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● **Spokesperson, Deputy Spokesperson, Position, Contact Number, and Email Address**

Spokesperson : Vice President, James Tang

Tel: 886-2-77278168

Fax: 886-2-77380752

E-mail: service@feds.com.tw

Deputy person : Manager, Anita Wang

Tel: 886-2-77278168

Fax: 886-2-77380752

● **Headquarter & Branches**

Headquarter : 18th floor, No. 16, Xinzhan Road, Banqiao Tel: 886-2-77278168

District New Taipei City,

XinYi Branch No. 58, Songren Rd., Sinyi Dist., Taipei Tel: 886-2-77500888

City

Taipei Branch : No. 32, Baoqing Road, Zhongzheng Tel: 886-2-23816088

District, Taipei City

Banqiao Xinzhan : No. 18 & 28, Xinzhan Road, Banqiao Tel: 886-2-77054168

Branch District, New Taipei City

Banqiao Branch : No. 152, Section 1, Zhongshan Road, Tel: 886-2-89525678

Banqiao District, New Taipei City

Taoyuan Branch : No. 20, Zhongzheng Road, Taoyuan Tel: 886-3-3359811

District, Taoyuan City

Zhubei Branch No. 18, Zhuangjing N. Rd., Zhubei City, Tel: 886-3-6223168

Hsinchu County

Hsinchu Branch : No. 323, Xida Road, East District, Hsinchu Tel: 886-3-5233121

City

Taichung Branch : No. 251, Section 3, Taiwan Boulevard, Tel: 886-4-37022168

Xitun District, Taichung City

Hualien Branch : No. 581, Heping Road, Hualien City Tel: 886-3-8355588

Chiayi Branch : No. 537, Chuiyang Road, West District, Tel: 886-5-2365137

Chiayi City

Tainan Branch : No. 60, Gongyuan Road, West Central Tel: 886-6-2259101

District, Tainan City

Tainan Chenkong : No. 210, Qianfeng Road, East District, Tel: 886-6-2098999

Branch Tainan City

Kaohsiung Branch : No. 21, Sanduo 4th Road, Lingya District, Tel: 886-7-9728888

Kaohsiung City

- **Common Share Transfer Agent and Register**

Oriental Securities Corporation

Address: 13F, No. 16, Xinzhan Road, Banqiao District New Taipei City,

Tel: 886-2-77531699

Website: <http://www.osc.com.tw>

- **Auditors**

Deloitte & Touche

Auditors: Shu-Chuan Yeh , CPA

Ming-Hsing Cho , CPA

Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei, 11073, Taiwan

Tel: 886-2-27259988

Website: <http://www.deloitte.com>

- **Overseas Securities Exchange: N/A**

- **Corporate Website**

<http://www.feds.com.tw>

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I. Letter to Shareholders

Preface

The world's political and economic landscape in 2021 was still under the impact of Covid-19 pandemic as well as the escalating U.S.-China conflict. Furthermore, geopolitical risk, global net zero, and issues regarding joining CPTPP have all been dictating the world's future political and economic situation. According to IMF's forecast, world economic growth in 2021 is projected to be 5.9%, reverting to the pre-pandemic level that reaches full recovery. Along with high penetration of vaccination, coupled with stimulus measures by most governments, the world economy is expected to maintain recovery and continue to turn upward in 2022.

In line with the global recovery, Taiwan's economy also outperformed and registered 6.28% growth in 2021, a record high in 11 years. The accumulated turnover to five major export markets also marked historical high, up more than 20% growth. Stock index grew 23%, GDP per capita has exceeded for the first time to US\$30,000, coupled with the rise in minimum wage, compensation to military and civil servants, and teachers, increase bonuses distributed by profitable listed companies, all attributed to the increase of dispensable income that boosted private consumption. If the next pandemic could stabilize, on top of stronger exports and private investments, Taiwan's economic performance will remain steady growth.

Department Store revenues were impacted severely by the government's level three epidemic alert. According to statistics of the Ministry of Economic Affairs, department stores are listed as the most impacted industry by the pandemic. To boost domestic consumption, the government launched quintuple stimulus vouchers to encourage private consumption. However, department store revenues still reported negative growth, consolidated revenues in 2021 were NT\$342.6 billion, down 3.2% year on year. Facing the impact of the pandemic, Far Eastern Department Stores (FEDS) quickly adjusted its operating model, maintained communications with the public via FEDS APP, social media, and online shopping, as well as ensuring a safe shopping environment for the people. In 2021, FEDS registered sales of NT\$46.9 billion and operating profit of NT\$1.74 billion, still delivering profit despite the pandemic challenges.

Innovation of technologies and impact of the pandemic have quickly shifted operating environment of the retail industry into the new normal. Far Eastern Department Stores will continue to strength its organizational resilience and take timely actions to be in advantageous position in the dynamic landscape and enhance competitive advantage. During the past year, our outstanding performances received 27 awards recognitions, both at home and abroad. Despite the pandemic restrictions, we opened Zhubei Store successfully. Looking into the future, FEDS shall continue to innovate and transform, stay committed to sustainable initiatives, focus on benefiting the environment, society, and economy during our operations, enhance the ability to create sustainable value, lay the foundation for sustainable operation, and develop growth opportunities for our businesses.

Operating Report of 2021

Under the guidance of the Board of Directors and the management team, the Company continued to deliver an outstanding performance in 2021 and recorded consolidated sales of NT\$112.3 billion (according to IFRS, consolidated revenues were NT\$35.3 billion). Consolidated net profit was NT\$1.91 billion, company alone net profit was NT\$1.21 billion, and earnings per share were NT\$0.86. According to the 3rd Board Meeting of the 19th Board of Directors of FEDS, total cash dividend for 2021 was NT\$0.9. Operating result of the Far Eastern Retail Group in 2021 is summarized as follows:

(1) Far Eastern Department Stores

1. Expand operation deployment, successfully completed the opening of Zhubei Store, operation sites increase to 12 stores island-wide, which will drive growth momentum.
2. Proactive pandemic prevention, build safe shopping environment, in addition to daily health tracking of staff, also conduct periodic sanitization of sales space, and implement name registration twice upon entering, we are Taiwan's first department store to conduct name registration twice.
3. Integrate multiple channels, provide convenient shopping to the public, establish "Easy Convenient" speedy pickup stands at each branch store, launch "Stay Home" area at online website, various measures altogether to satisfy people's needs under the pandemic.
4. Adjust merchandise mix, maintain shopping traction, each branch store conducts brand and counter adjustments at different scales, also apply digital media, live streaming to introduce merchandise with fashion tips and trends, allowing people to be fashionist while staying at home and enjoy easy shopping.
5. To embrace digital trends, introduce FEDS APP 3.0, based on the core concept of "more frequent and more engaging use" to launch tier system for new members, also increase new functions that includes merchandise redemption, shopping record inquiry, etc. to provide more convenient digital services.
6. To highlight foreign ambience, each branch store sponsored totally 89 exotic gourmets cuisine and local agriculture product exhibitions, inviting people to experience like traveling abroad and effectively boost revenue growth.
7. Expedite digitized management, create more efficient operation and service process. Presently, 91 digital management systems were completed to elevate productivity of staff and mobilize the department store's management of personnel and administration.
8. Strive for sustainable development, set up retailing benchmark, participate in the carbon reduction contest by the Economic Ministry and ranked top in the service industry. Also sponsored 580 CSR events, optimize resources and strength of retail channels to fulfill our commitment to and caring for the society.

(2) Far Eastern SOGO Department Stores

1. Despite the impact of the pandemic, the company maintained stable revenues and registered profit. Sales were NT\$41.2 billion in 2021, and pre-tax income grew year on year to stand at NT\$1.46 billion.
2. Altogether 552 counters were introduced and modified, which will attribute to revenue growth in 2022.
3. Under the impact of the pandemic, with the rise of stay-at-home economies, sales of household items, home appliances, massage chairs, and supermarket grew considerably during the past year, and maintained stable performance this year, yet revenues of supermarket continued to grow.
4. Post-Covid 19 era, consumers focus more on home, health, sports, and leisure areas, therefore FEDS will expand relevant merchandise and brand collection as well as actively promote digital marketing and delivery services in addition to store renovations and strong merchandise mix.
5. The government issued NT\$5,000 of stimulus vouchers, the three most favorite spending categories were home appliances, cosmetics, and sports, driving the revenue growth in the fourth quarter.
6. During the anniversary sale, through using SOGO APP, digital promotion, in-store gifts, and stimulus vouchers, had accelerated sales to NT\$11.33 billion, up 4.8% year-over-year.
7. On May 31, 2022, Chongqing Metropolitan Plaza Pacific Store plans to cease operation. SOGO

will expedite to improve revenues of Shanghai Xuhui Store in Shanghai and Chiangbei Store in Chongqing to boost profits.

(3) Far Eastern Ai-Mai

1. Strengthen the development of online shopping and delivery channels to create more convenient service model. Revenues were NT\$10.4 billion in 2021
2. In response to changing environment, here are four major strategies to deal with competitions:
 - 1) Introduce "In Shop" (Introduce Nitori into Taoyuan Store).
 - 2) Enrich customer experience (Parent-child club/cooking studio/ handmade Mother's Day cake).
 - 3) Expand delivery and service opportunities:
 - a. Partnered with foodpanda for exclusive affiliate marketing in April.
 - b. Launched ETMall online shopping platform in June.
 - 4) Membership management and digital upgrade:
 - a. Replace and install new POS, elevate store efficiency.
 - b. Introduce automatic self-checkout to facilitate customers and lower labor cost.
 - c. Combine big data of Happy Go membership.
 - d. Optimize APP, integrate personalized voucher services, and customer segment marketing
3. Ai-Mai's counter pandemic measures during level three epidemic alert period:
 - 1) Strict control of inventory risk:
 - a. Stop purchasing new merchandise.
 - b. Advance clearance of summer merchandize
 - c. Strict control of restocking in branch stores.
 - d. Coordinate with suppliers to return goods.
 - 2) Increase contactless channels:
 - a. Foodpanda to quickly expand delivery services.
 - b. Expand the new ET Mall online shopping platform and increase shipping from Fengyuan Store warehouse.
 - c. LINE group purchase and real-time customer services.
 - 3) Cross-industry cooperation to capture the ghost festival revenues:
 - a. As temples are not opened during the pandemic period, customers need not to leave home as the Pudu offerings can be arranged via home delivery.
 - b. Exclusive co-branding with Taiwan's third largest Mazu Temple in Lukang.
 - c. Form alliance with OKmart to expand sales channels and advertisement exposure.

Business Plan

Facing with the dynamic retailing environment, we have also advanced with time, constantly adjust, and continue to drive growth momentum into operation, merchandise, management, and services. Also, with the help of digital technologies, increase customer stickiness, elevate customer satisfaction, and continue to deliver excellent performance. Major operational focus in 2022 is summarized as follows:

(1) Far Eastern Department Stores

1. With the grand opening of FEDS Zhubei Store, nearly 350 brand counters were recruited, immersing in culture, aesthetics, lifestyle, and art elements to create a hospitable and aesthetic department store that appeals to family visits, we also add another fresh element to the FEDS retail branch.

2. Strengthen the analysis of Happy Go membership database, use FEDS APP and each branch store's social media platform to maintain close contacts with customers, via customer segmentation to launch more targeted merchandise proposals and marketing campaigns.
3. Stay with fashion trend, maintain competitive momentum, and creates unique features, each branch store continues to conduct various brand adjustments along with market trend, elevate merchandising power, and further boost operating performance.
4. Taiwan's consumers are highly interested in featured cultures, merchandise, and gourmet cuisines of different areas. Each store continues to sponsor exotic cultural, local specialties and artistic creativity fairs etc. to attract customers. With local products, featured culture, and interactive experiences, customers feel very engaged to local culture.
5. To increase interactions with sales space and promote the store image as local philanthropic platform and community exchange center, each branch store organizes CSR events and art exhibitions, etc. during festivals. With more interactive atmosphere to strengthen consumer stickiness, making FEDS the first choice of sales destination to satisfy daily necessities.
6. Continue to promote digitization, control expenses, strengthen data security, and respond to the risk of climate change, implement energy and water preservation, decrease packaging waste, and build up a green working environment.

(2)Far Eastern SOGO Department Stores

1. In operation, SOGO engages in renovation of sales space, introduce new merchandise, elevate services, and expand digital marketing; in management, SOGO aims to elevate operating income, continues to save expenses, and increases operating profit.
2. Far Eastern SOGO Department Store celebrates its 35th anniversary this year. In addition to enhance various marketing events, its operation department is also promoting "Three Goodies Five Enjoyments" to fortify customer attraction and services. Entering the altruistic consumption era, ESG has become index for brand elevation and strategic execution of SOGO's sustainable operations.
3. Establish ten major indexes of operating task, including ten directives: build up safe shopping environment, execute timely responses in customer attraction plan to increase customer visits, integrate convenient delivery model of people and products, and set up merchandise database, etc.
4. In reference to talent management, SOGO continues to expedite staff rotation to elevate competitiveness, enrich manpower of merchandise department, and strengthen the organization.
5. Focus of tasks in mainland China:
 - 1) Chongqing Longxin Store prepares to be opened.
 - 2) Elevate the efficiency of digital transformation, customer relationship management system, business invitation, and various expenditures.
 - 3) With intense market competition, each store strengthens strategies to ensure, maintain, and stabilize merchandises.
 - 4) Keep steady operation of Xuhui and Chiangbei Stores to elevate profit.

(3)Far Eastern Ai-Mai

1. How to elevate customer visits: Cross-industry alliance, introduce new customer base
 - 1) Cooperate with TESLA to establish superchargers (total 40 supercharger stations island-wide):
 - a. Completed – 5 stations in Shuinan Store, Fuxing Store, Feng Yuan Store, Sanchong Store, and Tainan Store.
 - b. Work in Progress – Nanya Store, and Taoyuan Store.
 - 2) Work with OKmart:

- a. Fee collection business – Collect water bills, electricity bills, parking fees, etc. (January~February total 713 receipts).
- b. Online shopping store delivery and shipping business (January~February total 5,903 pieces).
- 2. Pandemic has changed shopping behaviors: Intensify delivery services
 - 1) E-commerce (Same-day delivery, 20,000 items).
 - 2) Quick E-commerce (30-minute delivery, 5,000 items).
- 3. Automatic order system to replace manual one in branch store, expected to launch online in second quarter of 2022:
 - 1) Elevate accuracy of ordering.
 - 2) Save operating time of store ordering.
 - 3) Streamline each store’s organizational levels.
- 4. Category management –focusing on:
 - 1) Strictly control the number of merchandises, expedite to eliminate low turnover merchandise.
 - 2) Continue to examine major items and develop new merchandises to satisfy customer needs.

Future Prospective

Covid-19 pandemic has expedited the dynamics in the world and driven through the volatile retailing landscape. Facing fast changing operating environment, Far Eastern Department Stores maintains its flexible operating system and mechanism to keep operations in order; meanwhile also continues to cultivate agility to gain early insight of environmental changes, and quickly adopt responding actions. Once the enterprise is equipped with key capabilities to ride through future changes, it may get closer to fulfill the needs of the consumers and the market, create higher and longer-term value for them, thus, to maintain leading position, and ensure the company’s continuous growth.

In the era of Artificial Intelligence, digital technologies is key to move forward, also to boost the prosperous development of global industries and enterprises. In the digital operation model, data are the most critical assets. In line with growth of enterprise, increase of customers, the acquired data also grow. Through analyzing data from various sources, we may tap into consumers’ shopping behaviors and preferences, and create personalized shopping experiences based on customer’s shopping journey, provide high quality services, assist in elevating operating efficiency, also strengthen customer loyalty and satisfaction.

As climate issues are gaining traction, each nation has been committed to conducting changes in society and lifestyle so to delay the speed of global warming. Far Eastern Department Stores have already begun to evaluate the possible risks and opportunities brought by climate change to business operations, and through innovations of products, services, and business model to gradually undergo operating adjustments, find out solutions closer to future realistic situations, while promoting global sustainable development and low-carbon economy, to fulfill eco-friendly operations, and achieve environmental sustainability.

Enterprises used to focus on outpacing their peers. Now they must stay ahead of the game, plan early and set the new operating model to outrun the dynamics of the macro-environment. To better prepare for the future, Far Eastern Department Stores will continue to innovate and maintain its leading position in the retailing industry, and adopt with market changes and industry development trends, take the right action at the right time, and through continuous expansion of stores to seek new investment opportunities, expand operational scale and scope. The most important strategy is to expedite on digital transformation, seize future development of business model via digitization, become the new momentum of business growth, ensure sustainable prosperity and lasting excellence, and continue to create maximum value and reward for stockholders.

Chairman Douglas Tong Hsu

II. Company Profile

1. Date of Incorporation

August 31, 1967

2. Company History

| | | |
|------|-----------|--|
| 1967 | August | Far Eastern Textile Co. Ltd. established Far Eastern Department Stores Ltd., which was located on Yongsui Rd. in Taipei |
| | October | The first store of FEDS opened in its own six-floor building on Yongsui Rd. in Taipei. |
| 1969 | October | FEDS Taichung Store was established.. |
| 1972 | January | FEDS Paoching Store was set up and FEDS Yongsui Store was moved to and merged with FEDS Paoching Store. |
| 1973 | April | FEDS established Ya Tung Department Store Ltd. in Far Eastern Department Building on Wufu 4th Road in Kaohsiung City. FEDS made a 65% investment in it. |
| 1976 | March | FEDS Tainan Store was established. |
| 1977 | September | FEDS Taichung Store suffered some damage due to the fire in a neighboring building. |
| | December | FEDS Jenai Store was established. |
| 1978 | May | FEDS Taichung Store re-opened. |
| | October | FEDS Taipei Store expanded its operating space to eight floors. FEDS officially listed on the Taiwan Stock Exchange |
| 1980 | February | FEDS Taichung Store expanded its operations after helping to restore the neighboring building. |
| 1981 | December | EDS made a 64% investment to establish Yuan Yang Department Store Ltd. on Xincheng Rd., Chungli City. |
| 1982 | January | FEDS Chiayi Store was established. |
| 1983 | January | Ya Tung Department Store Ltd. suspended its retailing business and FEDS Kaohsiung Store was set up on the same site of Ya Tung Department Store Ltd. |
| | September | FEDS Panchiao Store was established. |
| | December | Yuan Yang Department Store Ltd. suspended its retailing business and FEDS Chungli Store was set up on the same site of Yuan Yang Department Store Ltd. FEDS Sanchong Store was established. |
| 1984 | November | FEDS Taoyuan Store was established. |
| 1985 | December | FEDS Taoyuan Store suffered fire damage on December 1, and resumed first floor operation on December 12. |
| 1986 | June | FEDS Sanchong Store suspended its operation. |
| | August | FEDS Taoyuan Store was re-opened its second and third floors. |
| | December | FEDS Kaohsiung Chungshan Store, also named Kaohsiung Shopping Center Store, was established. |
| 1987 | January | FEDS Hsinchu Store was established. |
| | July | FEDS Kaohsiung Store moved to and merged with FEDS Kaohsiung Chungshan Store. |
| | October | FEDS established a first community-based supermarket in the Far Eastern New World Community. |

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| | December | FEDS Jenai Store was transformed into the first all men's department Store in Taiwan. |
| 1988 | December | FEDS established two community-based supermarkets in the Hungnan and Houching Communities in Kaohsiung. |
| 1989 | August | FEDS opened its first specialty electronic appliance store in Tienmu. Panchiao Commodities Transfer and Distribution Center completed. |
| 1990 | January | FEDS Taichung Store suffered fire damage from the neighboring building on January 14, but was re-opened its first and second floors and basement first floor on January 23. |
| | September | Far Eastern Ltd. was set up by FEDS and Chingmei Hyper Store of Far Eastern Enterprise Ltd. was established. |
| | November | FEDS established Taita METRO Branch Store. |
| 1991 | January | Panhsin Hyper Store of Far Eastern Ltd. was established. |
| | February | FEDS Hualien Store was established. |
| | April | The operation of FEDS first specialty electronic appliance store in Tienmu ended. The operation of the first community-based supermarket in the Far Eastern New World Community ended. FEDS Paoching Store suffered the fire damage. Its basement first floor and first and second floors experienced smoke and slight flooding, however, its third, fourth and fifth floors were destroyed by fire. |
| | May | FEDS Taichung Store was re-opened after completely being restored. |
| | June | The operation of FEDS Paoching Store on the basement first floor and first and second floors was resumed. |
| | July | FEDS Tainan Store was re-opened after it expansion and refurbishment. |
| | October | The operation of FEDS Chiayi Store located at Kuohua St. ended |
| | December | After FEDS Paoching Store was restored, it not only resumed but also expanded its operation. FEDS built and inaugurated a brand new Chiayi Store on Chueiyang Road. |
| 1992 | November | The operation of Taita METRO Branch Store ended. |
| | December | Far Eastern Hon Li Do Co., Ltd. was established. |
| 1993 | September | FEDS Panchiao Chungshan Store was established. |
| | October | FEDS Chungli Central Store was set up and the registration of FEDS Chungli Store was cancelled. |
| | November | Commodities Transfer and Distribution Center in the Tai Shan plant of Far Eastern Textile Co. Ltd. in Wugu Township was established. The renovation of FEDS Taichung Store and its own building completed and re-opened. |
| 1994 | March | Taipei Metro, The Mall managed by Ya Tung Department Store Ltd. went into full operation. |
| | July | Overseas Convertible bonds of seven years maturity were issued to the amount of USD\$75 million. |
| 1995 | January | The Tainan Store of Far Eastern Hon Li Do Co., Ltd. was opened. |
| | May | The operation of Kaohsiung Shopping Center Store ended. |
| | July | Summer Sale in Taiwan originated with FEDS. |
| 1996 | May | The operations of FEDS Chungli Store were expanded to 10 floors in the same building and it was re-opened after being redesigned and remodeled. |
| | July | Yongho Hyper Store of Far Eastern Ltd. was established. |
| | September | FEDS Kaohsiung Store, located in front of the Kaohsiung Railway Station, was established and the registration of Kaohsiung Shopping Center Store was cancelled. |
| | October | FEDS Asia Pacific Development Co., Ltd. was established. |
| 1997 | January | FEDS Tainan Cheng-Kong Stores was established. |
| | December | FEDS thirtieth Anniversary Celebration was held. |

