative of Yue Li Investment Corporation.	<p><b>Chairman</b></p> <ul style="list-style-type: none"> <li>● Far Eastern Big City Shopping Malls Co., Ltd.</li> <li>● Chubei New Century Shopping mall Co., Ltd</li> </ul> <p><b>Director</b></p> <ul style="list-style-type: none"> <li>● Far Eastern Ai Mai Co., Ltd.</li> <li>● Yuanshi digital technology Co.,Ltd.</li> </ul>	Retail and wholesale.

## V. Extemporaneous Motion

# VI. Rules and Regulations

## 1. Articles of Incorporation of Far Eastern Department Stores Ltd.(the “Company”)

### Chapter 1 General Provisions

Article 1 The Company is duly incorporated under the provisions of the Company Law of the Republic of China, and shall be called: Far Eastern Department Stores Ltd.

Article 2 The Company's businesses are as follows :

1. General merchandise, silk nylon, cotton cloth, candies cookies, cans, entertainment appliances, hardware, furniture, decorations, hand-made local products, stationery, library appliances, CD/DVD, camera appliances, children toys (excluding gambling, porn game and air-soft gun) , shoe/ hat/ raining garment, medicine/medical equipment, cigarette /wine, rice/corn, salt, the import and export of beverage, clocks/watches/glasses/camera's business & maintenances, electronic business & maintenances, Children's entertainment playground/facility business (excluding gambling, porn game and play gun), restaurants, food courts, beverage stores, film developer shop, and advertisement business(permitted business);
2. To operate gourmet grocery market, fresh food business, frozen vegetable, frozen meat/fish, dry food, and all kinds of flavoring sources;
3. To operate all kinds of product distribution, product classification and storage business;
4. The import and sales of vendor machines and measurement devices;
5. Authorizing a construction companies to build , commercial buildings and residential buildings for leasing and selling;
6. The business of gold and jewelry;
7. The business of tape recorder, radar CD player, and lets and sales of film tape, and CD/DVD;
8. The sales, import and export business, and dealer business of vehicles and vehicles parts ( for example, seats, vehicles refresher, wax, car accessories and etc.);
9. Vehicles repair and the operation and management of parking lot;
10. To operate gas station to supply gasoline, diesel fuel, the food and beverages in automatic vendor machine;
11. The business of art gallery and the deal of its works and antiques;
12. The business, repair, bidding and import and export business of all kind of wire and wireless telecom appliances;
13. The business of hair salon and various kinds of beauty services;
14. The entrusted management business of department stores and the stores in international and general tourist hotels;
15. The business of computer & telecom instrument/services;
16. JZ99030 photo shooting industry;
17. JZ99090 various kind services of festivities;
18. J701040 Leisure and entertaining activities;

19. F401161 the import of tobacco;
20. F401171 the import of liquor;
21. Except where permits are required, to run operations not forbidden or limited by laws and regulations.

Article 3 The Corporation may provide guarantee in accordance to the regulations set out in the "Procedure for Endorsements and Guarantees"

Article 4 Where the Company invests in other companies and becomes a shareholder with limited liability, its total investment may exceed 40% of its paid-up capital as stipulated under Article 13 of the Company Law, subject to approval of the Board of Directors.

Article 5 The Company is incorporated in New Taipei City, the Republic of China; the Board of Directors may by resolution approve the establishment of domestic and international branches where it deems necessary.

Article 6 The Company's Organization Chart should be adopted separately.

## Chapter 2 Share Capital

Article 7 The Company's total capital shall be Seventeen Billion and Five hundred Million New Taiwan Dollar (NT\$17,500,000,000) divided into 1,750,000,000 shares of NT\$10 each. The Board of Directors is authorized to issue the un-issued shares in separate trenches. Out of the above total capital amount, One Hundred Million New Taiwan Dollar (NT\$100,000,000) shall be divided into 10,000,000 shares of NT\$10 each, to be issued as warrants for employees to subscribe.

Article 8 Shares issued by the Company are not required to be evidenced by share certificates, provided that they shall be recorded at the Securities Central Depository Enterprises.

The Company can issue special shares.

In the event of the Company merging with another company, matters relating to the merger need not be approved by way of a resolution of the special shareholders meeting.

Article 9 Matters relating to the Company's shares shall be dealt with according to the provisions of "Regulations Governing Handling of Stock Affairs by Public Companies" and the relevant laws and regulations.

Article 10 Registration of share transfer shall be closed within 60 days prior to General Shareholders' Meeting, or with 30 days prior to Extraordinary Shareholders' Meeting or within 5 days prior to the record date on which Company distributes the dividends or bonuses.

## Chapter 3 Shareholders' Meeting



Article 11 The Shareholders' Meetings shall be General or Extraordinary Shareholders' Meetings. :

1. General Shareholders' Meeting shall be held once a year within 6 months of the end of the Company's financial year.
2. A Special Shareholders' meeting shall be convened in accordance with laws and regulations.

Article 12 Notices of General Shareholders' Meeting shall be in writing and delivered to the shareholders along with a public notice 30 days before the General Shareholders' Meeting and 15 days before the Extraordinary Shareholders' Meeting. The said notices shall specify the date, place and reasons for calling the shareholders' meeting.

Article 13 Unless otherwise stipulated by the Company Law, a quorum shall be present at the shareholders' meeting if shareholders representing more than half of the shares issued by the Company are in attendance and resolutions at the said assembly shall be passed if approved by a majority of the shareholders in attendance.

Article 14 Shareholders may by way of power of attorney appoint proxies to attend the said shareholders' meeting. Except for trust enterprises or share registration agencies approved by the securities management authorities, when one shareholder is entrusted by two or more shareholders, the voting right represented by the said shareholder shall not exceed 3% of the voting rights of total shares issued. Where it has so exceeded, the voting right in excess shall not be included.  
Unless otherwise stipulated by the Company Law, attendance of shareholder's proxies shall be in accordance with the provisions of "Regulation Governing the Use of Proxies For Attendance of Shareholders' Meeting of Public Companies".

Article 15 Unless otherwise stipulated by the Company Law and the Articles of Incorporation, shareholders' meeting shall be conducted in accordance with the Company's regulations for shareholders' meeting.

Article 16 Minutes and resolutions of shareholders' meeting shall be recorded and signed by or affixed with the seal of the chairman of the meeting. The said minutes and resolutions shall specify the date and place of the shareholders' meeting, number of shares represented by the shareholders (or proxies) present at the meeting; number of voting rights represented; name of the chairman of the shareholders' meeting; resolutions and the manner in which they are passed. The said minutes and resolutions shall be kept, together with the register of shareholders' attendance and the proxies' powers of attorney, in compliance with the law.

#### Chapter 4 Directors and Managers

Article 17 There shall be 5 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".

Among the directors in the preceding paragraph have three independent directors.

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.

Article 17-1 Pursuant to Article 14-4 of the Securities and Exchange Act, the Company will establish an Audit Committee. The Audit Committee shall make up of the entire number of independent directors, is responsible of executing powers relegated to supervisors by the Company Act, Securities and Exchange Act and other laws and regulations.

The organizing members, exercise of powers and other matters to be abided by the Audit Committee shall follow related laws, regulations or rules or regulation of the Company. The organization regulations of the Audit Committee shall be adopted by the Board of Director.

Article 18 The respective appointments of Directors are for a period of 3 years. They may be reappointed following their re-election.

Article 19 The Board of Directors of the Company shall comprise the directors. A Chairman shall be elected from among the Director to represent the company. Where the Chairman has taken leave or is unable to perform his duties for any reasons, the Chairman shall appoint a Director to act on his behalf, failing which the Board of Directors shall nominate from among them a person to act on behalf of the Chairman of the Company.

Article 20 Meetings of the Board of Directors, which shall be held quarterly, shall be convened by the Chairman. Unless otherwise stipulated by the Company Law, a quorum shall be present at the Board of Directors if it is attended by more than half of the Directors, and a resolution passed if approved by a majority of the Directors in attendance. The Chairman may, in case of emergency, convene meetings of the Board at any time.