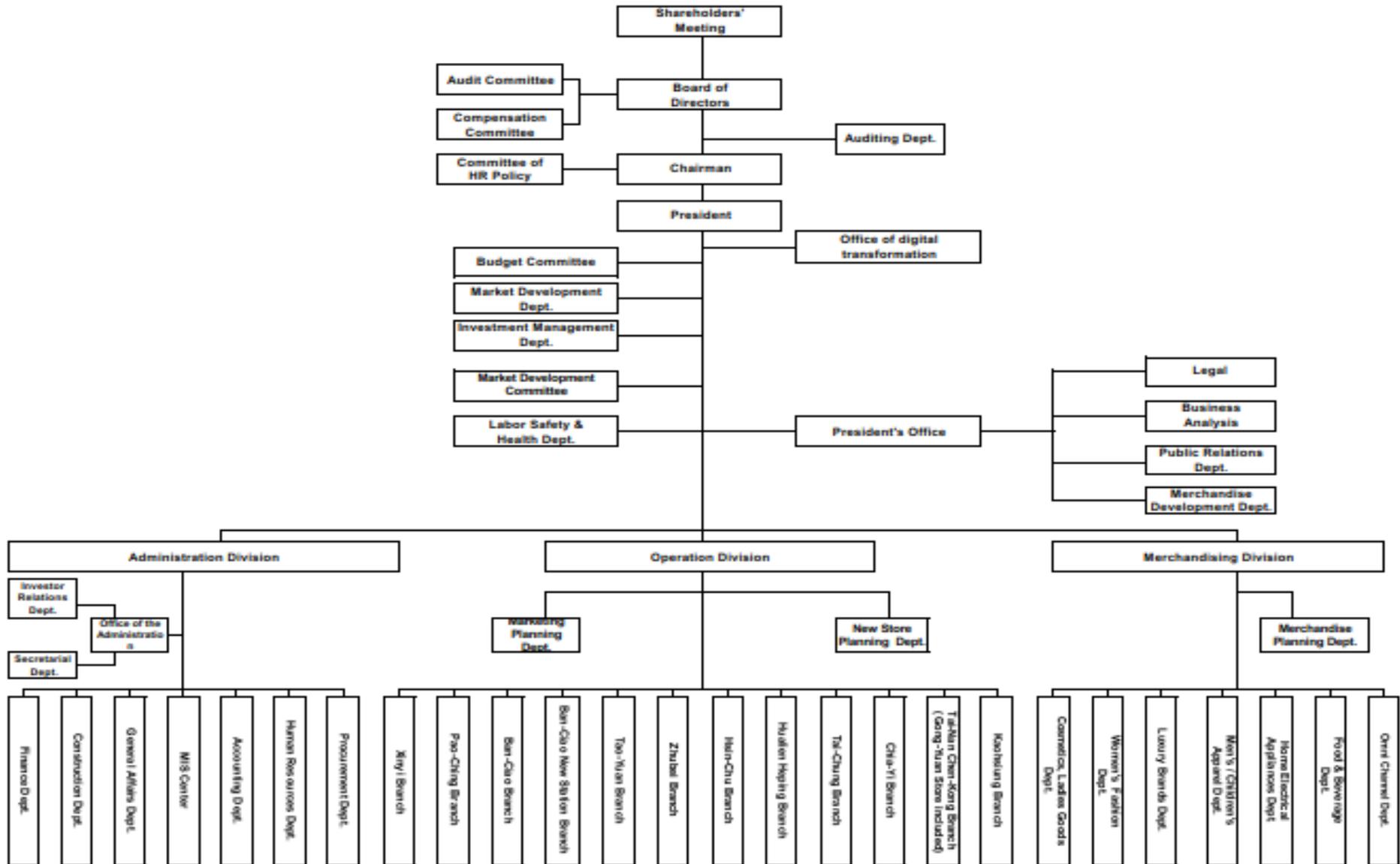
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| 1998 | March | FEDS Panchiao Chungshan Store was re-opened after being remodeled, and the operation of FEDS Panchiao Store ended due to expiry of its lease. |
| | May | Yungfu Hyper Store of Far Eastern Ai Mai Co., Ltd. was established. |
| 1999 | March | Chungkang Hyper Store of Far Eastern Ai Mai Co., Ltd. was established. |
| | September | Due to the impact of earthquake 921, FEDS Taichung Store temporarily suspended operations. FEDS Taoyuan Store closed due to the expiry of its lease. |
| | October | FEDS Tainan Park Stores closed and was demolished and another entertainment building was built. FE21' Taoyuan Store was built on the land owned by Tao-Yuan Farmers' Association. The operation of FEDS Kaohsiung Store was located in front of the Kaohsiung Railway Station. It was decreased by 3 floors and continued to operate after re-adjustment and refurbishment. |
| | November | FEDS New Century Development Co., Ltd. was established to set up Far Eastern Panchiao Shopping Mall |
| | December | Taoyuan Hyper Store of Far Eastern Ai Mai Co., Ltd. was established. |
| 2000 | February | FEDS Jenai Store closed due to the expiration of its lease. |
| | March | Far Eastern Ai Mai Co.,Ltd. signed a merging contract with French Casino Group's Taiwan Branch D.F.I. Geant. Far Eastern Ai Mai Co., Ltd. was a surviving company. The record date of consolidation was on July 3. |
| | May | Yangmei HYPER Store of Far Eastern Ai Mai Co., Ltd. was established. The operation of FEDS Panchiao Chungshan Store ended. |
| | June | FE21' Panchiao Store whose building and land was owned by FEDS was opened. |
| | July | Far Eastern Ai Mai Co.,Ltd. and French Casino Group's Taiwan Branch D.F.I. Geant formally completed their merger to form Far Eastern Co. Ltd. The operation of Tainan Store of Far Eastern Hon Li Do Co., Ltd. ended. Tainan HYPER Store of Far Eastern Ai Mai Co., Ltd. was established. Taichung Fuxing Store and Kaohsiung Pingdeng Store of French Casino Group's Taiwan Branch D.F.I. Geant were renamed as Taichung Fuxing HYPER Store and Kaohsiung Pingdeng HYPER Store of Far Eastern Ai Mai Co., Ltd. FEDS held the eleventh IDGS (International Group Department Store) Asia Summit in Taipei. |
| | December | The operation of FEDS Taichung Store ended. |
| 2001 | September | Chunghsiao HYPER Store of Far Eastern Ai Mai Co., Ltd. was established. |
| | October | Taoyuan HYPER Store of Far Eastern Ai Mai Co., Ltd. was established. The operation of FEDS Kaohsiung Store, located in front of the Kaohsiung Railway Station, ended. FE21' Mega Kaohsiung Store inaugurated its services. |
| | December | Central HYPER Store of Far Eastern Ai Mai Co., Ltd. was established. |
| 2002 | March | The operation of FEDS Hsinchu Store ended. |
| | July | FE21' Mega Tainan Chenkong Store re-opened after FEDS Tainan Chenkong Stores was remodeled. FE21' Mega Tainan Konyuan Store comprised of a recreation center which was re-opened after FEDS Tainan Park Stores was remodeled. Yuanlin HYPER Store of Far Eastern Ai Mai Co., Ltd. was established. |
| | September | FEDS invested in Pacific Liu Tong Investment Co., Ltd. |
| | November | FE21' Mega Hsinchu Store inaugurated its services. |
| 2003 | April | A groundbreaking and commencement ceremony for Far Eastern Panchiao Shopping Mall was held. |

| | | |
|------|-----------|--|
| | May | The operation of Central HYPER Store of Far Eastern Ai Mai Co., Ltd. ended. |
| | October | Hsinchu HYPER Store of Far Eastern Ai Mai Co., Ltd. was established. FEDS acquired the land use rights for No. A13 in the Hsinyi district, which is owned by the Taipei City Government, and had the right to use the land for 50 years from the completion of the right registration. |
| 2004 | February | The operation of FEDS Chungli Central Store ended. |
| | June | FEDS Chungli Store was remodeled to be SOGO Chungli New Hall. |
| | July | Ministry of Economic Affairs, Investment Commission, approved FEDS's subsidiary, FEDS Development Ltd.(BVI), to set up FEDS Chongqing Store and Chongqing Bai Ding Business Management Consulting Co., Ltd. in Mainland China. |
| | September | A joint investment was carried out with FEDS and CitySuper in the establishment of Far Eastern CitySuper Ltd. |
| | November | Ministry of Economic Affairs, Investment Commission, approved to a name change of Chongqing Far Eastern Business Management Consulting Co. to the name of Chongqing Bai Ding Business Management Consulting Co. |
| | December | Mall Store of Far Eastern CitySuper Ltd. was established. |
| 2005 | January | FEDS invested in Far Eastern Finance & Leasing Corp. |
| | March | Ministry of Economic Affairs, Investment Commission, approved FEDS's subsidiary, FEDS Development Ltd.(BVI), to set up FEDS Tianjin Store in Mainland China. |
| | November | Far Eastern Department Stores (U.S.A.) Inc. (FEDS-USA) dissolved and FEDS invested in Far Eastern Department Stores (U.S.A.) Inc. from indirectly to directly. FEDS won the bid to lease land (No.89 and 91) located in the West Tun district in Taichung city, which was being managed by the Ministry of Education. On expiry of the contract, the Company has the right to extend the contract for another twenty years. |
| 2006 | May | FEDS Tianjin Stores was opened. |
| | December | Bai Chin (Singapore) Pte. Ltd. dissolved and liquidated. Fuxing Store of Pacific SOGO Department Stores Ltd. was opened. Fuxing Store of Far Eastern CitySuper Ltd. was opened. |
| 2007 | January | FEDS bought back the shares of Far Eastern Ai-Mai Co.,Ltd held by Bergsaar BV, et al. |
| 2008 | February | Ministry of Economic Affairs, Investment Commission, approved to change the name of Chongqing Bai Ding Business Management Consulting Co. to the name of Shanghai Bai Ding Business Management Consulting Co. |
| | April | Ministry of Economic Affairs, Investment Commission, approved Bai Yang Investment Co., a subsidiary of FEDS, to acquire 40% shares of Pacific China Holdings Ltd., held by ABN AMRO BANK, N.V. LONDON BRANCH. |
| | October | Sanchong HYPER Store of Far Eastern Ai Mai Co., Ltd. was established. |
| 2009 | May | Tienmu Store of Pacific SOGO Department Stores Ltd. was opened. Tienmu Store of Far Eastern CitySuper Ltd. was opened. |
| | October | Hualien Heping Store of FEDS was established. Hualien Hyper Store of Far Eastern Ai Mai Co., Ltd. was established. |
| 2010 | January | Ministry of Economic Affairs, Investment Commission, approved FEDS's subsidiaries, Bai Yang Investment Co. and Pacific Sogo Department Stores Ltd., to indirectly set up WuXi FEDS Co. Ltd. in Mainland China. Keelung Hyper Store of Far Eastern Ai Mai Co., Ltd. was established. |
| | June | FEDS WuXi Store was opened. |
| | December | Far Eastern Big City Shopping Center in Hsinchu was established. |
| 2011 | January | Fengyuan Hyper Store of Far Eastern Ai Mai Co., Ltd. was established. |
| | June | FEDS Chengdu Store was opened. |
| | December | FE21' Mega Taichung Store (Top City) inaugurated its services. |

| | | |
|------|-----------|---|
| | | FE21' Mega Panchiao Store (Mega City) inaugurated its services. |
| | | Panchiao Store (Mega City) of Far Eastern CitySuper Ltd. was opened. |
| | | Taichung Store (Top City) of Far Eastern CitySuper Ltd. was opened. |
| 2012 | April | Far Eastern SOGO BIG CITY Shopping Mall was opened. |
| | | Second Hsinchu Store of Pacific SOGO Department Stores Ltd. was opened. |
| | | Far Eastern SOGO BIG CITY Hyper Store of Far Eastern Ai Mai Co., Ltd. was opened. |
| | | Hsinchu Store (Big City) of Far Eastern CitySuper Ltd. was opened. |
| 2013 | March | FEDS Chengdu Store signed the letter of intent to lease with Chengdu Longhu North Real Estate Company Limited. |
| | November | The operation of Pacific Chengdu Tsunsi Store ended. |
| 2014 | January | FEDS Chengdu Beicheng Store was opened. |
| 2015 | January | FEDS's head office has been relocated at 16F~18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City 220, Taiwan |
| | March | The operation of FEDS Tianjin Stores ended. |
| | April | Banqiao Nanya Hyper Store of Far Eastern Ai Mai Co., Ltd. was opened. |
| | June | Chubei New Century Shopping Mall Co., Ltd. was established. |
| | July | Chubei New Century Shopping Mall Co., Ltd. signed an investment contract of No.8 Parking Lot BOT Project, Zhubei City, Hsinchu County with Hsinchu County Government. |
| | August | FEDS issued the 2014 CSR Report, the first one issued by Taiwan Listed Department Store Chain Business. |
| | October | Panhsin Hyper Store of Far Eastern Ai Mai Co., Ltd. ended. |
| | December | WuXi FEDS Store Co. Ltd ended. |
| 2016 | August | Dalian Pacific Department Store Co. Ltd. transferred to Pacific (China) Investment Co. Ltd. |
| | October | Kaohsiung Hyper Store of Far Eastern Ai Mai Co., Ltd. ended. |
| | | Taoyuan Tai Mall Store of Far Eastern City Super Ltd. was opened. |
| | December | Dazhi Hyper Store of Far Eastern Ai Mai Co., Ltd. ended. |
| | | Log on Hsinchu Store of Far Eastern City Super Ltd. was opened. |
| | | Huaihai Store of Shanghai Pacific Department Stores Co. Ltd. ended.(Lease expired) |
| 2017 | April | FEDS Chengdu Beicheng Store ended. |
| | | Yuanlin Hyper Store of Far Eastern Ai Mai Co., Ltd. ended. |
| | December | FEDS Chengdu Beicheng Store ended. |
| 2019 | March | Chungkang Hyper Store of Far Eastern Ai Mai Co., Ltd. ended. |
| | | Yungfu Hyper Store of Far Eastern Ai Mai Co., Ltd. ended. |
| | April | FEDS Chengdu Luoma City store ended. |
| | August | SOGO Hsinchu Station Store ended. |
| | September | Taoyuan Tai Mall Store of Far Eastern City Super Ltd. ended. |
| 2020 | January | FEDS Xinyi A13 Store was opened |
| | | Xinyi A13 Store of Far Eastern City Super Ltd. was opened. |
| | March | Log on Hsinchu Store of Far Eastern City Super Ltd. closed down. |
| | September | Shuinan Store of Far Eastern Ai Mai Co.,Ltd. opened |
| | October | Shanghai City Plaza Store ceased operation. |
| 2022 | January | FEDS Zhubei Store was held its soft opening. |
| | | Zhubei Store of Far Eastern City Super Ltd. was held its soft opening. |
| | April | FEDS Metropolitan Plaza Store, Chongqing ceased operation. |

III Corporate Governance Report

1. Organization



Affairs in Charge for Each Major Department (organizational structure with risk management function)

| Department | Head of Department | Affairs in charge |
|----------------------------------|---------------------------------------|---|
| Auditor Office | Hwa-Ling Hsu Senior Vice President | <ul style="list-style-type: none"> In accordance with the Company's Articles of Incorporation, internal control system, internal audit implementation rules and relevant laws and regulations, assess the potential risks of each unit's operations, and formulate and implement annual audit plans to reduce the Company's operating risks. |
| Legal Office | Anna Huang Attorney-at-law | <ul style="list-style-type: none"> Responsible for the Company's various contract agreements and reviews, handling of legal disputes, litigation and court appearances, immediate provision of company legal amendment information and various legal consultations to reduce the Company's risks of illegality. |
| Office of digital transformation | James Tang Vice President | <ul style="list-style-type: none"> Integrate digital events, planning, e-marketing, digital media and other related businesses of the head office and branches, build smart shopping malls, and develop "digital operations, digital management, and digital experience" to provide customers with more complete digital marketing and services. |
| Administration Division | James Tang Vice President | <ul style="list-style-type: none"> To supervise the duty of each department, as follows <ol style="list-style-type: none"> The duties of the human resources department: Responsible for handling career development, education and training programs, appointments, retrenchment, transfers, rewards and punishment, evaluation, daily schedules of the staff; the enhancement of working efficiency and relevant affairs of employees welfare. The duties of the accounting department: Responsible for the execution and amendment of the accounting calendar, various daily bookkeeping entries, the fulfillment of financial reports, tax returns and annual budget, the management and inspection of fixed assets and inventories. The duties of the MIS center: Cope with all affairs related to management information systems and information security. The duties of the general affairs department: To handle official documents, general affairs, security and other matters that can not be attributed to other departments. The duties of the construction department: To handle each construction project, the maintenance of air conditioners as well as electronic devices. The duties of the finance department: To handle fund transfers, treasury, sales and management of gifts coupons, the plans of investment activities, the management and supervision of subsidiaries. The duties of the construction department: Handling engineering equipment and general affairs procurement management. |
| Operation Division | Chang-Li Lin Vice President | <ul style="list-style-type: none"> In charge of all business related to marketing and planning: <ol style="list-style-type: none"> Marketing strategic planning of events and other programs. Propose and implement store visual expression, merchandise displays, and window design. Handle customer complaints and services. Handle media and public relations. Supervise operation business of branches. Plan and integrate new store preparatory affairs. |
| Merchandise Division | Chris Liu Vice President | <ul style="list-style-type: none"> Responsible for luxury brands, home appliance, cosmetics, lingerie, shoes, women's fashion apparel, young ladies' apparel, kid's apparel, men's apparel, electric appliances and supermarkets. Invite concessionaires and administer stores. Handle online shopping e-commerce management matters. |