When a Director is unable to personally attend the meeting of the Board of Directors, he may entrust another Director to represent him in accordance with law.

The notice of meeting of board of directors could be served by way of writing document, e-mail or fax.

Article 21 (Deleted.)

Article 22 The compensation of Directors shall be decided by the Shareholders' Meeting.

Article 23 The Company shall have a General Manager and a number of Vice Presidents, Junior Vice Presidents and Managers. The appointment and dismissal of the above staff shall be by way of a majority at the meetings of the Board of Directors, subject to more than half of the Directors are in attendance of the said meetings.

Article 24 The Chairman and the General Manager shall handle the daily affairs of the Company in compliance with the resolution of the Board of the Directors.

## Chapter 5 Accounting

Article 25 The Company's fiscal year shall commence on the First of January of each year, and ends on the Thirty-first of December of the same year. The final accounts are settled at the end of the Company's fiscal year.

Article 26 The Board of Directors shall in accordance with law furnish various documents and statements and their reports shall be submitted for approval at the General Shareholders' Meeting.

The appointment, dismissal and compensation of the accountants auditing and reviewing the above documents and statements shall be resolved at the meeting of the Board of the Directors.

Article 27 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 distributed at the ratio as set forth in these Articles of Incorporation aimed at maintaining the stability of dividend distributions. When distributing dividends, the cash dividends shall not be less than 10% of the aggregate sum of dividends and bonus distributed in the same year.

Article 28 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 the amount of the sum of the current after-tax net income and other item accounted to undistributed earnings 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.

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 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 29 All matters not covered herein shall be undertaken in accordance with the Company Law of the Republic of China and the other relevant law and regulations.

## Chapter 6 Supplementary Provisions

Article 30 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.

First amendment on December 20, 1967;  
Second amendment on October 2, 1968;  
Third amendment on July 29, 1969;  
Fourth amendment on August 26, 1969;  
Fifth amendment on February 19, 1970;  
Sixth amendment on June 26, 1970;  
Seventh amendment on August 21, 1972;  
Eighth amendment on March 30, 1973;  
Ninth amendment on May 2, 1974;  
Tenth amendment on May 30, 1975;  
Eleventh amendment on April 19, 1976;  
Twelfth amendment on March 25, 1977;  
Thirteenth amendment on March 6, 1978;  
Fourteenth amendment on April 6, 1979;  
Fifteenth amendment on April 18, 1980;  
Sixteenth amendment on April 9, 1981;  
Seventeenth amendment on April 15, 1982;  
Eighteenth amendment on November 29, 1982;  
Nineteenth amendment on May 12, 1983;  
Twentieth amendment on May 12, 1984;  
Twenty-first amendment on May 6, 1985;  
Twenty-second amendment on May 7, 1986;  
Twenty-third amendment on April 30, 1987;  
Twenty-fourth amendment on April 28, 1988;  
Twenty-fifth amendment on April 29, 1989;  
Twenty-sixth amendment on April 30, 1990;  
Twenty-seventh amendment on May 2, 1991;  
Twenty-eighth amendment on April 24, 1992;  
Twenty-ninth amendment on April 30, 1993;  
Thirtieth amendment on April 7, 1994;  
Thirty-first amendment on April 15, 1995;  
Thirty-second amendment on May 10, 1996;

Thirty-third amendment on May 9, 1997;  
Thirty-fourth amendment on May 18, 1998;  
Thirty-fifth amendment on May 12, 1999;  
Thirty-sixth amendment on May 10, 2000;  
Thirty-seventh amendment on May 9, 2001;  
Thirty-eighth amendment on May 31, 2002;  
Thirty-ninth amendment on June 10, 2003;  
Fortieth amendment on June 2, 2006;  
Forty-first amendment of June 9, 2010  
Forty-Second amendment of June 23, 2011  
Forty-third amendment of June 20, 2013  
Forty-fourth amendment of June 20, 2014  
Forty-fifth amendment of June 22, 2015  
Forty-sixth amendment of June 17, 2016  
Forty-seventh amendment of June 21, 2018  
Forty-eighth amendment of June 24, 2020

\*In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

## **2. Rules of Procedure of Shareholders' Meeting for Far Eastern Department Stores Ltd (the "Company").**

The latest amendment on June 24, 2020

- 1) The stockholders' meeting of the Company shall be held according to the rules herein.
- 2) The location for stockholders' meeting shall be the Company's place of business or a place convenient for attendance by stockholders (or by proxies) that is suitable to holding of this meeting. The meeting shall be held between 9:00AM and 3:00PM.