2. DIRECTORS AND MANAGEMENT TEAM

2.1 Directors

2.1.1 Directors

April 26, 2022

| Title | Nationality or Record of Birth | Name | Gender/age | Date Elected | Term (years) | Date first elected | Shareholding when elected | | Current shareholding | | Shareholding of spouse & minor children | | Curriculum vitae | Other positions in FEDS and/or other companies | Executives, directors, or supervisors who are spouses or within two degree of kinship | | |
|----------|--------------------------------|---|---------------|--------------|--------------|--------------------|---------------------------|-------|----------------------|-------|---|-------|---|--|---|------------------|----------|
| | | | | | | | Share | % | Share | Share | % | Title | | | Title | Name | Relation |
| Chairman | R. O. C | Douglas Tong Hsu | M/ Over 70 | 27 Jul 2021 | 3 | 2 Aug 1967 | 1,779,835 | 0.13 | 1,779,835 | 0.13 | 0 | 0.00 | <ul style="list-style-type: none"> Honorary Ph.D. of Management, National Chiao Tung University, Taiwan M.A. in Economics, Columbia University, USA. | <ul style="list-style-type: none"> Chairman of FEDS Chairman of Far Eastern New Century, Asia Cement, Oriental Union, U-Ming Marine, and Far Eastone Telecommunication Vice chairman of Far Eastern International Bank. | Director | Nancy Hsu | Sister |
| | | | | | | | | | | | | | | | Director | Nicole Hsu | Daughter |
| Director | R. O. C | Ding & Ding Management Consultants, Co., Ltd. | F/ Over 70 | 27 Jul 2021 | 3 | (Note 1) | 73,009 | 0.01 | 73,009 | 0.01 | 0 | 0.00 | <ul style="list-style-type: none"> Department of Fashion Design, Shih Chien University | <ul style="list-style-type: none"> President, FEDS Chairman of Bai Yang Investment Co., Ltd. Director of Far Eastern Ai Mai Co. Ltd. | Chairman | Douglas Tong Hsu | Brother |
| | | Representative: Nancy Hsu | | | | | *1,173,788 | *0.08 | *1,173,788 | *0.08 | 228,927 | 0.02 | | | | | |
| | U.S.A | Far Eastern New Century Corporation | F/ 50~60 | 27 Jul 2021 | 3 | 2 Jun 2006 | 241,769,702 | 17.06 | 241,769,702 | 17.06 | 0 | 0.00 | <ul style="list-style-type: none"> Interior Design Arts, New York School of interior Design, USA. B.A., Simmons College, Boston, USA Senior Designer, Saradino Group, New York, USA. | - | Chairman | Douglas Tong Hsu | Father |
| | | Representative: Nicole Hsu | | | | | *0 | *0.00 | *0 | *0.00 | 0 | 0.00 | | | | | |
| | R. O. C | Yuli Investments Corporation | F/ 50~60 | 27 Jul 2021 | 3 | (Note 2) | 1,769,001 | 0.12 | 1,769,001 | 0.12 | 0 | 0.00 | <ul style="list-style-type: none"> Department of Accounting, North Arizona State University, USA. US CPA. | <ul style="list-style-type: none"> Chairman of Far Eastern Big City Shopping Malls Co., Ltd. CEO of Far Eastern Group Synergy & Retail Planning HQ Director of Yuanshi digital technology Co.,Ltd. Supervisor of Yuan Bao Fintech Co., Ltd | - | - | - |
| | | Representative: Philby Lee | | | | | *76,483 | *0.01 | *58,483 | *0.01 | 0 | 0.00 | | | | | |

| | | | | | | | | | | | | | | | | | |
|----------------------|---------|-----------------------|------------|-------------|---|-------------|---|------|---|------|---|------|--|--|---|---|---|
| Independent Director | R. O. C | Eugene You-Hsin Chien | M/ Over 70 | 27 Jul 2021 | 3 | 21 Jun 2012 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | <ul style="list-style-type: none"> • Ph.D., Aeronautics and Astronautics, New York University, USA. • Department of Mechanical Engineering, National Taiwan University • Minister of the Environmental Protection Administration • Minister of Transportation and Communications • Minister of Foreign Affairs • Legislator, Legislative Yuan (Member of Parliament) • Representative, Taipei Representative Office in the U.K. | <ul style="list-style-type: none"> • Independent Director, Eva Airways Corporation • Director, ECOVE Environment Corporation | - | - | - |
| | R. O. C | Edward Way | M/ Over 70 | 27 Jul 2021 | 3 | 21 Jun 2012 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | <ul style="list-style-type: none"> • MBA, University of Georgia, USA. • CEO of Deloitte Taiwan • Director of Deloitte Touche Tohmatsu • Chairman, United way of Taiwan • CPA of Georgia State, USA. | <ul style="list-style-type: none"> • Chairman, YCSY Co., Ltd. • Independent Director, International Corp, Cathay Financial Holdings Co., Ltd., Cathay United Bank Ltd, Cathay Securities Corporation, and Taita Chemical Company • Director, MiTAC Holdings Corp., and Iron Force Industrial Co. Ltd. | - | - | - |
| | R. O. C | Dong, Ding Yu | M/ 60~70 | 27 Jul 2021 | 3 | 24 Jun 2020 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | <ul style="list-style-type: none"> • Assistant Professor, San Jose State University, USA | <ul style="list-style-type: none"> • Chairman, Elite Material Co., Ltd. • Director, Newaisa Construction | - | - | - |

Note 1: Director (April 19, 1979 - April 18, 1982); Supervisor (April 30, 1990 - April 12, 1995); Director(April 12, 1995 - present)

Note 2: Director (June 10, 2003 - June 1, 2006); Supervisor (June 2, 2006 - June 22, 2015); Director (June 22, 2015 - present)

Note : No directors of the Company have shares held in the name of other persons.

Note : Cases of the Company's Chairman and President being the same person, spouses, or relatives within the first degree of kinship: N/A.

2.1.2 Major Shareholders of FEDS's Directors are institutional Shareholders.

April 26, 2022

| Name of institutional Shareholders | Major Shareholders of the institutional Shareholders(%) |
|---|--|
| Ding&Ding Management Consultants Co., Ltd | Yue Tung Investment Corp. (40.00), Ta Ju Fibers Co., Ltd. (33.81), Fu-Da Transport Corp. (16.00), Asia Engineering Enterprise Corp. (5.04), Bai Ding Investment Co., Ltd. (5.04) |
| Far Eastern New Century Corporation | Asia Cement Corporation (23.77), Asia Eastern University of Science and Technology (4.81), Far Eastern Medical Foundation (3.61), Far Eastern Memorial Foundation (3.42), Yuan Ze University (2.74), Nan Shan Life Insurance Co., Ltd. (2.47), Douglas Tong Hsu (1.71), Chunghwa Post Co., Ltd. (1.56), Der Ching Investment Co Ltd. (1.55), Cathay/ MSCI Taiwan ESG Sustainability High Dividend Yield ETF (1.33) |
| Yuli Investments Corporation | U-Ming Marine Transport Corp. (68.18), U-Ming Marine Transport (Singapore) Private Limit (31.82) |

2.1.3 Major Shareholders of the Major Shareholders that are Juridical Persons

April 26, 2022

| Name of Juridical persons | Major Shareholders of the Juridical Persons(%) |
|---|---|
| Yue Tung Investment Corp. | U-Ming Marine Transport Corp. (73.54), U-Ming Marine Transport (Singapore) Private Limit (26.46) |
| Ta Chu Chemical Fiber Co., td. | Yuan Ding Investment Co., Ltd. (41.86), Yue Ding Industry Co., Ltd. (38.76), Yue Li Investment Corp. (19.38) |
| Fu Da Transportation Co., Ltd. | Fu Ming Transport Corp. Ltd. (99.94), Asia Investment Corp. (0.03) |
| Asia Engineering Enterprise Corp. | Asia Cement Corporation (99.74) , Asia Investment Corp (0.07) |
| Bai Ding Investment Co., Ltd. | Far Eastern Department Stores Ltd (66.66), Bai-Yang Investment Co.,Ltd (33.34) |
| Asia Cement Corporation | Far Eastern New Century Corp. (21.17), Far Eastern Medical Foundation (5.12), Yuanta/P-shares Taiwan Dividend Plus ETF (3.75), China Life Insurance Co., Ltd. (2.38), Mega Bank(1.68), Labor Pension Fund Committee of Far Eastern New Century Corp. (1.63), Yuan Ding Investment Co., Ltd. (1.53), Far Eastern Department Stores Ltd. (1.41), Yuan Ze University (1.34), Far Eastern Memorial Foundation (1.24) |
| Asia Eastern University of Science and Technology | Asia Cement Corporation (50.00), Far Eastern New Century Corporation (50.00) |
| Far Eastern Medical Foundation | Y. Z. Hsu (76.90), He Zongyan (2.31), Wang Shu-peng (2.31), Hsu Wei Yuan (2.31), Huang Ying Chung (2.31), Douglas Tong Hsu (2.31), Laurence M. Yang (2.31), John Hsu (2.31), Johnny Shih (2.31), S.S. Hsu (2.31), Yu Wei San (2.31) |
| Far Eastern Memorial Foundation | Y. Z. Hsu (50.00), Hsu Yi Chu (50.00) |
| Yuan Ze University | U-Ming Marine Transport Corp. (55.21), Far Eastern Medical Foundation (26.05), Far Eastern New Century Corporation(Original from Far Eastern Textile Ltd.) (5.52), Fu Ming Transport Corp. (5.25), Far Eastern Memorial Foundation (4.91), Asia Cement Corporation (2.76), Connie Hsu (0.28), Y. Z. Hsu (0.10), Yu Chao-Chung (0.10) |
| Nan Shan Life Insurance Co., Ltd. | Ruenchen Investment Holding Co., Ltd. (89.5498), Ruen Hua Dyeing & Weaving Co., Ltd. (1.3441), Y. T. Du (1.1576), Ruen Tai Shing Co., Ltd. (0.9653), Ruentex Development Co., Ltd. (0.2319), Ruentex Industries Ltd. (0.2133), Yen Sin Corporation (0.1563), Ruentex Leasing Co., Ltd. (0.1319), Pan City Co., Ltd. (0.0945) |
| Chunghwa Post Co., Ltd. | Ministry of Transportation and Communication (100.00) |
| U-Ming Marine Transport Corp. | Asia Cement Corporation(39.25),Polaris Taiwan High Dividend Fund Account(4.36),Yuan Ding Investment Company(1.05),Yu Yuan Investment Co., Ltd(0.94),Asia Investment Corporation(0.92),Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds(0.76),Ya Li Transportation Corporation(0.75),Standard Chartered International Commercial Bank Business Department is entrusted with custody of ABS Direct Equity Fund Co., Ltd. - External Manager Asia Series 3 Investment Account(0.71),Ding Shen Investment Co., Ltd(0.67),The series funds PGIA international stock index of Progressive Global Investment Advisor Limited (PGIA) entrusted with JPMorgan Chase Bank N.A., Taipei Branch; USA(0.65) |
| U-Ming Marine Transport (Singapore) Private Limit | U-Ming Marine Transport Corp. (100.00) |
| Der Ching Investment Corp. | Asia Cement Corporation (99.99), Asia Investment Corp. (0.00) |

2.1.4 Directors' Professional Qualifications and Independent Directors' Independence Status

April 26, 2022

| Criteria Name | Professional Qualifications and Experience | Independence | Number of Other Public Companies Which the Individual is Concurrently Serving as an Independent Director |
|------------------|--|--|--|
| Douglas Hsu | <ul style="list-style-type: none"> - M.A. in Economics from Columbia University, USA. - More than 5 years of work experience in business and finance as well as work experience required for the Company's business. - Currently serves as the Chairman of the Company, Far Eastern New Century, Asia Cement Corporation, Oriental Union Chemical Corp., U-Ming Marine Transport Corporation, and Far Eastone Telecommunications, as well as the Vice Chairman of Far Eastern International Bank. | <ul style="list-style-type: none"> (1) Not a director, supervisor, or employee of a company controlled by the same person who has shares over half of the Company's director seats or voting rights. (2) Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position as the Company, or a spouse thereof. (3) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting, or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative remuneration exceeding NT\$500,000, or a spouse thereof. (4) Not been a person of any conditions defined in Article 30 of the Company Law. (5) Not elected on behalf of a government agency or corporate or as a representative of these organizations as defined in Article 27 of the Company Act. | 0 |
| Nancy Hsu | <ul style="list-style-type: none"> - Bachelor in the Department of Fashion Design, Shih Chien University - More than 5 years of work experience in business and finance as well as work experience required for the Company's business. - Currently serves as the President of the Company, Chairman of Bai-Yang Investment Co., and Director of Far Eastern Ai Mai Co., Ltd. | <ul style="list-style-type: none"> (1) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates a representative to serve as a director or supervisor of the Company in accordance with Paragraph 1 or Paragraph 2 of Article 27 of the Company Act. (2) Not a director, supervisor, or employee of a company controlled by the same person who has shares over half of the Company's director seats or voting rights. (3) Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position as the Company, or a spouse thereof. (4) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting, or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative remuneration exceeding NT\$500,000, or a spouse thereof. (5) Not been involved in any of the situations defined in Article 30 of the Company Act. | 0 |

| | | | |
|-------------------|--|---|----------|
| <p>Nicole Hsu</p> | <p>- Bachelor of Fine Arts in Interior Design from New York School of Interior Design and Bachelor of Arts from Simmons University in Boston, Massachusetts, United States.</p> <p>- More than 5 years of work experience in business and finance as well as work experience required for the Company's business.</p> <p>- Formerly served as the Senior Designer of Saladino Group Inc in New York.</p> | <p>(1) Not an employee of the Company or any of its affiliates.</p> <p>(2) Not a director or supervisor of the Company or any of its affiliates.</p> <p>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or is ranked in the top 10 in shareholdings.</p> <p>(4) Not a director, supervisor, or employee of a company controlled by the same person who has shares over half of the Company's director seats or voting rights.</p> <p>(5) Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position as the Company, or a spouse thereof.</p> <p>(6) Not a director, supervisor, managerial officer, or shareholder with 5% or more of the shares of a specific company or institution that has a financial or business relationship with the Company.</p> <p>(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting, or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative remuneration exceeding NT\$500,000, or a spouse thereof.</p> <p>(8) Not been a person of any conditions defined in Article 30 of the Company Law.</p> | <p>0</p> |
|-------------------|--|---|----------|

| | | | |
|-------------------|--|---|----------|
| <p>Philby Lee</p> | <p>- Graduated from the Department of Accounting, Northern Arizona University, United States.</p> <p>- More than 5 years of work experience in business, finance, and accounting as well as work experience required for the Company's business; holds an accountant certificate in the United States.</p> <p>- Currently serves as the Chairman of Far Eastern Big City Shopping Mall Co., Ltd., CEO of Comprehensive Efficiency and Retail Planning Headquarters of Far Eastern Group, and Director of Yuanshi Digital Technology Co., Ltd.</p> | <p>(1) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or is ranked in the top 10 in shareholdings.</p> <p>(2) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons mentioned in (1).</p> <p>(3) Not a director, supervisor, or employee of a company controlled by the same person who has shares over half of the Company's director seats or voting rights.</p> <p>(4) Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position as the Company, or a spouse thereof.</p> <p>(5) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting, or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative remuneration exceeding NT\$500,000, or a spouse thereof.</p> <p>(6) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.</p> <p>(7) Not been a person of any conditions defined in Article 30 of the Company Law.</p> | <p>0</p> |
| <p>Edward Wei</p> | <p>- MBA of University of Georgia, USA.</p> <p>- More than 5 years of work experience in business, finance, and accounting as well as work experience required for the Company's business; holds an accountant certificate.</p> <p>- Formerly served as the President of Deloitte & Touche, Director of Deloitte Touche Tohmatsu, Director of Deloitte China, Director of Child Welfare League Foundation, and Chairman of United Way of Taiwan.</p> <p>- Currently serves as the Company's Independent Director, Chairman of YCSY Co., Ltd., Director of Vanguard International Semiconductor Corporation (VIS), Director of MiTAC Holdings Corp., Director of Iron Force Industrial Co., Ltd., Independent Director of Taita Chemical Co., Ltd., Independent Director of Cathay Financial Holdings Co., Ltd., Independent Director of Cathay United Bank, and Independent Director of Cathay Securities Corporation.</p> | <p>1. In compliance with Articles 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies:</p> <p>(1) Not an employee of the Company or any of its affiliates.</p> <p>(2) Not a director or supervisor of the Company or any of its affiliates.</p> <p>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or is ranked in the top 10 in shareholdings.</p> <p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer mentioned in (1) or any of the persons mentioned in (2) and (3).</p> <p>(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates a representative to serve as a director or supervisor of the Company in accordance with Paragraph 1 or Paragraph 2 of Article 27 of the Company Act.</p> <p>(6) Not a director, supervisor, or employee of a company controlled by the same person who has shares over half of the Company's director seats or voting rights.</p> | <p>3</p> |

| | | | |
|-----------------------|--|--|---|
| Eugene You-Hsin Chien | <p>- Ph.D. in Aviation Engineering from New York University.</p> <p>- Has more than 5 years of work experience in business and finance as well as work experience required for the Company's business.</p> <p>- Formerly served as Professor and Chair of the Department of Aerospace Engineering at Tamkang University, Dean of the College of Engineering at Tamkang University, Minister of Environmental Protection Administration, Minister of Ministry of Transportation and Communications, Minister of Ministry of Foreign Affairs, Taiwan's Representative in the United Kingdom, and Legislator of Legislative Yuan.</p> <p>- Currently serves as the Company's Independent Director, Independent Director of EVA Airways Corporation, Director of ECOVE Environment Corporation, and Chairman of Taiwan Institute for Sustainable Energy.</p> | <p>(7) Not a director, supervisor, or employee of a company or institution with the same chairman of the board, president, or equivalent position as the Company, or a spouse thereof.</p> <p>(8) Not a director, supervisor, managerial officer, or shareholder with 5% or more of the shares of a specific company or institution that has a financial or business relationship with the Company.</p> <p>(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting, or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative remuneration exceeding NT\$500,000, or a spouse thereof. However, this does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.</p> <p>2. Not a spouse or relative within the second degree of kinship of any other director of the Company.</p> <p>3. Not been a person of any conditions defined in Article 30 of the Company Law.</p> | 1 |
| Dong Ding Yu | <p>- Ph.D. in Engineering from Stanford University, United States.</p> <p>- More than 5 years of work experience in business and finance as well as work experience required for the Company's business.</p> <p>- Formerly served as Assistant Professor at San Jose State University, United States and President of Elite Material Co., Ltd.</p> <p>- Currently serves as the Company's Independent Director, Chairmen of Elite Material Co., Ltd., and Director of New Asia Construction & Development Corporation.</p> | <p>4. Not elected on behalf of a government agency or corporate or as a representative of these organizations as defined in Article 27 of the Company Act.</p> | 0 |

2.1.5. Diversity and Independence of Board of Directors

(1) Diversity of the Board of Directors:

1. The Company has established the "Corporate Governance Principles", and the "Enhancing the Function of Board of Directors" chapter therein provides guidance on the diversity of the Board of Directors.
2. The Company adopts a candidate nomination system for the nomination and election of members of the Board of Directors. In addition to consulting the opinions of Independent Directors, the academic qualifications and professional experience of each candidate are also evaluated. The Company complies with the "Election Procedures of Directors and Supervisors" and the "Corporate Governance Principles" to ensure that diversity, independence, and stakeholders' opinions are taken into consideration.
3. Members of the Company's 19th Board of Directors (including 4 male directors and 3 female directors) highly specialize in business management, leadership, decision-making, and knowledge of related industries and

also have education backgrounds in economics, accounting, finance, sales, diplomacy, engineering, and management. Independent Directors account for 43%; the target percentage of female directors is at least 20%, and currently there are 3 female directors, accounting for 43%.

4. The performance evaluation of the Board of Directors is conducted every year in order to ensure that its members have diverse backgrounds and qualifications. The implementation of the diversity policy is as follows:

| Diversity Core Item/ Name | Gender | Age | Judgement on operations | Accounting and finance | Business management | Crisis management | Industry knowledge | International market perspective | Decision-making Leadership |
|------------------------------|--------|---------|-------------------------|------------------------|---------------------|-------------------|--------------------|----------------------------------|----------------------------|
| Douglas Hsu | M | Over 70 | V | V | V | V | V | V | V |
| Nancy Hsu | F | Over 70 | V | V | V | V | V | V | V |
| Nicole Hsu | F | 50-60 | V | ※ | V | V | V | V | V |
| Philby Lee | F | 50-60 | V | V | V | V | V | V | V |
| Edward Wei | M | Over 70 | V | V | V | V | V | V | V |
| Eugene You-Hsin Chien | M | Over 70 | V | V | V | V | V | V | V |
| Dong, Ding Yu | M | 60-70 | V | V | V | V | V | V | V |

※ Indicates partial ability.

Among the 3 Independent Directors, two have served a total term of office of 9 years and one has served less than 3 years.

(2) Independence of the Board of Directors:

Currently the Company's Board of Directors has a total of seven Directors, including three Independent Directors (accounting for 43%).

The three Independent Directors all comply with Articles 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and are not involved in any of the situations defined in Paragraph 3 and Paragraph 4 of Article 26-3 of the Securities and Exchange Act, including the restriction on the spousal relationship or familial relationship within the second degree of kinship among the directors. The Company's Board of Directors is independent (please refer to Page 16 of this Annual Report—Professional Qualifications of Directors and Disclosure of Independence of Independent Directors), and the Directors have different academic backgrounds, genders, and professional experience (please refer to Page 13 of this Annual Report—Director Information).