This Corporation shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention. The time during which shareholder attendance registrations will be accepted shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

The Company at a stockholders' meeting shall adopt the electronic transmission as one of the methods for exercising the voting power. The method for exercising the voting power shall be described in the shareholders' meeting notice to be given to the shareholders. A shareholder who exercises his/her/its voting power at a shareholders meeting by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her/its voting power in respect of any extemporary motion(s) and/or the amendment(s) and /or substitute to the contents of the original proposal(s) at the said shareholders' meeting.

Shareholders (or by proxies) shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification. The stockholders (or proxies) when attending the meeting shall wear admission badge and hand in signed attendance form.

The attendance to a shareholders' meeting shall be determined subject to shares. The present shares shall be calculated based on the attendance cards as furnished, in addition to the shares exercising voting right in electronic form.

The Company may appoint lawyers, accountants or related personnel to attend the stockholders' meeting.

The personnel in charge of handling the affairs of the meeting shall wear identification badge or armband.

For a stockholders' meeting convened by the board of directors, the chairman of the board of directors shall preside at the meeting. If the chairman of the board of directors is on leave or unable to exert the rights, the vice-chairman of the board of directors shall preside instead. If the position of vice-chairman is vacant or the vice-chairman is on leave or unable to exert the rights the chairman of the board of directors shall designate a director to preside at the meeting. If no director is so designated, the chairman of the meeting shall be elected by the board of directors from among themselves. When a director serves as chair, the director shall be one

who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair. For a stockholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting; if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.

The complete processes of the meeting shall be recorded by voice and video recorders and all the records shall be kept by the Company for a minimum period of at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

- 3) The chairperson shall announce starting of the meeting when the attending stockholders (or proxies) represent more than half of the total shares issued in public. The chairperson may announce postponement of meeting if the legal quorum is not present after the designated meeting time. Such postponement is limited to two times and the aggregated postponed time shall not exceed one hour. If quorum is still not present after two postponements but the attending stockholders (or proxies) represent more than one third of the total shares issued in public, tentative resolution/s may be passed with respect to ordinary resolution/s by a majority of those present. After proceeding with the aforesaid tentative resolutions, the chairperson may put the tentative resolutions for re-voting over the meeting if and when the shares represented by the attending stockholders (or proxies) reached the legal quorum.
- 4) If the stockholders' meeting is convened by the board of directors, the agenda shall be designated by the board of directors. The meeting shall proceed in accordance with the designated agenda and shall not be amended without resolutions. If the meeting is convened by person, other than the board of directors, having the convening right, the provision set out in the preceding paragraph shall apply mutatis mutandis. Except with stockholders' resolution, the chairperson shall not declare adjournment of the meeting before the first two matters set out in the agendas (including extemporary motions) are concluded. During the meeting, if the chairperson declares adjournment of the meeting in violation of the preceding rule, a new chairperson may be elected by a resolution passed by majority of the attending stockholders to continue the meeting. When the meeting is adjourned by resolution, the stockholders shall not elect another chairperson to continue the meeting at the same location or another venue.
- 5) The stockholders (or proxies) shall complete statement slip setting out the number of his/her attendance card, name and statement brief before speaking, and the chairperson will designate the order in which each person is to speak during the session. No statement will be considered to have been made if the stockholders (or proxies) merely complete the statement slip without speaking at the meeting. If there are any discrepancies between the content of the statement slip and the speech made, the statement to be adopted shall be the statement confirmed.
- 6) Any proposal for the agendas shall be submitted in written form. Except for the proposals set out in the agenda, any proposal by the stockholders (or proxies) to amend, substitute or to initiate extemporary motions with respect to the original proposal shall be seconded by other stockholders (or proxies). The same rule shall apply to any proposal to amend the agenda and motion to adjourn the meeting. The shares represented by the proponents and the seconders shall reach 100,000.