2.2 President, Vice President, Junior Vice President, and Managers of Departments and Branches

May1, 2021

| Title | Nationality | Name | Gender | Date effective | Shareholding | | Shareholding of spouses & minor children | | Curriculum vitae | Positions in other companies | Managers who are spouses or within two degrees of kinship | | |
|--|-------------|----------------|--------|----------------|--------------|------|--|------|---|---|---|------|----------|
| | | | | | Shares | % | Shares | % | | | Title | Name | Relation |
| President | R.O.C. | Nancy Hsu | F | Jun. 2, 2006 | 1,173,788 | 0.08 | 228,927 | 0.02 | Fashion Design, Shih Chien University, Taiwan | Chairman of Bai Yang Investment Co., Ltd.; Director of Far Eastern Ai Mai Co., Ltd. | - | - | - |
| Vice President, Merchandise Division | R.O.C. | Chris Liu | M | Mar. 20, 2007 | 0 | 0.00 | 0 | 0.00 | Master, Computer Science, Central Michigan University, U.S.A. | Director of Ya Tung Department Store Ltd.; Supervisor of Far Eastern Ai Mai Co., Ltd. | - | - | - |
| Vice President, Administration Division | R.O.C. | James Tang | M | Oct. 1, 2013 | 169 | 0.00 | 0 | 0.00 | Master, Laws, Soochow University, Taiwan, Master, Finance, University of Leicester , U.K Master, Laws, London School of Economics and Political Science , U.K | Director of Ding Shen Investment Co., Ltd., Supervisor of Pacific (China) Investment Co., Ltd. | - | - | - |
| Vice President, Operation Division | R.O.C. | Chang-Li Lin | M | Jul. 1, 2015 | 0 | 0.00 | 0 | 0.00 | Fine Arts, National Taiwan Normal University, Taiwan | Director of Far Eastern City Super Co., Ltd.; Supervisor of Ya Tung Department Stores Ltd. Chairman of Chubei New Century Shopping Mall | - | - | - |
| Junior Vice President, Construction Dept. | R.O.C. | Chin-Shih Liao | M | Sep. 1, 2011 | 336 | 0.00 | 60 | 0.00 | Electrical Engineering, National Chin-Yi University of Technology, Taiwan , Electrical Engineering Program, Yuan Ze University, Taiwan | - | - | - | - |
| Junior Vice President, Accounting Dept. | R.O.C. | Lily Y. T. Liu | F | Sep. 1, 2011 | 0 | 0.00 | 0 | 0.00 | Master, Accounting, National Taipei University, Taiwan | Supervisor of Far Eastern International Leasing Corporation | - | - | - |
| Junior Vice President, Top City Taichung Store | R.O.C. | Cho-Cheng Lan | M | Dec. 1, 2011 | 5,192 | 0.00 | 0 | 0.00 | International Business, Tunghai University, Taiwan MBA Program, Yuan Ze University, Taiwan | - | - | - | - |
| Junior Vice President, Food & Beverage Dept. | R.O.C. | Peter Chen | M | Jan. 15, 2014 | 2,132 | 0.00 | 0 | 0.00 | Executive Master of Business Administration, National Tsing Hua University, Taiwan | - | - | - | - |

| Title | Nationality | Name | Gender | Date effective | Shareholding | | Shareholding of spouses & minor children | | Curriculum vitae | Positions in other companies | Managers who are spouses or within two degrees of kinship | | |
|--|-------------|----------------|--------|----------------|--------------|------|--|------|---|--|---|------|----------|
| | | | | | Shares | % | Shares | % | | | Title | Name | Relation |
| Junior Vice President, Mega City Banqiao Store | R.O.C. | Chih-Yao Shih | M | Jan. 15, 2014 | 137 | 0.00 | 0 | 0.00 | Master, Business Administration, Saint John's University, U.S.A. | - | - | - | |
| Junior Vice President, Auditor Office | R.O.C. | Hwa-Ling Hsu | F | Aug. 12, 2014 | 0 | 0.00 | 0 | 0.00 | Master, Business Administration, Yuan Ze University, Taiwan | - | - | - | |
| Junior Vice President, Taoyuan Store | R.O.C. | Tian-Zuo Jiang | M | Jul. 13, 2015 | 563 | 0.00 | 0 | 0.00 | Economy, Fu Jen Catholic University, Taiwan | - | - | - | |
| Junior Vice President, Luxury Brands Dept. | R.O.C. | Rebecca Chan | F | Jul. 13, 2015 | 6,252 | 0.00 | 0 | 0.00 | Master, Business Administration, University of South Australia , AU | - | - | - | |
| Junior Vice President, Finance Dept. | R.O.C. | Greg Tseng | M | Jul. 13, 2015 | 0 | 0.00 | 0 | 0.00 | Department of Finance and Cooperative Management, National Taipei University, Taiwan Master, Political Economy, Nankai University, China | Director of Yuan Hsin Digital Payment Co.,Ltd. | - | - | - |
| Junior Vice President, Cosmetics, Ladies Goods Dept. | R.O.C. | Jason Wang | M | Jul. 27, 2017 | 860 | 0.00 | 0 | 0.00 | International Business, Fu Jen Catholic University, Taiwan | - | - | - | |
| Junior Vice President, Zhubei Store | R.O.C. | Wei-Hsing Hsu | M | Jan. 10, 2018 | 2,040 | 0.00 | 3,040 | 0.00 | Business Administration, Chinese Culture University, Taiwan | - | - | - | |
| Junior Vice President, Kaohsiung Store | R.O.C. | Chih-Kuo Mao | M | Jul. 31, 2018 | 0 | 0.00 | 0 | 0.00 | Saint Dominic's Catholic High School, Taiwan | - | - | - | |
| Junior Vice President, Women's Apparel Dept. | R.O.C. | Shawn Cheng | M | Sep. 27, 2019 | 0 | 0.00 | 0 | 0.00 | Department of Textiles and Clothing, Fu Jen Catholic University | - | - | - | |

| Title | Nationality | Name | Gender | Date effective | Shareholding | | Shareholding of spouses & minor children | | Curriculum vitae | Positions in other companies | Managers who are spouses or within two degrees of kinship | | |
|---|-------------|-----------|--------|----------------|--------------|------|--|------|---|------------------------------|---|------|----------|
| | | | | | Shares | % | Shares | % | | | Title | Name | Relation |
| Junior Vice President, Home Electrical Appliances Dept. | R.O.C. | Sophia Yu | F | Sep. 27, 2019 | 5,463 | 0.00 | 10,926 | 0.00 | National Chao-chou Senior High School, Taiwan | - | - | - | |

Note 1: No President, Vice President, or Senior Vice President of the Company have shares held in the name of other persons.

Note 2: The company neither issue employee stock options nor employee restricted stock options.

Note 3: Cases of the Company's Chairman and President being the same person, spouses, or relatives within the first degree of kinship: N/A.

3. Remuneration of Directors, President, and Vice Presidents

Remuneration Paid to Directors and Independent Directors

December 31, 2021 Unit: NT\$ thousand

| Title | Name | Remuneration | | | | | | | | Ratio of total remuneration (I+II+III+IV) over net income | Relevant compensation received by directors who are also employees | | | | | | | | Ratio of total remuneration (I+II+III+IV+V+VI+VII) to net income | | Remuneration paid to Directors from an invested company other than the Company's subsidiary | | | |
|----------------------|--|-----------------------|---|--------------------------------|---|---|--------|---------------------------|-----|---|--|-------|--------------------------------|-------|---|---|------|-------|--|-------|---|--------|--------|--------|
| | | Base Remuneration (I) | | Severance Pay and Pension (II) | | Directors' remuneration from distribution of earnings (III) | | Operating Allowances (IV) | | | Base Remuneration (I) | | Severance Pay and Pension (II) | | Directors' remuneration from distribution of earnings (III) | | | | | | | | | |
| | | A | B | A | B | A | B | A | B | | A | B | A | B | A | | B | | A | B | | | | |
| | | | | | | | | | | | | | | | | | Cash | Stock | Cash | Stock | | | | |
| Chairman | Douglas Tong Hsu | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Ding Ding Management Consultant Corp. Nancy Hsu | | | | | | | | | | | | | | | | | | | | | | | |
| | Far Eastern New Century Corporation. Nicole Hsu Chee Ching(retired) | 0 | 0 | 0 | 0 | 32,928 | 32,928 | 372 | 372 | 33,300 | 33,300 | 2.76% | 2.76% | 8,166 | 15,463 | 0 | 0 | 555 | 0 | 555 | 0 | 42,021 | 49,318 | 62,747 |
| | U-Li Investment company Philby Lee | | | | | | | | | | | | | | | | | | | | | | | |
| | Asia Cement orporation Jin-Lin Liang(retired) | | | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Edward Way | | | | | | | | | | | | | | | | | | | | | | | |
| | Eugene You-Hsin Chien | 0 | 0 | 0 | 0 | 2,324 | 2,324 | 360 | 360 | 2,684 | 2,684 | 0.22% | 0.22% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,684 | 2,684 | 0 |
| | Dong, Ding Yu | | | | | | | | | | | | | | | | | | | | | | | |

* Please disclose the remuneration policy, system, standard, and composition for determining independent directors' remuneration, and the correlation between duties, risk, and time input with the amount of remuneration. The Company's remuneration to directors includes directors' compensation and fees for executing business. Directors' compensation follows the Company's Articles of Incorporation. The Company shall set aside annual profit, if any, not more than 2.5 percent as directors' compensation. The actual percentage and amount of directors' compensation will be decided by the Board of Directors considering factors such as the responsibilities, time spent, performance evaluation, operating result of the Company and future business risks, and reported to the shareholders' meeting. Fees for executing business are mainly transportation expenses for presenting at the Board of Directors meeting. Additional attendance fee for presenting at the functional committee will be reimbursed to independent directors. All reimbursements are decided to be reasonable with reference to industry practice and standards of other listed companies.

In addition to the information disclosed in the table above, remuneration received by the Company's directors for their services (such as serving as a non-employee consultant to the parent company/all companies in the financial report/investees) in the most recent fiscal year: None.

* Representative of Far Eastern New Century Corporation: Chee Ching and Representative of Asia Cement Corporation: Jin-Lin Liang was retired in Jul 27,2021.

* The remuneration from 2021 distribution of earnings is proposed amount, not actual payment amount yet.

Range of Director Remuneration Chart

| Range of Compensation | Name of Directors | | | |
|---------------------------------|---|---|---|---|
| | Total of (I+II+III+IV) | | Total of (I+II+III+IV+V+VI+VII) | |
| | The Company | Companies in the consolidated financial statement | The Company | Parent company and all Affiliated Company |
| Under NT\$1,000,000 | Edward Way, Eugene You-Hsin Chien Dong, Ding Yu | Edward Way, Eugene You-Hsin Chien Dong, Ding Yu | Edward Way, Eugene You-Hsin Chien Dong, Ding Yu | Edward Way, Eugene You-Hsin Chien Dong, Ding Yu |
| NT\$1,000,000 ~ NT\$1,999,999 | - | - | - | - |
| NT\$2,000,000 ~ NT\$3,499,999 | - | - | - | - |
| NT\$3,500,000 ~ NT\$4,999,999 | Representative of Far Eastern New Century Corporation: Nicole Hsu, Chee Ching Representative of Asia Cement Corporation: Jin-Lin Liang Representative of Yuli Investments Corporation: Philby Lee | Representative of Far Eastern New Century Corporation: Nicole Hsu, Chee Ching Representative of Asia Cement Corporation: Jin-Lin Liang Representative of Yuli Investments Corporation: Philby Lee | Representative of Far Eastern New Century Corporation: Nicole Hsu, Chee Ching Representative of Asia Cement Corporation: Jin-Lin Liang Representative of Yuli Investments Corporation: Philby Lee | Representative of Far Eastern New Century Corporation: Nicole Hsu, Chee Ching Representative of Yuli Investments Corporation: Philby Lee |
| NT\$5,000,000 ~ NT\$9,999,999 | Douglas Tong Hsu Representative of Ding&Ding Management Consultants Co., Ltd: Nancy Hsu | Douglas Tong Hsu Representative of Ding&Ding Management Consultants Co., Ltd: Nancy Hsu | - | - |
| NT\$10,000,000 ~ NT\$14,999,999 | - | - | Douglas Tong Hsu Representative of Ding&Ding Management Consultants Co., Ltd: Nancy Hsu | Representative of Asia Cement Corporation: Jin-Lin Liang Representative of Ding&Ding Management Consultants Co., Ltd: Nancy Hsu |
| NT\$15,000,000 ~ NT\$29,999,999 | - | - | - | - |
| NT\$30,000,000 ~ NT\$49,999,999 | - | - | - | - |
| NT\$50,000,000 ~ NT\$99,999,999 | - | - | - | Douglas Tong Hsu |
| NT\$100,000,000 and over | - | - | - | - |
| Total | 9 | 9 | 9 | 9 |

Compensation Paid to President and Vice Presidents

December 31, 2021 Unit: NT\$ thousands

| Title | Name | Salary (I) | | Severance Pay and Pension (II) | | Compensation and Allowances (III) | | Employees' compensation from distribution of earnings (IV) | | | | Ratio of total remuneration (I+II+III+IV) to net income | | Compensation paid to the President and Executive Vice President from an invested company other than the subsidiary or the parent company |
|----------------|--------------|-------------|---|--------------------------------|--|-----------------------------------|---|--|-------|---|-------|---|---|--|
| | | The Company | Companies in the consolidated financial statement | The Company | Companies in the consolidated financial statement (Note 5) | The Company | Companies in the consolidated financial statement | The Company | | Companies in the consolidated financial statement | | The Company | Companies in the consolidated financial statement | |
| | | | | | | | | Cash | Stock | Cash | Stock | | | |
| President | Nancy Hsu | 12,277 | 12,845 | 270 | 270 | 18,732 | 18,732 | 1,542 | 0 | 1,542 | 0 | 32,821 2.72% | 33,389 2.76% | 144 |
| Vice President | Chris Liu | | | | | | | | | | | | | |
| | James Tang | | | | | | | | | | | | | |
| | Chang-Li Lin | | | | | | | | | | | | | |

* No severance and pension were actually paid this year. The amount listed are the company's contribution to employee's pension account, not actual amount paid.

* Compensation paid to president's driver is NT\$814 thousand.

Range of remuneration for the President and Vice Presidents

| Range of Compensation | Name of Presidents and Vice Presidents | |
|---------------------------------|--|--|
| | The Company | Parent company and all Affiliated Company |
| Under NT\$1,000,000 | - | - |
| NT\$1,000,000 ~ NT\$1,999,999 | - | - |
| NT\$2,000,000 ~ NT\$3,499,999 | - | - |
| NT\$3,500,000 ~ NT\$4,999,999 | - | - |
| NT\$5,000,000 ~ NT\$9,999,999 | Nancy Hsu, Chris Liu, James Tang, Chang-Li Lin | Nancy Hsu, Chris Liu, James Tang, Chang-Li Lin |
| NT\$10,000,000 ~ NT\$14,999,999 | - | - |
| NT\$15,000,000 ~ NT\$29,999,999 | - | - |
| NT\$30,000,000 ~ NT\$49,999,999 | - | - |
| NT\$50,000,000 ~ NT\$99,999,999 | - | - |
| NT\$100,000,000 and over | - | - |
| Total | 4 | 4 |

Compensation Paid to Managers

December 31, 2021 Unit: NT\$ thousands

| Title | Name | Employee Compensation-in Stock | Employee Compensation-in Cash | Total | Ratio of Total Amount to Net Income (%) |
|---|----------------|--------------------------------|-------------------------------|-------|---|
| President | Nancy Hsu | 0 | 4,046 | 4,046 | 0.33 |
| Vice President, Merchandise Division | Chris Liu | | | | |
| Vice President, Administration Division | James Tang | | | | |
| Vice President, Operation Division | Chang-Li Lin | | | | |
| Junior Vice President, Construction Dept. | Chin-Shih Liao | | | | |
| Junior Vice President, Accounting Dept. | Lily Y. T. Liu | | | | |
| Junior Vice President, Top City Taichung Store | Cho-Cheng Lan | | | | |
| Junior Vice President, Food & Beverage Dept. | Peter Chen | | | | |
| Junior Vice President, Mega City Banqiao Store | Chih-Yao Shih | | | | |
| Junior Vice President, Auditor Office | Hwa-Ling Hsu | | | | |
| Junior Vice President, Taoyuan Store | Tian-Zuo Jiang | | | | |
| Junior Vice President, Luxury Brands Dept. | Rebecca Chan | | | | |
| Junior Vice President, Finance Dept. | Greg Tseng | | | | |
| Junior Vice President, Cosmetics, Ladies Goods Dept. | Jason Wang | | | | |
| Junior Vice President, Zhubei Store | Wei- Hsing Hsu | | | | |
| Junior Vice President, Tainan Chenkong Store | Chih-Kuo Mao | | | | |
| Junior Vice President, Women's Fashion Dept. | Shawn Cheng | | | | |
| Junior Vice President, Home Electrical Appliances Dept. | Sophia Yu | | | | |

Note: Proposed amount of remuneration of 2021 earnings distribution.

Employees' Compensation Paid to Top 10 Employee

Unit: NT\$ thousands

| Title | Name | Stock Dividend | Cash Dividend | Total Amount |
|------------------------|----------------|----------------|---------------|--------------|
| President | Nancy Hsu | 0 | 2,733 | 2,733 |
| Vice Presidents | Chris Liu | | | |
| | James Tang | | | |
| | Chang-Li Lin | | | |
| Junior Vice Presidents | Chin-Shih Liao | | | |
| | Lily L. Y. Liu | | | |
| | Cho-Cheng Lan | | | |
| | Chih-Yao Shih | | | |
| | Greg Tseng | | | |
| | Rebecca Chan | | | |

Note: Proposed amount of remuneration of 2020 earnings distribution.

The remunerations to directors, presidents, and vice presidents

- (1) Analysis of the ratio of remuneration paid by the Company and by all companies included in the consolidated financial statements for the most recent two fiscal years to directors, president, and vice presidents of the Company to the net profit after taxes:

The ratio of remuneration paid by the Company and by all companies included in the consolidated financial statements for the most recent two fiscal years to directors, president, and vice presidents of the Company for 2021 to the net profit after taxes are 5.69% and 5.74%, respectively. In 2020, the remuneration paid to directors, presidents and vice-presidents accounted for 4.59% and 4.62% of the net profit after tax, respectively.

- (2) **Explain the relevance of remuneration policies, standards and combinations, procedures for determining remuneration and business performance**

- (A) Description of the policy, standard and combination of remuneration:

The remuneration paid to directors by the Company is in accordance with Article 27 of the Company's Articles of Incorporation. If the Company makes a profit during the year, no more than 2.5% shall be allocated as director remuneration. The ratio and amount of the actual distribution of director remuneration shall be determined by the Board of Directors considering its performance evaluation, the Company's operating results, targets achievements, future operating risks and other factors, and shall be reported to the shareholders meeting. In addition, business execution costs are mainly based on transportation fees, which are formulated with reference to the payment standards of relevant peers and listed companies.

The manager remuneration paid by the Company is divided into salaries, retirement pensions, bonuses and special expenses, plus employee remunerations, totaling four items. Among them, employee remuneration is handled in accordance with the Company's Articles of Incorporation, and the actual distribution rate, amount, and method are determined by the Board of Directors, and reported to the shareholders meeting. The overall remuneration package is based on the job title, with reference to the usual level of payment in the industry, and considering the reasonableness of the relationship with personal performance, company's operating performance including revenue growth, profit growth, or profit contribution, and future risks, and formulating incentive remuneration policies that can reasonably reflect performance.

- (B) Procedures for stipulating remuneration:

Set up a Remuneration Committee in accordance with the law, take into account the standards of relevant peers and listed companies, convene meetings to evaluate and determine the salary and remuneration of directors and managers, and submit the suggestions to the Board of Directors for discussion. If the Board of Directors resolutions reject or modify the committee's recommendations, it should be specifically stated, but if the Board of Directors resolution has a higher salary than the committee's recommendation, the relevant announcement and declaration shall be handled in accordance with the committee's organizational rules.

(C) Relevance to business performance:

Business performance directly affects remuneration.

(D) Relevance to future risks:

Operational performance and remuneration are based on systematic operation to avoid the risks of human operation and ensure the overall interests of the enterprise.

4. Corporate Governance

4.1. Board of Directors

Total 7 meetings (A) were convened by the Board of Directors from 2021 up to the Annual Report being published. Attendance of each Director is as follows:

| Title | Name | | Attendance in person (B) | Attendance by proxy | Meetings during the term of office (A) | Attendance rate (%) (B/A) | Remarks |
|----------------------|---------------------------------------|---------------|--------------------------|---------------------|--|---------------------------|---------------------------|
| Chairman | Douglas Tong Hsu | | 7 | 0 | 7 | 100 | - |
| Director | Ding Ding Management Consultant Corp. | Nancy Hsu | 7 | 0 | 7 | 100 | - |
| | Far Eastern New Century Corporation | Nicole Hsu | 7 | 0 | 7 | 100 | - |
| | Far Eastern New Century Corporation | Chee Ching | 2 | 1 | 3 | 67 | Resigned on July 27, 2021 |
| | U-Li Investment Company | Philby Lee | 6 | 1 | 7 | 86 | - |
| | Asia Cement Corporation | Jin-Lin Liang | 3 | 0 | 3 | 100 | Resigned on July 27, 2021 |
| Independent Director | Edward Way | | 7 | 0 | 7 | 100 | - |
| | Eugene You-Hsin Chien | | 7 | 0 | 7 | 100 | - |
| | Dong, Ding Yu | | 6 | 1 | 7 | 86 | - |

Other required disclosure:

- (1) In the event of any of the following situations related to Board operations, specify the date of the Board meeting, term, motion content, opinions of all independent directors, and the Company's response to the independent directors' opinions: N/A.
 - (A) Any circumstance described in Article 14-3 of the Securities and Exchange Act: Not applicable since The Company has established the Audit Committee.
 - (B) Except for the matters above, other resolutions adopted by the Board of Directors to which an independent director has a dissenting or qualified opinion that is on record or stated in a written statement: N/A.
- (2) Specify the name of directors, agenda item, reason for recusal, and participation in voting by directors who recused themselves from agenda items in which they had a conflict of interest: None.
- (3) Targets and measures of this and previous years established to improve the functionality of the Board of Directors and their execution results (for instance, the establishment of the audit committee, the improvement of information disclosure, etc.):
 The Company elected its Independent Directors in 2012 of which their independence and professionalism not only provides objective opinions on company matters but also elevates business operations and protects shareholders' equity. In addition, during the re-election of Directors in 2015, the Audit Committee was established, strengthening corporate governance.
 The Company has established methods for assessing the performance of the Board of Directors, including annual internal evaluations, and once every three years external professional independent organization or experts to perform evaluation. The evaluation results are used as reference for remuneration and re-election nomination. In addition, every important resolution of the Board of Directors is announced and published on the Company's website, and liability insurance is purchased for the Directors to enhance the transparency of information regarding the operations of the Company, and protect the rights and interests of shareholders.
- (4) TWSE/TPEx-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations conducted by the Board of Directors:

| Evaluation cycle | Evaluation period | Scope of evaluation | Evaluation method | Evaluation content |
|---|------------------------|--|--|--|
| Once a year | 6/22/2020 to 6/21/2021 | Performance evaluation of the Board of Directors, individual directors, the Audit Committee and Remuneration Committee | Internal self-evaluation of the Board of Directors, self-evaluation of directors, internal self-evaluation of the Audit Committee and Remuneration Committee | <ol style="list-style-type: none"> 1. Self-evaluation by Board members: Focus on the six major aspects of the Company's goals and tasks, awareness of directors' responsibilities, participation in company operations, internal relationship management and communication, directors' professional and continuous education, and internal control. 2. Performance Evaluation of the Board of Directors: Focusing on the five major aspects of the Board's participation in the Company's operations, improving the quality of board decisions, the composition and structure of the Board, the selection and continuing education of directors, and internal controls. 3. Performance Evaluation of the Audit Committee: Aimed at the five major aspects of the Audit Committee's participation in the Company's operations, awareness of the Audit Committee's responsibilities, improvement of the Audit Committee's decision-making quality, Audit Committee composition and member selection, and internal controls. 4. Performance Evaluation of the Remuneration Committee: Focusing on the five major aspects of the Remuneration Committee's participation in the Company's operations, the recognition of the compensation committee's responsibilities, the improvement of the decision-making quality of the compensation committee, the composition of the compensation committee, the selection of members, and internal controls. |
| <p>Note : To implement corporate governance, and enhance the functions of the Board of Directors, the Company carries out annual performance evaluations of the Board of Directors in accordance with the Company's "Rules for Performance Evaluation of the Board." The evaluation is also to be carried out by external professional independent institutes or external expert scholar teams at least once every 3 years. The Company has completed the 2021 external performance evaluation of the Board and reported to BOD in 2022 Q1 and disclosed the evaluation results on the corporate website.</p> | | | | |

4.2 Audit Committee

4.2.1 Responsibilities of the Audit Committee

The Audit Committee should consists of all independent directors and meets at least once a quarter. The Audit Committee is responsible to review the following major matters.

1. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control systems.
3. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
4. A matter bearing on the personal interest of a director.
5. Material asset or derivatives transaction.
6. Material lending funds, endorsement, or guarantees.
7. Offering, issuance, or private placement of any equity-type securities.
8. Hiring or dismissal of an attesting CPA, or the compensation given thereto.
9. Appointment or discharge of a financial, accounting, or internal auditing officers.
10. Annual financial reports and semi-annual financial reports.
11. Any other material matter so required by the Company or the competent authority.

◆ Audit of Financial Reporting

The Board of Directors has submitted the Company's 2021 Business Report, financial statements, and distribution of earnings. CPAs Shu-Chuan Yeh, Ming-Hsin Cuo from Deloitte Taiwan have audited the Company's financial statements and prepared an audit report. The Audit Committee has audited the aforementioned business report, financial statements, and distribution of earnings and found them to be

in order.

◆ Appointment of CPAs

The independence and adequacy of CPAs have been evaluated by the Audit Committee and Board of Directors on March 4, 2022. The CPAs have no relations of interests nor kinship with the Company, and maintained an impartial and objective attitude while providing professional service. The CPAs received a disinterested and independent written statement produced by the certifying accounting firm compliant with the regulations of independence and adequacy.

4.2.2 Audit Committee

The company has already set up an Audit Committee according to the law to strengthen corporate governance in 2015 board election.

Holding 7 times (A) of Audit Committee Meetings, the attendance status of Independent Directors from 2021 up to the Annual Report being published:

| Title | Name | Attendance in Person (B) | By Proxy | Meetings during their term of office (A) | Attendance Rate (%) (B/A) | Remarks |
|----------------------|-----------------------|--------------------------|----------|--|---------------------------|---------|
| Independent Director | Edward Way | 7 | 0 | 7 | 100 | - |
| Independent Director | Eugene You-Hsin Chien | 7 | 0 | 7 | 100 | - |
| Independent Director | Dong, Ding Yu | 6 | 1 | 7 | 86 | - |

Other required disclosure:

(1). If any of below listed-circumstances of operation of Audit Committee Meetings, it's necessary to be disclosed, including dates of Audit Committee meetings, sessions, the contents of motions, all independent opinions from Audit Committee members and the Company's response to Audit Committee's opinions :

A. Any circumstance described in Article 14-5 of the Securities and Exchange Act:

| Meeting Date (Term) | Important resolutions | Resolution results and the Company's response to the Audit Committee's opinions |
|---|--|---|
| 11th Meeting of the 2nd Term (March 23, 2021) | <ol style="list-style-type: none"> 1. Approved the Company's 2020 consolidated financial statements and individual financial statements. 2. Approved the Company's 2020 distribution of earnings proposal. 3. Approved the Company's internal audit report. 4. Approved the Company's 2020 "Statement on Internal Control". | <p>Approved by all presented committee members and submitted to the Board of Directors. Approved by all Directors present with no dissenting opinion expressed.</p> |
| 12th Meeting of the 2nd Term (May 5, 2021) | <ol style="list-style-type: none"> 1. Approved the Company's 2021 1st quarter financial report. 2. Approved the Company's internal audit report. 3. Approved the Company's 2020 business report. | |
| 13th Meeting of the 2nd Term, (July 6, 2021) | <ol style="list-style-type: none"> 1. Approved the Company's audit reports. 2. Approved the capital increase proposal for the subsidiary Bai-Yang Investment Co. | |
| 1st Meeting of the 3rd Term, (July 27, 2021) | <ol style="list-style-type: none"> 1. Approved the Company's 2021 2nd quarter financial report. | |
| 2nd Meeting of the 3rd Term, (Nov. 12, 2021) | <ol style="list-style-type: none"> 1. Approved the Company's 2021 3rd quarter financial report. 2. Approved the report on the Company's audit reports. 3. Approved the Company's 2022 audit plan. | |
| 3rd Meeting of the 3rd Term, (March 4, 2022) | <ol style="list-style-type: none"> 1. Approved the Company's 2021 consolidated financial statements and individual financial statements. 2. Approved the distribution of 2021 profit. 3. Approved the amendment to the Company's "Procedures for Acquisition or Disposition of Assets". 4. Approved the amendments to the Company's "Procedures for Lending Capital to Others" and "Procedures For Endorsements and Guarantees". 5. Approved the Company's audit reports. 6. Approved the Company's 2021 Statement on Internal Control System. | |
| 4rd Meeting of the 3rd Term, (May 11, 2022) | <ol style="list-style-type: none"> 1. Approved the Company's internal audit report. 2. Approved the Company's 2022 1st quarter financial report. 3. Approved the Company's 2021 business report. | |

- B. In addition to the matters above, any matters that were not passed by the Audit Committee but approved by more than two-thirds of all Directors: N/A.
- (2) If independent directors recused themselves from agenda items due to conflicts of interests, specify the director's name, agenda item, reason for recusal, and participation in voting: N/A.
- (3) Communications among Independent Directors and the Company's Chief Auditor and CPA (Including significant issues, methods, and resolutions of discussion regarding the Company's financial and business status) :
- A. Communication between independent directors and internal auditor:
- a. Independent directors convene the Audit Committee quarterly, take minutes of relevant discussions, and notify the Company's senior management of important discussions and resolutions. The chief internal auditor attended all such meetings in a non-voting capacity and reported on audit proposals to the independent directors, while reporting on the audits performed, improvements made and tracked, and major internal audit and internal control matters, and completing and reporting on the tasks assigned by the independent directors.
 - b. All audit reports shall be delivered to independent directors for inspection before the end of the next month after completion according to laws and regulations.
 - c. In addition to regular business reports to the Audit Committee, the Board of Directors and independent directors must: Depending on the degree of risk, conduct irregular communication and discussion when necessary, and the communication channel should be open.
- B. Communication between independent directors and accountants: The CPA appointed by the Company will report the results of the quarterly financial report review or review and other communications required by relevant laws and regulations at the quarterly Audit Committee meetings. If there are special circumstances, they will also report to the Audit Committee immediately. The Audit Committee of the Company communicates well with the CPA, and the independent directors have no special recommendations.
- C. Summary of communication between independent directors and internal auditors and accountants:
- a. Communication between independent directors and accountants

| Date/session | Main communicated points | Communication results and opinions |
|--|--|---|
| The 11th meeting of the 2nd Audit Committee on 3/23/2021 | Accountant's 2020 Consolidated and Individual Financial Reports | All presented committee members have approved and submitted to the Board of Directors |
| The 12th meeting of the 2nd Audit Committee on 5/5/2021 | Accountant's Consolidated Financial Report for the 1st quarter of 2021 | |
| The 1st meeting of the 3rd Audit Committee on 7/27/2021 | Accountant's Consolidated Financial Report for the 2nd Quarter of 2021 | |
| The 2ed meeting of the 3rd Audit Committee on 11/12/2021 | Accountants' Consolidated Financial Report for the 3rd Quarter of 2021 | |
| The 3th meeting of the 3rd Audit Committee on 3/4/2022 | Accountant's 2021 Consolidated and Individual Financial Reports | |
| The 4th meeting of the 3rd Audit Committee on 5/11/2022 | Accountant's Consolidated Financial Report for the 1st quarter of 2022 | |

| b. Communication between independent directors and internal auditors | | |
|--|--|--|
| Date/session | Main communicated points | Communication results and opinion |
| The 11th meeting of the 2nd Audit Committee on Mar. 23, 2021 The 12th meeting of the 18th Board of Directors on Mar. 23, 2021 | <ul style="list-style-type: none"> • Audit Report for the 4th quarter of 2020 • 2020 Statement on Internal Control | Approved by Audit Committee and Board of Directors, and publicly announced on schedule and reported to the securities authority. |
| The 12th meeting of the 2nd Audit Committee on May 5, 2021 The 13th meeting of the 18th Board of Directors on May 5, 2021 | <ul style="list-style-type: none"> • Audit Report for the 1st quarter of 2021 | |
| The 13rd meeting of the 2nd Audit Committee on July 6, 2021 The 14th meeting of the 18th Board of Directors on July 6, 2021 | <ul style="list-style-type: none"> • Audit Report for the 2nd quarter of 2021 | |
| The 2nd meeting of the 3rd Audit Committee on Nov. 12, 2021 The 2nd meeting of the 19th Board of Directors on Nov. 12, 2021 | <ul style="list-style-type: none"> • Audit Report for the 3rd quarter of 2021 • 2022 Auditing Plan | |
| The 3rd meeting of the 3rd Audit Committee on Mar. 4, 2022 The 3rd meeting of the 19th Board of Directors on Mar. 4, 2022 | <ul style="list-style-type: none"> • Audit Report for the 4th quarter of 2021 • 2021 Statement on Internal Control | |
| The 4th meeting of the 3rd Audit Committee on May 11, 2022 The 4th meeting of the 19th Board of Directors on May 11, 2022 | <ul style="list-style-type: none"> • Audit Report for the 1st quarter of 2022 | |

4.2.3 Communication outlines of Supervisors with the Board of Directors: Not applicable. The Company has set up an Audit Committee according to the law to strengthen corporate governance in its 2015 board election.

4.3 Corporate Governance Execution Results and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

| Assessment Items | Operating status | | | Discrepancy with industry standards in governance practices and reasons |
|---|------------------|----|---|---|
| | Yes | No | Summary | |
| 1. Does the Company abide by the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies when establishing and disclosing its Corporate Governance Best Practice Principles? | V | | The Company has established Corporate Governance Principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies". The Company has implemented these principles and disclosed them on the corporate website and the Market Observation Post System (MOPS). | No material difference. |
| 2. Shareholding structure and shareholders' equity of the Company | | | | |
| (1) Does the Company have the internal operating procedure for handling shareholders' suggestions, questions, disputes, or legal action in place and abide by it? | V | | The Company has established Corporate Governance Principles, with a specific chapter titled "Protection of Shareholders' Rights and Interests". Based on the Principles, the Company appointed a spokesperson, acting spokesperson, and the stock affairs agent "Oriental Securities Corporation" to handle suggestions or questions from shareholders to protect shareholders' rights and interests. In cases of disputes and lawsuits, the Company will hire lawyers to provide assistance depending on the situation. | No material difference. |
| (2) Does the Company possess a list of major shareholders and a list of ultimate owners of these major shareholders? | V | | Through its stock affairs agency, the Company keeps abreast of the list of major shareholders with actual control over the Company and the ultimate controllers of major shareholders, and reports any relevant changes in accordance with the "Rules Governing Information Reporting by Companies with TPEX Listed Securities" | No material difference. |
| (3) Does the Company have a risk management mechanism and "firewall" against its affiliates in place or implement it? | V | | The financial and business operations between the Company and the affiliated companies have established written regulations, and clearly set the price conditions and payment methods to eliminate unconventional transactions and reduce operating risks. In addition to formulating the "Subsidiary Supervision and Management Measures", the Company also formulated the "Procedures for Extending Loans to Others", "Procedures for Endorsements and Guarantees", "Procedures for the Acquisition or Disposal of Assets" and "Guidelines for Related Party Transaction Management", and other measures to establish risk management mechanisms and firewalls for personnel, assets, and finances between the Company and affiliated companies. | No material difference. |

| Assessment Items | Operating status | | | Discrepancy with industry standards in governance practices and reasons |
|---|------------------|----|---|---|
| | Yes | No | Summary | |
| (4) Does the Company have internal regulations in place to prevent its people from trading securities based on information yet to be public on the market? | V | | <p>The Company has established the "Procedures for Handling Material Inside Information", "Code of Ethics", and "Ethical Corporate Management Best Practice Principles", which stipulate that insiders of the Company may not use undisclosed information to purchase or sell securities. Such procedures and principles are announced to all Directors, management, and employees and disclosed on the corporate website (http://www.feds.com.tw) for all Company personnel to comply with so as to prevent violations or insider trading and promote the following:</p> <ol style="list-style-type: none"> 1. Insiders such as newly appointed directors and managers shall be given both the "Procedures for Applying for Handling Material Inside Information" and the latest edition of the "Regulations and Directions Governing Insiders' Equity at TWSE Listed Companies" compiled by TWSE for insiders to comply with. 2. The Company conducts irregular management training on the "Procedures of Applying for Handling Material Inside Information of the Company" and other law and regulations prohibiting Company insiders from using undisclosed information to trade securities. 3. Newly appointed managers and employees shall sign confidentiality agreements, and the Company shall inform them of the "Procedures of Applying for Handling Material Inside Information of the Company". 4. The implementation status is disclosed on the corporate website. | No material difference. |
| 3. Composition and Responsibilities of the Board of Directors | | | | |
| (1) Does the Board of Directors establish and consolidate the diversification policy for its composition? | V | | <p>The nomination and election of Board members are carried out by way of candidate nomination, with reference to the opinions of independent directors and the curriculum vitae of each member. The nomination and election are also carried out in compliance with the "Election Procedures of Directors and Supervisors" and the "Corporate Governance Principles" to ensure that diversity, independence, and stakeholders' opinions are taken into consideration.</p> <p>Members of the Company's 19th Board of Directors (4 male directors and 3 female directors) are highly specialized in business management, leadership and decision-making, and relevant industry knowledge, with education backgrounds in accounting, finance, sales, diplomacy, engineering, management, as well as information and communications technology. Independent director accounted for 43% of all directors. The Company has achieved its target of 20% female representation on the Board with 3 female directors accounting for 43% of all directors. The Board's diversity policies and their implementation status are detailed in Page20 and disclosed on the corporate website. The succession plan is detailed in Appendix 1.</p> | No material difference. |
| (2) Besides the Remuneration Committee and the Audit Committee set up according to law, does the Company have other types of functional committees in place that it | V | | <p>A "Remuneration Committee" was established on August 31, 2011 to strengthen corporate governance and improve the Company's compensation system. The committee convenes irregularly to examine and evaluate whether directors and managers are reasonably compensated.</p> <p>The Company has established its Remuneration Committee and Audit Committee according to the law, along with other functional committees such as the Personnel Evaluation Committee, the Market Development Committee, and the</p> | No material difference. |

| Assessment Items | Operating status | | | Discrepancy with industry standards in governance practices and reasons |
|--|------------------|----|---|---|
| | Yes | No | Summary | |
| spontaneously set up? | | | Budget Committee. Departments are responsible for corporate governance operations within the scope of their duties. Going forward, the Company shall establish other functional committees if necessary. | |
| (3) Has the Company established and implemented methods for assessing the performance of the Board of Directors, conducted performance evaluation annually, presented the performance evaluation results to the Board of Directors, and used the results as reference for individual director remuneration and re-election nomination? | V | | To implement corporate governance, enhance the functions of the Board of Directors, and set performance targets to improve the efficiency of the Board, the Company established "Rules for Performance Evaluation of the Board of Directors" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies". On the 7th meeting of the 18th Board of Directors on November 7, 2019, the Board approved amendments to the Rules to add that the performance evaluations of the Audit Committee and Remuneration Committee are to be carried out by external professional independent institutes or external expert scholar teams at least once every 3 years, and announced the Rules on the Company website. The "Performance Evaluation of the Board of Directors" is conducted every year. Members of the Board of Directors, Audit Committee, and Remuneration Committee were evaluated through a questionnaire in November 2021. The performance evaluation indicators are established according to the Company's operations and requirements to effectively improve the quality of Board decisions and its performance. The 2021 external performance evaluation of the Board of Directors was carried out by the EY Advisory Services Inc., and the evaluation results have been submitted to the Board of Directors in 2022 Q1 to be used as a reference for director nominations. | No material difference. |
| (4) Does the Company evaluate the independence of CPAs regularly? | V | | The accounting department of the Company evaluates the independence of CPAs once a year, and submits the results to the Audit Committee and the Board of Directors on March 4, 2022 for review and approval. The accounting department of the Company assessed that both CPAs, Shu-Chuan Yeh and Ming-Xin Zhuo, of Deloitte Taiwan meet the Company's independence assessment standards (Appendix 2), and are suitable to serve as CPAs of the Company. In addition, they have obtained the independent certification issued by the accounting firm. | No material difference. |
| 4. Does the TWSE/TPEX-listed company have a suitable number of competent corporate governance personnel? Has it appointed a chief governance officer responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, and preparing meeting minutes for Board meetings and shareholders' meetings)? | V | | The main responsibilities of the Head of Corporate Governance and the performance of said responsibilities are as follows: Handle matters related to Board of Directors' meetings and shareholders' meetings, and prepare minutes for those meetings in accordance with the law: 1. Draw up Board meeting agendas and notify Directors of these agendas at least seven days in advance, convene Board meetings and provide meeting information and materials, notify directors in advance if recusals are required for specific agendas due to conflicts of interest, and complete meeting minutes within 20 days after Board meetings. (1) Pre-register Board of Directors' meeting dates in accordance with the law; prepare meeting notices, meeting handbooks, and meeting minutes within the statutory time limit; and change the registered information when amendments are made to the Articles of Incorporation or when directors are re-elected. (2) Assist directors in taking office and undergoing continuing education and training: 2. Assist independent directors and other directors in | No material difference. |

| Assessment Items | Operating status | | | Discrepancy with industry standards in governance practices and reasons | | | | | | | | | | | | |
|--|---|-------|---|---|-----------|-------|------------|---|---|--|--|--|------------|-----------------------------|---|--|
| | Yes | No | Summary | | | | | | | | | | | | | |
| | | | <p>formulating annual continuing education plans and arranging courses according to the Company's industry characteristics and the education and professional background of directors.</p> <p>3. Provide directors with the information required for them to carry out their responsibilities and assist them in legal compliance:</p> <p>(1) Regularly notify Board members of the latest developments and amendments to rules and regulations related to the Company's field and corporate governance.</p> <p>(2) Review relevant confidentiality levels and provide company information required by directors to maintain smooth communication between directors and department supervisors.</p> <p>(3) Assist in arranging meetings between independent directors and the Chief Audit Executive or CPAs when necessary in accordance with the Corporate Governance Best Practice Principles.</p> <p>(4) Confirm whether the convening of shareholders' meetings and Board of Directors' meetings are in line with relevant laws and the Best Practice Principles of Ethical Corporate Management.</p> <p>(5) Assist and remind directors of regulations and suggestions that need to be followed when carrying out their duties or making formal resolutions in Board meetings.</p> <p>(6) Examine the announcement of major information regarding important resolutions passed by the Board of Directors and ensure the legality and accuracy of said announcements to ensure information symmetry for investment transactions.</p> <p>4. Other matters stipulated in the Company's Articles of Incorporation or contracts.</p> <p>Routine tasks related to corporate governance in 2021 are as follows:</p> <p>(1)Handled matters related to the Board meetings and the meetings of the Audit Committee and prepared minutes: Five Board meetings and five meetings of the Audit Committee.</p> <p>(2)Handled matters related to a shareholders' meeting and prepared the minutes of said meeting once.</p> <p>(3)Assisted directors with continuing education: Nine directors for a total of 88 hours.</p> <p>(4)Assisted in providing the materials required by the directors to perform their duties, including the relevant materials provided seven days before for a Board meeting and a meeting of the Audit Committee.</p> <p>(5)Assisted directors in complying with laws and regulations in the performance of duties or adopting formal resolutions at Board meetings</p> <p>4. Head of Corporate Governance training status:</p> <table border="1"> <thead> <tr> <th>Advanced study date</th> <th>Organizer</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>2021.03.25</td> <td>Accounting Research and Development Foundation (ARDF)</td> <td>3</td> </tr> <tr> <td colspan="3">New "Director and Supervisor Compensation" Rules and Corporate Governance Practice Study</td> </tr> <tr> <td>2021.08.20</td> <td>Taiwan Corporate Governance</td> <td>3</td> </tr> </tbody> </table> | Advanced study date | Organizer | Hours | 2021.03.25 | Accounting Research and Development Foundation (ARDF) | 3 | New "Director and Supervisor Compensation" Rules and Corporate Governance Practice Study | | | 2021.08.20 | Taiwan Corporate Governance | 3 | |
| Advanced study date | Organizer | Hours | | | | | | | | | | | | | | |
| 2021.03.25 | Accounting Research and Development Foundation (ARDF) | 3 | | | | | | | | | | | | | | |
| New "Director and Supervisor Compensation" Rules and Corporate Governance Practice Study | | | | | | | | | | | | | | | | |
| 2021.08.20 | Taiwan Corporate Governance | 3 | | | | | | | | | | | | | | |