7) The explanation of proposal shall be limited to 5 minutes. The statement of inquiry and reply shall be limited to 3 minutes per person. The time may be extended for 3 minutes with the chairperson's permission. The chairperson may restrain stockholders (or proxies) from speaking if that stockholders (or proxies) speak overtime, speak beyond the allowed frequency or content of the speech is beyond the scope of the proposal. When a stockholder (or proxy) is speaking, other stockholder (or proxy) shall not interrupt without consent of the chairperson and the speaking stockholder (or proxy). Any disobedient of the preceding rule shall be prohibited by the chairperson.

Article 15 of this meeting rule shall apply if the disobedient do not follow the chairperson's instructions.

8) For the same proposal, each person shall not speak more than 2 times. When a juristic person is a stockholder, only one representative shall be appointed to attend the meeting, if more than two representatives were appointed to attend the meeting, only one representative is allowed to speak.

9) After speaking by the attending stockholder (or proxy), the chairperson may reply in person or assign relevant officer to reply. Over the proposal discussion, the chairperson may conclude the discussion in a timely manner and where necessary announce discussion is closed.

10) For proposal in which discussion has been concluded or closed, the chairperson shall submit it for voting. No discussion or voting shall proceed for matters unrelated to the proposals. The personnel responsible for overseeing and counting of the votes for resolutions shall be appointed by the chairperson with the consent of the stockholders (or proxies). The person responsible for vote overseeing shall be of the stockholder status.

11) 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.

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.

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 should been put to vote several times or one time with counting of votes by each proposal.

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.

The results of voting and election shall be announced on the spot after the vote counting and be kept for records.



- 12) During the meeting, the chairperson may at his/her discretion declare time for break.
- 13) 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.
- 14) The chairperson may maintain the meeting order by instructing the security guards. The security guards shall wear the armband for identification when helping maintaining the venue order.
- 15) The stockholders (or proxies) shall obey the instructions of the chairperson and security guards in terms of maintaining the order. The chairperson or security guards may exclude the persons disturbing the stockholders' meeting from the meeting.
- 16) For matters not governed by the rules specified herein, shall be governed according to Company Law, Stock Exchange Law and the other related laws and regulations.
- 17) The rules herein take effect after approval at the stockholders' meeting; the same apply for any amendments.

### **3. Election Procedures of Directors for Far Eastern Department Stores Ltd. (the “Company”)**

The latest amendment on June 22, 2015

- 1) The election of directors shall be pursued in accordance with the procedures herein.
- 2) The election of directors adopts the method of accumulated vote-counts. The attendance card number of the voters shall be used on the ballot instead of the name of the voters. The ballots shall be prepared by the board of directors, numbered according to the attendance card numbers and noted with share number represented for voting.
- 3) The election of directors shall be pursued according to the number of position required. The independent directors, non-independent directors and shall be elected at the same election with the number of selectees calculated separately; those candidates receiving more voting rights shall be elected as Directors. If there are more than two candidates obtaining the same number of vote but the number of position offered is limited, a draw shall be made amongst the two candidates to determine. The chairperson shall conduct the drawing for the candidate who is absent.

The Company, in accordance with Article 192-1 of the Company Act, shall adopt a candidate nomination system for election of the directors. Besides, the qualifications of independent directors, independent condition, and other conditions should adhere to the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and other regulation.