| Assessment Items | Operating status | | | Discrepancy with industry standards in governance practices and reasons | | | | | | | | | | | | | | | | | | |
|---|--|----|---|---|-------------|--|---|--|--|------------|--|---|--|--|--|------------|---|---|---|--|--|--|
| | Yes | No | Summary | | | | | | | | | | | | | | | | | | | |
| | | | <table border="1"> <tr> <td></td> <td>Association</td> <td></td> </tr> <tr> <td colspan="3">A Lecture that Director of the Board Should Know: Global Risk Awareness</td> </tr> <tr> <td>2021.09.01</td> <td>Financial Supervisory Commission R.O.C. (Taiwan)</td> <td>3</td> </tr> <tr> <td colspan="3">The 13th Taipei Corporate Governance Forum (Afternoon session)</td> </tr> <tr> <td>2021.11.18</td> <td>Taiwan Corporate Governance Association</td> <td>3</td> </tr> <tr> <td colspan="3">Case Studies of Hostile Mergers and Acquisitions, Consent with management rights, and Corporate Countermeasures</td> </tr> </table> | | Association | | A Lecture that Director of the Board Should Know: Global Risk Awareness | | | 2021.09.01 | Financial Supervisory Commission R.O.C. (Taiwan) | 3 | The 13th Taipei Corporate Governance Forum (Afternoon session) | | | 2021.11.18 | Taiwan Corporate Governance Association | 3 | Case Studies of Hostile Mergers and Acquisitions, Consent with management rights, and Corporate Countermeasures | | | |
| | Association | | | | | | | | | | | | | | | | | | | | | |
| A Lecture that Director of the Board Should Know: Global Risk Awareness | | | | | | | | | | | | | | | | | | | | | | |
| 2021.09.01 | Financial Supervisory Commission R.O.C. (Taiwan) | 3 | | | | | | | | | | | | | | | | | | | | |
| The 13th Taipei Corporate Governance Forum (Afternoon session) | | | | | | | | | | | | | | | | | | | | | | |
| 2021.11.18 | Taiwan Corporate Governance Association | 3 | | | | | | | | | | | | | | | | | | | | |
| Case Studies of Hostile Mergers and Acquisitions, Consent with management rights, and Corporate Countermeasures | | | | | | | | | | | | | | | | | | | | | | |
| 5. Does the Company have a communication channel in place with stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and set up a stakeholders only section on its website to properly address stakeholders' concerns such important corporate social responsibilities? | V | | There is a stakeholder communication channel in Company Official Website, and the Company's CSR website has a dedicated section for stakeholders. All stakeholders can communicate with the Company at any time. At the same time, a complete system and handling mechanisms have been established to respond to the important corporate social responsibility issues concerning the stakeholders in real-time. | No material difference. | | | | | | | | | | | | | | | | | | |
| 6. Has the Company entrusted a professional shareholder services agent to handle shareholders' meeting matters? | V | | The Company has appointed the Stock Transfer Agent Department of Oriental Securities Corporation to serve as a stock transfer agent and assist in handling matters related to shareholders' meetings. | No material difference. | | | | | | | | | | | | | | | | | | |
| 7. Disclosure of information | | | | | | | | | | | | | | | | | | | | | | |
| (1) Has the Company established a corporate website to disclose information regarding the Company's financial, business and corporate governance status? | V | | A shareholders' section has been established on the corporate website in Chinese and English to disclose comprehensive information regarding financial statements and revenues, major news, and corporate governance information. URL: http://www.feds.com.tw | No material difference. | | | | | | | | | | | | | | | | | | |
| (2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)? | V | | The Company has established and implemented a spokesperson and acting spokesperson system to hold irregular investor conferences and announce public information. The Company has also appointed designated personnel to compile company information and disclose major news on MOPS. The corporate website has a shareholders' section in both Chinese and English. | No material difference. | | | | | | | | | | | | | | | | | | |
| (3) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and | | V | In accordance with Article 36 of the Securities and Exchange Act, the Company announces and declares its annual financial report within three months after the end of each fiscal year, the quarterly financial reports within 45 days after the end of the first, second, and third quarters, and the monthly operating status before the 10th day of each month. | The Company handles the reporting in accordance with Article 36 of the Securities | | | | | | | | | | | | | | | | | | |

| Assessment Items | Operating status | | | Discrepancy with industry standards in governance practices and reasons and Exchange Act. |
|---|------------------|----|---|---|
| | Yes | No | Summary | |
| announce and report Q1, Q2, and Q3 financial statements, as well as monthly operating status before the prescribed time limit? | | | | |
| 8. Does the Company have other important information to facilitate better understanding of the its corporate governance practices (including without limitation employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)? | V | | <ol style="list-style-type: none"> 1. Employee rights and interest: The Company and its affiliated companies have always adhered to the founding spirit of The Far Eastern Group, namely "Sincerity, Diligence, Thrift, Prudence and Innovation", to encourage employees and treat them with integrity while safeguarding employee rights and interests in accordance with the Labor Standards Act. 2. Employee care: To improve the living and safety standards of employees, the Company and its affiliates implemented various employee care measures such as insurance for employees and their dependents, employee health checkups, solatium for injuries and illnesses, and hospital treatment discounts at Far Eastern Memorial Hospital. 3. Investor relations: The Company has appointed dedicated personnel to handle suggestions and questions from investors in order to maintain a good channel of communication between investors and the Company. 4. Supplier relations: The Company have always maintained good long-term partnerships with suppliers based on mutual trust and benefits in order to provide customers with products that meet their needs. 5. Stakeholders' rights: Stakeholders may establish communication with the Company and offer suggestions to protect their legal rights and interests. They may also look up financial, business and corporate governance information on the corporate website. 6. Continuing education for director and managers: See Appendix 3 and Appendix 4. 7. The Company's risk management policy follows the relevant regulations and the Group's corporate culture of honest management. Through the operation of the Board of Directors, the Company has formulated various management policies and internal control regulations and systems for all departments and divisions to comply with. Risk identification, assessment, and avoidance are implemented and managed by each business and administrative departments and audited by the Internal Audit Department through planned, project, or for-cause audits. Audit results are regularly reported to the Company for decision-making, allowing the Company to adjust and revise its risk management policies appropriately. (For the relevant implementation status, refer to VI. Review and Analysis of Risk Issues in Chapter 7. Risk Analysis and Assessment) 8. Implementation of Customer Policies: Regarding customer policies for all consumers, the strategies we have adopted are as follows: In terms of products, we provide high-quality and diversified products and kept up with changes in the market, constantly introducing new brands to maintain product competitiveness. In terms of management, in addition to the launching ISO quality management system and implementing standardized operating procedures, all stores regularly hold supervisor meetings, striving to do the | No material difference. |

| Assessment Items | Operating status | | | Discrepancy with industry standards in governance practices and reasons |
|------------------|------------------|----|---|---|
| | Yes | No | Summary | |
| | | | <p>best in terms of relevant hardware equipment and sales services and take care of customers.</p> <p>9. Liability insurance purchased for directors by the Company: The Company purchased liability insurance for all directors on June 30, 2021, reducing the legal risks and financial liabilities of directors, thereby protecting directors from possible damage in performing their duties. The purchase was reported to the Board of Directors on July 6, 2021.</p> <p>10. Relevant certifications obtained by personnel related to financial information transparency as required by the competent authority: See Appendix 5.</p> | |

Appendix 1. Succession planning and management goals for board members and important management

- In the succession plan of the Company's board members and important management, the successor should not only have excellent academic experience, professional knowledge and excellent work ability, but also the business philosophy must be consistent with the Company. The successors understand and agree with the Company's business philosophies of integrity, diligence, simplicity, caution, and innovation and the participation of the Company's business goals, the communication of the business team, and the status of the industry.
- In order to ensure that directors and successors can immediately grasp the ever-changing management and competitive environment and corporate governance related laws, the Company also plans various exclusive courses for directors to ensure that corporate governance is up to date.
- Regarding important management personnel, the Company would plan a series of annual training courses and special management training programs to identify and actively train the management and operation succession talents required for the continuous operation of the stores. The course content is mainly to strengthen management, operation and foreign language skills, and with performance and promotion, gradually strengthen the internal high-quality talent pool to ensure sustainable operation.

Appendix 2. CPA independence assessment criteria

| Assessment Items | Assessment result | Compliance |
|---|-------------------|------------|
| 1. Whether the accountant has a direct or significant indirect financial relationship with the Company. | No | Yes |
| 2. Whether the accountant has any financing or guarantee actions with the Company or its directors. | No | Yes |
| 3. Whether the accountant has a potential employment relationship with the Company. | No | Yes |
| 4. Whether accountants and members of the audit service team currently serve or have served within the last two years as directors, supervisors, managers, or positions that have a significant influence on audit cases. | No | Yes |
| 5. Whether the accountant has provided non-audit services to the Company that will directly affect the important items of the audit case. | No | Yes |
| 6. Whether the accountant promotes or mediates the stocks or other securities issued by the Company. | No | Yes |
| 7. Whether the accountant serves as a defender of the Company, or on behalf of the Company to coordinate conflicts with other third parties. | No | Yes |
| 8. Whether the accountant is related to the Company's directors, managers, or persons with positions that have a significant influence on the audit case. | No | Yes |

Appendix 3. Board Directors' training status:

| Title | Name | Advanced study date | | Organizer | Hours |
|----------|------------------|---|------------|---------------------------------------|-------|
| | | Start | End | | |
| Chairman | Douglas Tong Hsu | 2021.09.08 | 2021.09.08 | Taiwan Academy of Banking and Finance | 3 |
| | | Corporate Governance Lecture - Digital Transformation | | | |
| | | 2021.11.10 | 2021.11.10 | Taiwan Academy of Banking and Finance | 3 |
| | | Corporate Governance Lecture | | | |

| Assessment Items | | Operating status | | | | Discrepancy with industry standards in governance practices and reasons | |
|---|-----------------------|---|------------|---|--|---|--|
| | | Yes | No | Summary | | | |
| Director | Nancy Hsu | 2021.09.08 | 2021.09.08 | Taiwan Academy of Banking and Finance | | 3 | |
| | | Corporate Governance Lecture - Digital Transformation | | | | | |
| | | 2021.11.10 | 2021.11.10 | Taiwan Academy of Banking and Finance | | 3 | |
| | | Corporate Governance Lecture | | | | | |
| Director | Nicole Hsu | 2021.09.01 | 2021.09.01 | Financial Supervisory Commission | | 3 | |
| | | 13th Taipei Corporate Governance Forum (morning session) | | | | | |
| | | 2021.09.01 | 2021.09.01 | Financial Supervisory Commission | | 3 | |
| | | 13th Taipei Corporate Governance Forum (afternoon session) | | | | | |
| | | 2021.10.25 | 2021.10.25 | Taiwan Corporate Governance Association | | 3 | |
| | | Risk and Opportunities under the Megatrend of ESG/Sustainability | | | | | |
| | | 2021.11.19 | 2021.11.19 | Taiwan Corporate Governance Association | | 3 | |
| Enterprise Risk Management | | | | | | | |
| Director | Philby Lee | 2021.09.01 | 2021.09.01 | Financial Supervisory Commission | | 3 | |
| | | 13th Taipei Corporate Governance Forum (morning session) | | | | | |
| | | 2021.12.10 | 2021.12.10 | Digital Governance Association | | 3 | |
| | | Legal Management and Risk Control regarding Business Mergers and Acquisitions | | | | | |
| Independent Director | Eugene You-Hsin Chien | 2021.01.28 | 2021.01.28 | Taiwan Institute for Sustainable Energy | | 2 | |
| | | The 23rd CEO Lecture and Keynote Speech | | | | | |
| | | 2021.04.29 | 2021.04.29 | Taiwan Institute for Sustainable Energy | | 2 | |
| | | The 24th CEO Lecture and Keynote Speech | | | | | |
| | | 2021.07.29 | 2021.07.29 | Taiwan Institute for Sustainable Energy | | 2 | |
| | | The 25th CEO Lecture and Keynote Speech | | | | | |
| | | 2021.10.28 | 2021.10.28 | Taiwan Institute for Sustainable Energy | | 2 | |
| The 26th CEO Lecture and Keynote Speech | | | | | | | |
| Independent Director | Edward Way | 2021.02.25 | 2021.02.25 | Taiwan Corporate Governance Association | | 1 | |
| | | Turning Point in the Strategy of International Old Companies - A Lesson on Sustainability | | | | | |
| | | 2021.04.28 | 2021.04.28 | Taiwan Corporate Governance Association | | 1 | |
| | | How Issuing Companies can Implement ESG - from Foreign Investors' Point of View and Voting Behavior | | | | | |
| | | 2021.06.24 | 2021.06.24 | Taiwan Academy of Banking and Finance | | 3 | |
| | | Corporate Governance Lecture - Fintech Series (session 6) | | | | | |
| | | 2021.07.29 | 2021.07.29 | Securities & Futures Institute | | 3 | |
| | | Cybersecurity Governance Practice of the Board of Directors | | | | | |
| | | 2021.09.01 | 2021.09.01 | Financial Supervisory Commission | | 3 | |
| | | 13th Taipei Corporate Governance Forum (afternoon session) | | | | | |
| | | 2021.09.08 | 2021.09.08 | Taiwan Academy of Banking and Finance | | 3 | |
| | | Corporate Governance Lecture - Digital Transformation | | | | | |
| | | 2021.11.05 | 2021.11.05 | Securities & Futures Institute | | 3 | |

| Assessment Items | Operating status | | | Discrepancy with industry standards in governance practices and reasons | |
|------------------------------|---|--|---|---|---|
| | Yes | No | Summary | | |
| Independent Director | Dong, Ding Yu | Directors and Supervisors (Including Independent) and Corporate Governance Executives Advanced Seminar - Awareness of Global Risks - Opportunities and Challenges in the Next 10 Years | | | |
| | | 2021.11.10 | 2021.11.10 | Taiwan Academy of Banking and Finance | 3 |
| | | Corporate Governance Lecture | | | |
| | | 2021.11.17 | 2021.11.17 | Securities & Futures Institute | 3 |
| | | Directors and Supervisors (Including Independent) and Corporate Governance Executives Advanced Seminar - Discussion on the Remuneration to Employees and Directors - Article 14 of the Securities and Exchange Act | | | |
| | | 2021.12.10 | 2021.12.10 | Taiwan Corporate Governance Association | 3 |
| | Dong, Ding Yu | How Corporates Create Differentiation under the Trend of ESG | | | |
| | | 2021.04.14 | 2021.04.14 | Independent Director Association Taiwan | 3 |
| | | Tips for Merger and Acquisition Strategies and Enterprise Transformation from Board of Directors' Point of View | | | |
| | | 2021.04.28 | 2021.04.28 | Taiwan Corporate Governance Association | 3 |
| | | Accelerators of Corporate Sustainability - CSR, ESG and SDGs | | | |
| | | 2021.05.07 | 2021.05.07 | Independent Director Association Taiwan | 3 |
| | | In-depth Analysis of Financial Reports for Chairpersons | | | |
| | | 2021.07.28 | 2021.07.28 | Taiwan Corporate Governance Association | 3 |
| Dong, Ding Yu | How to Create Win-Win-Win Situations for Corporate Digital Transformation while Mitigating AI Safety Risk | | | | |
| | 2021.09.08 | 2021.09.08 | Taiwan Academy of Banking and Finance | 3 | |
| | Corporate Governance Lecture - Digital Transformation | | | | |
| | 2021.09.30 | 2021.09.30 | Independent Director Association Taiwan | 3 | |
| | "Academy for Elite Independent Directors" - [Master Class for Independent Directors and Corporate Governance] | | | | |
| | 2021.11.10 | 2021.11.10 | Taiwan Academy of Banking and Finance | 3 | |
| Corporate Governance Lecture | | | | | |

(The above data are as of 12/31/2021)

Appendix 4. Advanced studies for managers

| Title | Name | Advanced study date | | Organizer | Hours |
|----------------|------------|--|------------|---------------------------------------|-------|
| | | Start | End | | |
| President | Nancy Hsu | 2021.09.08 | 2021.09.08 | Taiwan Academy of Banking and Finance | 3 |
| | | Corporate Governance Seminar - Enterprise Digital Transformation | | | |
| | | 2021.11.10 | 2021.11.10 | Taiwan Academy of Banking and Finance | 3 |
| Vice President | James Tang | Corporate Governance Seminar | | | |
| | | 2021.09.08 | 2021.09.08 | Taiwan Academy of Banking and Finance | 3 |
| | | Corporate Governance Seminar - Enterprise Digital Transformation | | | |
| Vice | Chang-Li | 2021.11.10 | 2021.11.10 | Taiwan Academy of Banking and Finance | 3 |
| | | Corporate Governance Seminar | | | |
| Vice | Chang-Li | 2021.09.08 | 2021.09.08 | Taiwan Academy of Banking and Finance | 3 |

| Assessment Items | | Operating status | | | | Discrepancy with industry standards in governance practices and reasons |
|---|---------------|---|------------|---|--|---|
| | | Yes | No | Summary | | |
| President | Lin | Corporate Governance Seminar - Enterprise Digital Transformation | | | | 3 |
| | | 2021.11.10 | 2021.11.10 | Taiwan Academy of Banking and Finance | | |
| Vice President | Chris Liu | Corporate Governance Seminar | | | | 3 |
| | | 2021.09.08 | 2021.09.08 | Taiwan Academy of Banking and Finance | | |
| | | Corporate Governance Seminar - Enterprise Digital Transformation | | | | |
| | | 2021.11.10 | 2021.11.10 | Taiwan Academy of Banking and Finance | | |
| Junior Vice President | Hwa-Ling Hsu | Corporate Governance Seminar | | | | 6 |
| | | 2021.06.22 | 2021.06.22 | The Institute of Internal Auditors, R.O.C. | | |
| | | Required knowledge of labor law for supervisors at all levels: recruitment interviews, general and special management of workers on-the-job, and performance appraisals | | | | |
| | | 2021.07.21 | 2021.07.21 | The Institute of Internal Auditors, R.O.C. | | |
| Junior Vice President | Lily Y.T. Liu | Business contract management and auditing practices | | | | 3 |
| | | 2021.03.25 | 2021.03.25 | Accounting Research and Development Foundation (ARDF) | | |
| | | New "Director and Supervisor Compensation" Rules and Corporate Governance Practice Study | | | | |
| | | 2021.08.20 | 2021.08.20 | Taiwan Corporate Governance Association | | |
| | | A Lecture that Director of the Board Should Know: Global Risk Awareness | | | | |
| | | 2021.09.01 | 2021.09.01 | Financial Supervisory Commission R.O.C. (Taiwan) | | |
| | | The 13th Taipei Corporate Governance Forum (Afternoon session) | | | | |
| | | 2021.11.18 | 2021.11.18 | Taiwan Corporate Governance Association | | |
| | | Case Studies of Hostile Mergers and Acquisitions, Consent with management rights, and Corporate Countermeasures | | | | |
| | | 2021.12.09 | 2021.12.09 | Taiwan Stock Affairs Association | | |
| | | The 72nd Joint Stockholders' Forum (Keynote Speech - Shareholders' Meeting and Relevant Laws and Regulations Proxy Form) | | | | |
| 2021.12.16 | 2021.12.17 | Accounting Research and Development Foundation (ARDF) | | | | |
| Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer | | | | | | |

(The above data are as of 12/31/2021)

Appendix 5. Certificates designated by the competent authority held by the Company's personnel involved in transparency of financial information:

| Department \ Certification | The Company | | | All companies in the Financial Report | | |
|-------------------------------------|--------------|-----------------|------------|---------------------------------------|-----------------|------------|
| | Finance unit | Accounting unit | Audit unit | Finance unit | Accounting unit | Audit unit |
| Republic of China Accountant | 1 | 1 | 1 | 2 | 2 | 1 |
| Chinese Accountant | | | | | 2 | |
| Chinese Intermediate Accountant | | | | 1 | 8 | |
| Chinese Junior Accountant | | | | 5 | 6 | |
| Senior Commercial Accountant (ACCA) | | | | | 1 | |

| Assessment Items | Operating status | | | | | | Discrepancy with industry standards in governance practices and reasons |
|--|------------------|----|---------|----|---|----|---|
| | Yes | No | Summary | | | | |
| International Registered Internal Auditors | | | | | | 1 | |
| Intermediate Accountant Title | | | | | | 1 | |
| Junior Accountant Title | | | | 1 | | 1 | 1 |
| Accounting Qualification Certificate | | | | | 2 | 4 | |
| Class C Technical Certification for Accounting Services | 2 | 5 | 3 | 3 | | 12 | 4 |
| Basic proficiency test for internal control | 1 | | | | 1 | 1 | 1 |
| Accounting Proficiency Test Level 3 computer accounting | | | 1 | 5 | | 1 | 1 |
| International Certified Internal Auditor | | | | 1 | 1 | | 1 |
| Computer Audit Software Application Engineer (JCCP) | | | | 17 | | | 17 |
| International Computer Audit Software Application Engineer (ICCP) | | | | 9 | | | 9 |
| Bank internal control and internal audit | 1 | | | 2 | 2 | 2 | 2 |
| Leading auditor of information security management system | | | | 2 | | | 2 |
| Internal auditor of energy management system ISO 50001 | | | | 1 | | | 1 |
| Environmental Management System Lead Auditor ISO14001 | | | | 1 | | | 1 |
| Quality management system lead auditor ISO9001 | | | | 1 | | | 1 |
| Occupational safety and health management system lead auditor ISO45001 | | | | 1 | | | 1 |
| SME financial personnel | 1 | | | | 2 | | |
| Financial planning personnel | 1 | 1 | | | 2 | 1 | |
| Securities practitioner qualification certificate | | | | | | 1 | |
| Securities investment analyst | | | | 1 | 1 | | 1 |
| Senior securities sales clerk | 2 | | | 1 | 4 | | 1 |
| Securities firm salesperson | | | | 2 | 1 | 1 | 2 |
| Securities investment and trust investment advisory salesperson | | | | 2 | | | 2 |
| Qualification Test for Advanced Calculation of Equity Capital Adequacy Ratio of Securities Firms | | | | 1 | | | 1 |
| Securities trading, margin financing and securities lending business personnel | | | | 1 | | | 1 |
| Securities lending business personnel | | | | 1 | | | 1 |
| Derivative Financial Commodities Salesperson Qualification Test | | | | 1 | | | 1 |
| Trust agents | 1 | | | 2 | 2 | 3 | 2 |
| Bookkeeper | | 1 | | 1 | | 1 | 1 |
| Professional Aptitude Test for Beginners | 1 | | | | 1 | | |
| Structured Commodity Salesperson Qualification Test | 1 | | | | 1 | | |
| Real estate brokerage salesperson | 1 | | | | 1 | | |

| Assessment Items | Operating status | | | | | | Discrepancy with industry standards in governance practices and reasons |
|---|------------------|----|---------|---|---|---|---|
| | Yes | No | Summary | | | | |
| Foreign currency receipt and payment insurance certificate | 1 | | | | 1 | | |
| Property insurance salesperson | 1 | | | 2 | 1 | | 2 |
| Life insurance salesperson | 5 | | | 2 | 5 | | 2 |
| Futures dealer salesperson | 1 | | | 2 | 1 | 1 | 2 |
| Common knowledge and professional ethics of the financial market | 2 | 1 | | 3 | 2 | 1 | 3 |
| Corporate governance basic ability test | 1 | | | | 1 | | |
| Professional subject test for stock affairs personnel | 1 | | | | 1 | | |
| Wealth management personnel | | | | 1 | | | 1 |
| Qualification Training Course for Personnel on Money Laundering Prevention and Countering Terrorism Financing | | | | 1 | | | 1 |
| Enterprise e-Assistant Planner | | | | 1 | | | 1 |
| Project Management Planning | | | | 1 | | | 1 |
| ERP software application engineer | | | | 1 | | | 1 |

(9) Base on the result of "Corporate governance Evaluation" announced by TWSE (Taiwan Stock Exchange Corporation) in a recent year to illustrate the status of matters have been already improved and priority measures to reinforce matters have not been improved:

The Company ranked top 20% of the "Corporate Governance Evaluation" in 2021 and continued to take effort and to optimize the Company's website and the content of annual report such as the English information in corporate website.

4.4 Composition, duties, and operation of the Remuneration Committee

1. Remuneration Committee member information

| Title | Criteria Name | Professional qualifications and experience (Note 2) | Independence status | Number of publicly listed companies where the individual serves as a member of the emuneration Committee concurrently |
|---------------------------------------|-----------------------------|--|---|--|
| Independent director (Convener) | Edward Way | Please refer to Table 1 on page18 for the disclosed information on the directors' professional qualifications and the independent directors' independence. | (1)Not an employee of the Company or its affiliates. (2)Not a director or supervisor of the Company or its affiliates. (3) No one percent or more of the total issued shares of the Company are held by the individual or spouse or minor children thereof or by nominee arrangement, or none of their shareholding percentage is among top ten shareholders. | 2 |
| Independent director | Eugene You-Hsin Chien | Please refer to Table 1 on page19 for the disclosed information on the directors' professional qualifications and the independent directors' independence. | (4) Not the spouse, relative within the second or third degree of kinship of the managers as stated in (1), or persons stated in (2) and (3). (5)Not a director, supervisor, or employee of an institutional shareholder who directly holds more than 5% of the Company's total issued shares, who are among the top five shareholders, or who designates its representative to serve as a director or supervisor at the Company in accordance with Article 27, paragraphs 1 or 2 of the Company Act. | 1 |
| Others | Mei-sueh Lin | Has more than five years of work experience in business, legal, financial, and accounting, and work experience required to carry out the Company's business: Corporate Advisor and Special Assistant to the Chairman at an affiliate of the Far Eastern Group Vice President of Human Resources, Far East Tone Senior Assistant Vice President, Human esources Department, Aetna. | (6)Note a director, supervisor, or employee at another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person. (7)Not a director (managing director), supervisor, or employee at another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses. (8)Not a director (managing director), supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution which has a financial or business relationship with the Company. (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. (10) Not under the circumstances specified in the provisions of Article 30 of the Company Act. | 1 |

2. The Remuneration Committee's responsibilities

The operation method is handled in accordance with the Company's "Remuneration Committee Charter", and its main responsibilities are:

- (1) Stipulate and review regularly the remuneration policies, systems, standards and structures, and performance of directors and managers.
- (2) Regularly review and adjust director and manager remuneration.

3. Operation Status of the Remuneration Committee

- (1) The Remuneration Committee is comprised of 3 members.
- (2) Current term of office: July 27, 2021 to July 26, 2024. Three meetings of the Remuneration Committee were held in the period from January 1, 2021 to the Annual Report publication date. The attendance of committee members is as follows:

| Title | Name | Attendance in person (B) | Attendance by proxy | Expected attendance in person (A) | Attendance rate (%) (B/A) | Note |
|------------------|-----------------------|--------------------------|---------------------|-----------------------------------|---------------------------|------|
| Convener | Edward Way | 3 | 0 | 3 | 100% | |
| Committee member | Eugene You-Hsin Chien | 3 | 0 | 3 | 100% | |
| Committee member | Mei-Xue Lin | 3 | 0 | 3 | 100% | |

Other details that need to be recorded in the meeting minutes:

- (1) If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, it shall state the date of the Board of Directors, the date, the content of the proposal, the results of the resolutions of the Board of Directors and the Company's handling of the opinions of the Remuneration Committee (if the remuneration and remuneration approved by the Board of Directors are better than the recommendations of the Remuneration Committee, The differences and reasons should be stated): None.
- (2) For the resolutions of the Remuneration Committee, if members have objections or reservations and have records or written statements, the Remuneration Committee's date, period, proposal content, all members' opinions, and the handling of their opinions should be stated: None.

4. In the most recent year, the reasons for discussion and resolution of the Remuneration Committee of the Company, and the Company's handling of members' opinions are as follows

| Remuneration Committee | Agenda content | Resolution result | The Company's opinion on the Remuneration Committee |
|---|---|---|--|
| March 23, 2021 (6th meeting of the 4th committee) | 2020 Distribution of employee and director remuneration | Passed by all attending committee members | Presented in the board meeting and passed by all attending directors as proposed |
| November 12, 2021 (1th meeting of the 5th committee) | 2021 Performance Evaluation of the Board of Directors | Passed by all attending committee members | Handle as resolved by the Remuneration Committee |
| March 4, 2022 (2th meeting of the 5th committee) | 2021 Distribution of employee and director remuneration | Passed by all attending committee members | Presented in the board meeting and passed by all attending directors as proposed |

5. Performance of Corporate Social Responsibility and deviations from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and their causes

| Evaluation Item | Operating status | | | Deviation from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and their causes. |
|---|------------------|----|--|--|
| | Yes | No | Summary | |
| 1. Does the Company have exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing corporate sustainable development and let the Board of Directors entrust the high-ranking management with the implementation and the latter will report to the Board of Directors on the implementation status? | V | | <ol style="list-style-type: none"> In 2015, a "Corporate Sustainability Committee" was set up, with the president as the chairman, and the executive office responsible for matters including the implementation of strategy research, activity proposals, and preparation of CSR reports. There are eight functional committees under the Corporate Sustainability Committee, which hold regular monthly meetings to report and track the progress of each project. Major decisions and the execution status regarding corporate sustainability are reported to the Board Meetings every quarter. In 2021, the Board of Directors passed 48 resolutions. | No significant difference. No significant difference. |
| 2. Does the Company perform risk assessments in environmental, social, and corporate governance issues relevant to its business activities according to the materiality principle and devise risk management policies and strategies accordingly? | V | | <ol style="list-style-type: none"> The Company has long used a sound risk management mechanism to identify potential risks and threats based on the principle of the materiality and has established functional committees and power and responsibility departments to manage and control, to ensure that the Company engages in various business developments under a comprehensive risk management system to reduce the impact of business activities on the environment, society, and corporate governance. Various types of risks are managed by the internal authority and responsibility units of the organization to formulate management rules for the front-line prevention and management. Through consistent standards, all levels of the Company can identify, measure, monitor and control risks when engaging in various businesses. The audit office also regularly performs various audit operations and projects to ensure the effective operation of the risk management system of each unit, and regularly reports to the Board of Directors. From the perspective of "systematic risk" and "non-systematic risk", the Company regularly assesses possible changes in the risks that the Company may face in the course of its business operations, such as "legal compliance risk," "commodity safety risks," "department store operational risks," "financial management risk," "human resources management risk," and "personal asset management risk." The management and countermeasures thereof are as follows. For more details, please refer to the Sustainability Report. | No significant difference. No significant difference. |
| | | | 1. | |

| Evaluation Item | Operating status | | Summary | Deviation from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and their causes. | | | | | | | | | | | | |
|------------------------------------|--|----|--|--|---------------|-----------------------|---|------------------------|--|------------------------------------|--|---------------------------|--|---------------------------------|---|--|
| | Yes | No | | | | | | | | | | | | | | |
| | | | <table border="1"> <thead> <tr> <th>Risk type</th> <th>Control focus</th> </tr> </thead> <tbody> <tr> <td>Legal compliance risk</td> <td> <ul style="list-style-type: none"> Comply with regulations issued by the competent authorities, implement the annual audit plan and internal audit reporting operations In response to digital management, plan the revision of the internal control system and internal audit implementation rules Summarize law and regulation revisions and letter orders, to keep up to date with the latest news from the competent authority, and perform inspections in accordance with the latest regulations in a timely manner </td> </tr> <tr> <td>Commodity safety risks</td> <td> <ul style="list-style-type: none"> Inspect the labels of the merchandise sold and displayed in the stores, and the quality and safety of food in restaurants and supermarkets in accordance with the latest laws and regulations and news </td> </tr> <tr> <td>Department store operational risks</td> <td> <ul style="list-style-type: none"> Ensure the operation safety, and fire and public safety in department stores and assist in the inspection of department store renovation and acceptance of construction projects. Carry out inventory sampling and supervision of inventory counting on self-operating cosmetics, self-operating supermarket inventories, fixed assets, and equipment, to reduce the risk of loss of operating assets </td> </tr> <tr> <td>Financial management risk</td> <td> <ul style="list-style-type: none"> Remind and advise the financial management unit to comply with the requirements of the competent authority in due course Perform audits on financial and accounting operations in accordance with laws and regulations, including capital loans, guarantees/endorsement, asset acquisition and disposal, derivatives, and operation of functional committees. Assist the accounting and financial units' supervision of counting of securities, sampling counting of the branches' capital, and control of the treasury. </td> </tr> <tr> <td>Human resources management risk</td> <td> <ul style="list-style-type: none"> Spot check the attendance, over-time work, and reasonableness of leave applications, so as to ensure compliance with laws and </td> </tr> </tbody> </table> | Risk type | Control focus | Legal compliance risk | <ul style="list-style-type: none"> Comply with regulations issued by the competent authorities, implement the annual audit plan and internal audit reporting operations In response to digital management, plan the revision of the internal control system and internal audit implementation rules Summarize law and regulation revisions and letter orders, to keep up to date with the latest news from the competent authority, and perform inspections in accordance with the latest regulations in a timely manner | Commodity safety risks | <ul style="list-style-type: none"> Inspect the labels of the merchandise sold and displayed in the stores, and the quality and safety of food in restaurants and supermarkets in accordance with the latest laws and regulations and news | Department store operational risks | <ul style="list-style-type: none"> Ensure the operation safety, and fire and public safety in department stores and assist in the inspection of department store renovation and acceptance of construction projects. Carry out inventory sampling and supervision of inventory counting on self-operating cosmetics, self-operating supermarket inventories, fixed assets, and equipment, to reduce the risk of loss of operating assets | Financial management risk | <ul style="list-style-type: none"> Remind and advise the financial management unit to comply with the requirements of the competent authority in due course Perform audits on financial and accounting operations in accordance with laws and regulations, including capital loans, guarantees/endorsement, asset acquisition and disposal, derivatives, and operation of functional committees. Assist the accounting and financial units' supervision of counting of securities, sampling counting of the branches' capital, and control of the treasury. | Human resources management risk | <ul style="list-style-type: none"> Spot check the attendance, over-time work, and reasonableness of leave applications, so as to ensure compliance with laws and | No significant difference. No significant difference. |
| Risk type | Control focus | | | | | | | | | | | | | | | |
| Legal compliance risk | <ul style="list-style-type: none"> Comply with regulations issued by the competent authorities, implement the annual audit plan and internal audit reporting operations In response to digital management, plan the revision of the internal control system and internal audit implementation rules Summarize law and regulation revisions and letter orders, to keep up to date with the latest news from the competent authority, and perform inspections in accordance with the latest regulations in a timely manner | | | | | | | | | | | | | | | |
| Commodity safety risks | <ul style="list-style-type: none"> Inspect the labels of the merchandise sold and displayed in the stores, and the quality and safety of food in restaurants and supermarkets in accordance with the latest laws and regulations and news | | | | | | | | | | | | | | | |
| Department store operational risks | <ul style="list-style-type: none"> Ensure the operation safety, and fire and public safety in department stores and assist in the inspection of department store renovation and acceptance of construction projects. Carry out inventory sampling and supervision of inventory counting on self-operating cosmetics, self-operating supermarket inventories, fixed assets, and equipment, to reduce the risk of loss of operating assets | | | | | | | | | | | | | | | |
| Financial management risk | <ul style="list-style-type: none"> Remind and advise the financial management unit to comply with the requirements of the competent authority in due course Perform audits on financial and accounting operations in accordance with laws and regulations, including capital loans, guarantees/endorsement, asset acquisition and disposal, derivatives, and operation of functional committees. Assist the accounting and financial units' supervision of counting of securities, sampling counting of the branches' capital, and control of the treasury. | | | | | | | | | | | | | | | |
| Human resources management risk | <ul style="list-style-type: none"> Spot check the attendance, over-time work, and reasonableness of leave applications, so as to ensure compliance with laws and | | | | | | | | | | | | | | | |

| Evaluation Item | Operating status | | | Deviation from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and their causes. |
|--|------------------|--------------------------------------|--|--|
| | Yes | No | Summary | |
| | | | <p>regulations and the principle of fairness.</p> <ul style="list-style-type: none"> Spot check the attendance of external cleaning workers, insurance policies, and the quality of the workers of service suppliers. | No significant difference. No significant difference. |
| | | Information security management risk | <ul style="list-style-type: none"> Interface the digital audit project system with the database, optimization of user acceptance testing, and inspect server safety protection. Supervise the acceptance and payment of information soft-and hardware, and assist the audit of information equipment disposal Check and follow up on the applications for membership deletion so as to comply with the laws and regulations and ensure customers' rights and interests Verify Far Eastern Cloud System, test the validity of access to communication network services, and strengthen the protection. | |
| 3. Environmental issues | | | | |
| (1) Has the Company developed an appropriate environmental management system based on its distinctive characteristics? | √ | | The Company its subsidiaries actively promote various energy management and energy conservation goals, including: (1) water chiller switch control, (2) reduced backstage lighting, (3) reduced elevator-usage during off-peak hours, and (4) addition of automatic escalator speed control devices and replacement of old equipment in order to follow government policies, slow global climate change, and fulfill the corporate social responsibility of protecting the environment. | No material difference. |
| (2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment? | √ | | In order to properly protect the natural environment, the Company actively promotes the implementation of a code of practice that strives to improve the efficiency of various resources. Ecological impacts are always considered before any operating activity is conducted to reduce the Company's environmental impact. | No material difference. |
| (3) Does the Company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues? | √ | | Global warming has caused the gradual rise of annual average temperatures. In response to relevant risks and opportunities, the Company's energy team referenced the internal control charts "indoor air-conditioning temperature limits" and "air-conditioning on/off timetable" as well as the operating hours, region, and category of different stores to establish standards for indoor temperature range and air-conditioning on/off hours. The Company also introduced the ISO 50001 energy management system to the FEDS Head Office and Mega City Banqiao and the ISO 14064-1:2018 to the Hualien Store to conduct greenhouse gas inspections, Taoyuan Store tied-in ISO14046 water footprint, constantly achieving its goal to improve energy efficiency and carbon-emission management. | No material difference. |

| Evaluation Item | Operating status | | Summary | Deviation from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and their causes. | | | | | | | | | | | | | | | | | | |
|--|--|--|---|--|--|--|------|-------|----------|------|--------|----------|------|--|------------------------------|------|-----|-------|------|-----|-------|-------------------------|
| | Yes | No | | | | | | | | | | | | | | | | | | | | |
| (4) Does the Company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon reduction, greenhouse gas reduction, water reduction, or waste management? | √ | | <p>1. Hualien Heping Store of FEDS obtained the ISO 14064-1 greenhouse gas emissions inventory certification and a third party verification between 2020 and 2021. It also installed a 500-ton maglev host in 2021, resulting in an increase in Scope 1 direct emissions. The maglev host is energy efficient and reduces approximately 337 metric tons of CO₂e per year.</p> <p>Greenhouse gas emissions of Hualien Branch over the past two years:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Scope 1 (Metric Tons CO₂e)</th> <th>Scope 2 and Scope 3 (Metric Tons CO₂e)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>85.04</td> <td>6,079.28</td> </tr> <tr> <td>2021</td> <td>164.72</td> <td>5,851.00</td> </tr> </tbody> </table> <p>2. FEDS's management target refers to the average EUI of the department store industry, and the EUI is tracked and managed by the energy conservation team on a weekly basis. The EUI has decreased from 333 in 2017 to 290 in 2021, showing a decrease of 12.9%. There are large-scale cinemas in over half of FEDS stores, and the daily opening hours of FEDS stores are longer than other department stores. Yet, our energy use is more efficient than the average performance in the department store industry, demonstrating the excellent energy-saving performance of FEDS.</p> <p>EUI of FEDS over the past two years:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>EUI (kWh/(m²*yr)) (kWh/(m²*yr))</th> <th>% of Increase or Decrease</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>320</td> <td>-1.2%</td> </tr> <tr> <td>2021</td> <td>290</td> <td>-9.5%</td> </tr> </tbody> </table> <p>3. FEDS headquarters and branch offices strive to implement water-saving measures:</p> <p>(1) FEDS established water resources management indicators in 2019 and has been tracking the effectiveness of water management of each store every month since 2020.</p> <p>(2) Water-saving measures implemented at each store include installation of water-saving equipment, adjustment of the conductivity of the cooling tower to reduce water consumption of the air conditioners, detection of pipeline leaks, etc.</p> <p>(3) Mega City Banqiao Store, Top City Taichung Store, and FEDS Xinyi A13 Store are equipped with a rainwater recovery system. Through proper management and equipment upgrades, FEDS effectively implement water conservation efforts to maximize the use of water resources.</p> <p>(4) FEDS took the Taoyuan Store as a model store and obtained the ISO 14046 water footprint certification in 2020. The first water footprint inventory was completed in 2021, and, through analyzing the water usage data, FEDS expects to improve the performance of water-saving management at each store.</p> <p>(5) In 2021, more than 90% of each store's water consumption came from air conditioning cooling water, kitchen water, and toilet water. Considering the fact that</p> | Year | Scope 1 (Metric Tons CO ₂ e) | Scope 2 and Scope 3 (Metric Tons CO ₂ e) | 2020 | 85.04 | 6,079.28 | 2021 | 164.72 | 5,851.00 | Year | EUI (kWh/(m ² *yr)) (kWh/(m ² *yr)) | % of Increase or Decrease | 2020 | 320 | -1.2% | 2021 | 290 | -9.5% | No material difference. |
| Year | Scope 1 (Metric Tons CO ₂ e) | Scope 2 and Scope 3 (Metric Tons CO ₂ e) | | | | | | | | | | | | | | | | | | | | |
| 2020 | 85.04 | 6,079.28 | | | | | | | | | | | | | | | | | | | | |
| 2021 | 164.72 | 5,851.00 | | | | | | | | | | | | | | | | | | | | |
| Year | EUI (kWh/(m ² *yr)) (kWh/(m ² *yr)) | % of Increase or Decrease | | | | | | | | | | | | | | | | | | | | |
| 2020 | 320 | -1.2% | | | | | | | | | | | | | | | | | | | | |
| 2021 | 290 | -9.5% | | | | | | | | | | | | | | | | | | | | |