- 4) In the beginning of the election, the chairperson shall assign two personnel for vote overseeing and vote counting respectively. The personnel for vote overseeing shall be of the stockholder status.
- 5) The responsibility of the vote-overseeing personnel's responsibility shall be as follows:
  - Check and seal the ballot box in public before ballot casting.
  - Maintain the order and check for any negligence and illegality for voting.
  - Unseal the ballot box and check the ballot number after ballot casting.
  - Check for any invalid ballots and hand in the valid ballots to the vote-counting personnel.
  - Oversee the vote-counting personnel recording the ballot numbers received by each candidate.
- 6) If the candidate is a natural person with the stockholder status, the voters shall fill out the ballot with the name and stockholder number of the candidate. If the candidate is not of the stockholder status, the ballot shall be filled out with the name and international identification number or passport number of the candidate. If the candidate is the government or juristic stockholder, the ballot shall be filled out with the number, the name of government or juristic person and the representative name. If there are more than one representative, all the representative names shall be listed.
- 7) The ballot shall be considered invalid in any of the following situations:
  - Not the ballot provided under the rules herein
  - One ballot with more than two candidate names listed
  - Blank ballot

- Ballot not filled out according to article 6 or ballot with unrelated writing to this election
  - Written characters blurred and not legible
  - Incorrect candidate information on the ballot
- 8) There shall be one ballot box for director elections respectively. The ballot counting shall be pursued separately for the two elections.
  - 9) When all the ballots are cast in the box, the personnel of vote overseeing and counting shall simultaneously unseal the ballot boxes.
  - 10) The vote-overseeing personnel shall be present for vote counting.
  - 11) If there is any question about the ballot, the vote-overseeing personnel shall check whether it is invalid. The invalid ballots shall be collected and kept separately. The vote-overseeing personnel shall designate them as the invalid with signature and seal after ballot counting.
  - 12) For the results of ballot counting, the vote-overseeing personnel shall make sure of correctness of the total ballot number after combining the numbers of the valid and invalid ballots. The numbers of the valid and invalid ballots shall be recorded separately and the chairperson shall announce the elected.
  - 13) The elected directors shall be given the election notification by the board of directors.
  - 14) The rules herein take effect after approval at the stockholders' meeting. The same apply for any amendment

## VII. Appendices

### 1. Shareholding of Directors.

Book closure date (May 1st, 2021)

Title	Name	Representative	Shareholdings	Ratio of Shareholding (%)
Chairman	Douglas Tong Hsu	-	1,779,835	0.13
Directors	Ding Ding Management Consultant Corp.	Nancy Hsu	73,009	0.01
	Far Eastern New Century Corporation	Nicole Hsu	241,769,702	17.06
		Chee Ching		
	Asia Cement Corporation	Jin Lin Liang	80,052,950	5.65
	U-Li Investment Company	Philby Lee	1,769,001	0.12
Independent Directors	Edward Yung Do Way		-	-
	Chien You Hsin		-	-
	Dong, Ding Yu		-	-
Total shares owned by all Directors			325,444,497	22.97
The total legal registered shares owned by all Directors			34,006,574	2.40

**Note 1:** The total issued and outstanding shares on the book closure date: 1,416,940,589 shares.

**Note 2:** The shareholding of all directors meet the minimum required combined shareholding.

**Note 3:** The shares held by each individual representative appointed are not counted in the calculation of the combined shareholding of all directors.

## 2. Impact of the stock dividend distribution on operating results, EPS and shareholders' return on investment.

Unit: NT \$

Item	Year	2021 ( Estimate )
Paid-in Capital (beginning of the year)		14,169,405,890
Stock & Cash Dividend Distribution	Cash Dividend (NT\$/per share)	1.10
	Stock Dividend from Retained Earnings	0.00
	Stock Dividend from Capital Surplus	0.00
Variance in Business Performance	Operating Income	Not applicable (note)
	% Change in Operating Income	
	Net Income	
	% Change in Net Income	
	Earnings Per Share	
	% Change in EPS	
Pro Forma EPS & P/E Ratio	If Retained Earnings Pro Forma Earnings Per Share Distributed in Cash Dividend	Pro Forma Earnings Per Share
		Pro Forma Average Yearly Return on Investment
	If Capital Surplus not Distributed in Stock Dividend	Pro Forma Earnings Per Share
		Pro Forma Average Yearly Return on Investment
	If Retained Earnings & Capital Surplus Distributed in Cash Dividend rather than Stock Dividend	Pro Forma Earnings Per Share
		Pro Forma Average Yearly Return on Investment

**Note:** \* As we do not disclose our financial forecast information of 2021, in compliance with relevant Government regulations, there is no need to provide this information.