| Evaluation Item | Operating status | | Summary | Deviation from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and their causes. | | | | | | | | | |
|--|---|---|--|--|---|---|------|-------|------|------|-------|------|--|
| | Yes | No | | | | | | | | | | | |
| | | | <p>kitchen and drinking water is used for food safety reasons, we primarily focus on conserving water used for air conditioning cooling towers and toilets.</p> <p>Water consumption of FDS over the past two years:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Total water consumption (thousand kiloliters)</th> <th>Water consumption per unit area (liters/(m2*day))</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>1,964</td> <td>8.45</td> </tr> <tr> <td>2021</td> <td>1,570</td> <td>6.75</td> </tr> </tbody> </table> <p>Changes in the business structure of department stores in recent years with the addition of large-scale food and dining counters has resulted in more waste being produced. To effectively control the volume of waste produced, the Company has implemented a zero waste growth project since 2019.</p> <ol style="list-style-type: none"> Goals: <ol style="list-style-type: none"> Improve waste sorting and increase the amount of waste recycled to reduce the volume of waste going into incinerators. Ban single-use utensils. Activity: Set a target for recycling paper and conduct monthly efficacy reviews. Results: 774 tons in 2018, 922.5 tons in 2019, 937 tons in 2020, 967 tons in 2021. | Year | Total water consumption (thousand kiloliters) | Water consumption per unit area (liters/(m2*day)) | 2020 | 1,964 | 8.45 | 2021 | 1,570 | 6.75 | |
| Year | Total water consumption (thousand kiloliters) | Water consumption per unit area (liters/(m2*day)) | | | | | | | | | | | |
| 2020 | 1,964 | 8.45 | | | | | | | | | | | |
| 2021 | 1,570 | 6.75 | | | | | | | | | | | |
| 4. Social issues | | | | | | | | | | | | | |
| (1) Does the Company comply with relevant laws and regulations and internationally recognized covenants on human rights, and have related management policies and procedures in place? | V | | <p>In order to protect the basic human rights of employees and create an environment that protects the human rights of employees, the Company agrees with the principles of the ILO Tripartite Declaration of Principles for Multinational Enterprises and Social Policies, the Guiding Principles for Multinational Enterprises of the Economic Cooperation and Development Organization, the United Nations Universal Declaration of Human Rights and the principles of the United Nations Global Covenant the Company's labor policies and regulations are formulated in accordance with labor laws and gender-work equality related laws and regulations. Check regularly every month to ensure compliance with all laws and regulations.</p> <p>In order to ensure a good labor-management relationship, labor-management meetings are held regularly, and any matters related to employee rights can be decided after full communication between labor and management. At the same time, in order to motivate employees' morale, ensure their legal rights and interests, and promote harmonious labor-management relations, we have specially formulated the Company's employees' opinions handling methods, and employees whose rights have been violated or unfair events can submit appeals.</p> <p>The Company complies with the relevant regulations of the occupational safety and health laws and regulations, and the Company's most senior management signs an occupational safety and health policy declaration to demonstrate the Company's determination to promote</p> | No material difference. | | | | | | | | | |

| Evaluation Item | Operating status | | | Deviation from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and their causes. |
|--|------------------|----|--|--|
| | Yes | No | Summary | |
| | | | occupational safety and health management matters. Occupational safety and health committee meetings are held regularly every quarter to discuss and review the Company's safety and health management related matters and work rules, management regulations, occupational safety and health management plan revisions, and record keeping. | |
| (2) Does the Company establish and implement reasonable employee benefits (including remuneration, leave, and other benefits), and ensure business performance or results are reflected adequately in employee compensation? | V | | The Company's articles of incorporation are disclosed in the Annual Report and the Company's official website, which clearly stipulate the provision of employee compensation. If the Company makes a profit during the year, it shall allocate 2% to 3.5% as employee compensation. For this purpose, the actual distribution ratio, amount, method and number of shares shall be decided by the Board of Directors and shall be processed after reporting to the shareholders meeting. In addition, in addition to setting up a "Remuneration Committee", the Company strengthens corporate governance and improves the salary and remuneration system. It also takes into account the salary standards of relevant peers and listed companies, formulates reasonable remuneration policies for employees, and clearly establishes incentive bonus systems such as monthly performance appraisal bonuses and weekly rewards. Bonuses for the achievement of celebration activities and year-end bonuses are all issued in conjunction with individual or departmental performance to promote overall business performance. At the same time, it also accelerates the promotion of key talents through annual appraisal, performance and salary adjustments, and promotes performance improvement. In 2020, the salary will not be adjusted comprehensively, and the salary will be adjusted according to the needs of the business. The average salary adjustment is about 3%~5%. Other working conditions, such as vacations and other welfare matters, are given in accordance with the law or even better than the law, to ensure the employees' legal and reasonable welfare measures. | No material difference. |
| (3) Does the Company provide its employees with safe and healthy workplaces, and organize training on safety and health for its employees on a regular basis? | V | | <p>1. Implementation of self-management and automatic inspection plans, the Company's general management office regularly conducts occupational safety and health management plan performance reviews and safety and health site inspections to each branch company. The branch company independently manages on-site inspection operations every week.</p> <p>2. The work environment monitoring plan is regularly implemented every six months, and work environment monitoring (carbon dioxide and noise) operations are carried out to ensure the safety and health of the workplace, and provide colleagues and customers with a high-quality office and shopping environment.</p> <p>3. Regular drinking water quality inspections (total colony counts and coliforms) are carried out every season, and the test results meet the standards, allowing colleagues to drink with peace of mind.</p> <p>4. Implementation of safety and health education,</p> | No material difference. |

| Evaluation Item | Operating status | | Summary | Deviation from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and their causes. |
|-----------------|------------------|----|---|--|
| | Yes | No | | |
| | | | <p>training, and exercises for new employees. Formulate education and training plans to promote safety and health and workplace health issues for in-service employees, and implement safety and health related license personnel (occupational safety and health management personnel, labor health service nurses, first aid personnel, fire protection managers, indoor air quality maintenance Professional training and regular retraining for management professionals and AED managers, etc.).</p> <p>5. The physical and mental health protection plan is implemented (musculoskeletal hazard prevention, overwork prevention, workplace violence prevention, maternal health protection) to protect the physical and mental health of colleagues and maintain their health and well-being.</p> <p>6. For health check results and physical and mental health protection hierarchical management, identify high-risk groups, provide on-site physician services, provide case tracking management and health education guidance, and jointly check the health of colleagues.</p> <p>7. The Company organizes health promotion activities, and each year has a different health theme. In 2021, the Company organized the "Healthy Fitness" competition, and encouraged employees with BMI higher than standard to participate in the competition, in view that they may have correct diet concept and exercise habits through healthy diet and workout to develop a good life habit, and have a healthy and strong body.</p> <p>8. Regularly conduct a fire drill every six months, and conduct regular drills for group A personnel every month, so that colleagues are familiar with firefighting marshalling tasks and emergency response.</p> <p>9. Set up first aid personnel and first aid kits to provide preliminary treatment of accidental injuries in the workplace.</p> <p>10.The Company has set up health stations providing common health equipment (including blood pressure monitor, and body fat monitor), pandemic prevention supplies, stress relief items, and books on mental wellness, which are available for borrow when needed.</p> <p>11.Set up AED (Automated External Cardiac Defibrillator), AED administrators regularly return to training and more than 70% of colleagues regularly receive AED+CPR training. In 2021, the Company's Xinyi Store, Baoqing Store, Banqiao Store, Banxin Store, Taoyuan Store, The Hsinchu Store, Taichung Store, Chiayi Store, Tainan Chenggong Store, Tainan Park Store, Kaohsiung Store and Hualien Store have all received the Ministry of Health and Welfare "AED Safe Place Certification".</p> <p>12. To implement smoking prevention management and health management, take care of the physical and mental health protection of colleagues, the Company's 2021 general management office, Xinyi</p> | |

| Evaluation Item | Operating status | | Summary | Deviation from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and their causes. |
|--|------------------|----|--|--|
| | Yes | No | | |
| | | | <p>Store, Baoqing Store, Banxin Store, Banqiao Store, Taoyuan Store, Hsinchu Store, Taichung Store, Chiayi Store, Tainan Store, Kaohsiung Both the store and Hualien store have obtained the "Healthy Workplace-Health Promotion Mark" certification from the Ministry of Health and Welfare. Xinyi Store also received the "Healthy Workplace Health Launching Mark" from the Ministry of Health and Welfare.</p> <p>13.The Company holds at least 6 safety and health lectures every year. The content of the lectures are rich and diverse. Due to the impact of COVID-19, the Company offers online learning platform and offline courses (including Oral Health, Cardiovascular Diseases, Wound Care and Common First Aid procedures, Easy Homemade Recipe, Strength Training, and Feminine Care) for employees to choose from.</p> <p>14.The Company strives to zero-hazard workplaces. In 2021, the Company's General Management Office, Xinyi Store, Ban-Ciao New Station Store, Ban-Ciao Store, Tao-Yuan StoreHsin-Chu Store, Tai-Nan Store, Kaohsiung Store, and Hualien Heping Store received the "Certificate of No Accident Working Hours Record" issued by Ministry of Labor.</p> <p>15.The Company shares and sends safety and health-related information from time to time in the health information area of the EIP mobile office, and installs digital bulletin boards at the announcement areas to post posters and provide the employees with the latest health-related information.</p> <p>16.The Company encourages employees to establish sports clubs (including badminton clubs, yoga clubs, and aerobic clubs), and through self-motivated participation, participate on sports activities in the company's premises or at nearby activity centers, to stay healthy and active. The Employee Welfare Committee gives out subsidies to sports clubs to promote work-life balance among employees.</p> <p>17.The Company initiated the "Health Point Card" activity. Employees can obtain points through health promotion activities, and exchange for a lucky draw ticket with 9 points. The Company offers generous prizes and successfully increased the participation rate among employees.</p> <p>18.In 2021, the Company has organized labor-safety and health management-related courses and had a total of 5,113 participants and 210 sessions with 1hour per session.</p> <p>19.Human rights-related education and training held in 2021 include labor-related, labor safety and health management, with a total of 2,852 person-times and 3,427 hours.</p> | |
| (4) Does the Company offer its employees effective occupational empowerment training programs? | V | | According to personal work needs, performance appraisal results and career development needs, provide diversified learning channels and development resources, and strive to create a learning environment, including on-the-job training, classroom training, job guidance and job rotation, etc., so that employees can | No material difference. |

| Evaluation Item | Operating status | | | Deviation from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and their causes. |
|--|------------------|----|---|--|
| | Yes | No | Summary | |
| | | | advance their personal careers and continue to learn happily with the development of the Company. | |
| (5) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and has it established relevant consumer protection policies and grievance procedures? | V | | <p>Products are provided by ethically and legitimately operated counters and exhibit the terms of use, country of origin, and certification labels which indicate that they comply with national standards. All products are in compliance with laws and regulations. In the event of any damage to their rights or interests, customers may report the problem to the customer service center of each store, our customer service hotline, or customer service mailbox. Complaints will be addressed and handled within 3 days.</p> <p>Mega City values the protection of consumers' personal data and privacy. Internally, the Company controls its personnels' use of consumers' personal data according to the Information Security Management Regulations. Externally, the Company discloses its consumer personal data protection clauses and provides avenues for consumers to delete their personal data and make complaints, appointing dedicated personnel to answer consumers' questions or delete their data. The Company also conducts irregular audits based on the aforementioned regulations to protect consumers' personal data. Customers may report any damages to their rights or interests to the customer service center at each store, customer service hotline/mailbox, the Mega City official website, or Mega City app. Complaints will be addressed and handled within 3 days.</p> | No material difference. |
| (6) Has the Company established supplier management policies, which require suppliers to observe relevant regulations on environmental protection, occupational safety and hygiene, or labor and human rights? If so, describe the implementation results. | V | | <p>In order to ensure that suppliers meet social and ethical standards in the process of providing products and services, understand and abide by laws, actively respond to environmental protection and social-related issues, and have the courage to assume corporate social responsibility and continue to improve, the Company has established "Contractor Management Regulations" "Regulate the operation of suppliers in terms of occupational safety and health.</p> <p>In addition to selecting suppliers by referring to supplier evaluation records, the Company also requires suppliers to sign the "Supplier Social Responsibility Commitment", instructing suppliers to continue to pay attention to "labor and human rights, health and safety, environmental protection, and business ethics." Standard" and use this as one of the supplier selection criteria.</p> <p>the Company has set up "Contractor Management Regulations" to comply with safety and health related laws and regulations, fulfill the obligation of notification of hazards, implement safety and health management and effectively implement safety and health work, reduce the incidence of disasters, and ensure personal safety.</p> <p>the Company's contracts with various suppliers have detailed the management of building environment, shopping mall management, product quality, store safety, personnel management, accounting treatment, customer service and other related matters, in order to</p> | No significant difference. |

| Evaluation Item | Operating status | | | Deviation from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and their causes. |
|---|------------------|----|---|--|
| | Yes | No | Summary | |
| | | | achieve the goal of jointly enhancing corporate social responsibility. If the supplier violates it, it shall be dealt with in accordance with the law. | |
| 5. Does the Company adopt internationally widely recognized standards or guidelines when producing corporate sustainable reports and reports disclosing the Company's non-financial information? Does the Company obtain a third-party assurance or verification for such reports? | V | | (1) the Company's corporate social responsibility report is compiled with reference to the GRI Standards issued by the Global Reporting Initiative (GRI), and adopts the core option disclosure principles. (2) The report is guaranteed by a third-party verification unit to confirm that it complies with the core options of GRI Standards and the AA1000 Type 1 Moderate Level. | No significant difference. |
| 6. If the Company has established social responsibility principles based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the principles and the implementation: The Company has a "Corporate Sustainable Development Policy" and actively fulfills its role as a corporate citizen; Regularly publish the "Corporate Sustainable Development Report" every year to explain the implementation of corporate sustainable development information and continue to improve the transparency of disclosure; There is a full-time "Corporate Sustainable Development Committee" to plan the corporate sustainability vision, achieve ESG sustainability goals such as "implementing corporate governance, developing a sustainable environment, and maintaining social welfare", and usher in a better life with the public. | | | | |

| Evaluation Item | Operating status | | | Deviation from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and their causes. |
|-----------------|------------------|----|---------|--|
| | Yes | No | Summary | |

7. Please state any other important information that would facilitate a better understanding of the Company's status in the promotion of sustainable development:

1. Respond to the green mission, and implement green workplace:

In order to promote green culture in workplaces, the Company responds to 32 green office measures based on 5 major indicators, "energy reduction," "source reduction," "green procurement," "environment greening," and "advocacy and initiative" issued by the Environmental Protection Administration in August 2021. The Company requires responsible units to exert the spirit of continuous management, follow up on the implementation results, and continue with the implementation. In this way, the Company can provide the employees with a more environmental friendly workplace, and increase their work efficiency, while protecting their health and safety.



4.6 The state of the company's performance in the area of ethical corporate management, any variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance

| Assessment Items | Operating status (Note) | | | Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation |
|--|----------------------------|----|---|---|
| | Yes | No | Summary | |
| 1. Establishment of ethical corporate management policy and approaches | | | | |
| (1) Has the Company implemented a board-approved business integrity policy and stated in its regulations and external correspondence its business integrity policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy? | V | | The Company adopted the resolution of the Board of Directors to formulate the "Code of Ethical Conduct" and the "Code of Integrity Management" to regulate the Company's personnel to operate various business activities in accordance with the principle of integrity, and clearly stipulate that "bribery and acceptance of bribes" and "illegal political contributions are prohibited" "", "Prohibition of improper charitable donations or sponsorships", "Prohibition of unreasonable gifts, entertainment or other improper benefits" and other behavioral norms matters, of which the "Code of Integrity Management" applies to the Company's subsidiaries. In order to ensure the implementation of the policy, the Company's website (http://www.feds.com.tw) and Annual Report have clearly stated the policy of honest operation. The Board of Directors and senior management should commit to actively implement it and implement it in internal management and business activities. Through internal publications, various meetings and other channels, the ethical code of conduct and the concept of ethical management are implemented to all employees' daily business execution, and the Company's stakeholders are reminded to observe and respect the Company's ethics and integrity standards. | No significant difference. |
| (2) Does the Company have mechanisms in place to assess the risk of unethical conduct and perform regular analysis and assessment of business activities with a higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies? | V | | The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure the continued effectiveness of the design and enforcement of the systems. | No significant difference. |

| Assessment Items | Operating status (Note) | | | Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation |
|--|----------------------------|----|--|---|
| | Yes | No | Summary | |
| (3) Did the Company specify operating procedures, guidelines for conduct, punishments for violation, and complaint filing systems in the unethical conduct prevention plan? Does it implement and periodically review and revise the plan? | V | | In order to implement the ethical management policy, the "Ethical Corporate Management Operating Procedures and Code of Conduct" has been formulated to specifically regulate the matters that the Company's personnel should pay attention to when performing business, establish a punishment and reporting appeal system for violations, and announce internal and external independent reporting mailboxes, with a view to Restrict the abuse of dishonesty and implement the policy of honest operation. | No significant difference. |
| 2. Implementation of ethical corporate management (1) Does the Company evaluate credit records of its counterparts and specify good faith terms and conditions in the contracts entered into? | V | | <p>the Company has been deeply cultivated and developed in the country for many years. With the entrepreneurial spirit of "honesty, diligence, simplicity, prudence and innovation" as the highest guiding principle of business development, it will require stakeholders who have business dealings with the Company, such as suppliers and contractors. Suppliers or other partners must comply with the same ethical standards as the managers and colleagues of the Company. For example, the Company has gradually required suppliers, contractors or other partners to sign the "Supplier" in the service contract since October 2016. "Social Responsibility Commitment" includes the integrity behavior clause, and is committed to complying with the content of the commitment, or clearly stipulates the integrity behavior clause in the important contract, and continues to seize the opportunity to communicate with stakeholders and continue to remind and promote, to avoid unethical behavior.</p> <p>The Company asks the supplier to provide product-related inspection records before dealing with suppliers, and carefully evaluates and understands the supplier's past information. The Company's contract with each supplier lists various management measures to achieve common and mutually beneficial operations, and against breach of contract and the contract suspension and confidentiality are all listed. If the supplier violates it, it shall be dealt with in accordance with the law.</p> | No significant difference. |

| Assessment Items | Operating status (Note) | | | Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation |
|--|----------------------------|----|--|---|
| | Yes | No | Summary | |
| <p>2. Implementation of ethical corporate management</p> <p>(1) Does the Company evaluate credit records of its counterparts and specify good faith terms and conditions in the contracts entered into?</p> | V | | <p>the Company has been deeply cultivated and developed in the country for many years. With the entrepreneurial spirit of "honesty, diligence, simplicity, prudence and innovation" as the highest guiding principle of business development, it will require stakeholders who have business dealings with the Company, such as suppliers and contractors. Suppliers or other partners must comply with the same ethical standards as the managers and colleagues of the Company. For example, the Company has gradually required suppliers, contractors or other partners to sign the "Supplier" in the service contract since October 2016. "Social Responsibility Commitment" includes the integrity behavior clause, and is committed to complying with the content of the commitment, or clearly stipulates the integrity behavior clause in the important contract, and continues to seize the opportunity to communicate with stakeholders and continue to remind and promote, to avoid unethical behavior.</p> <p>The Company asks the supplier to provide product-related inspection records before dealing with suppliers, and carefully evaluates and understands the supplier's past information. The Company's contract with each supplier lists various management measures to achieve common and mutually beneficial operations, and against breach of contract and the contract suspension and confidentiality are all listed. If the supplier violates it, it shall be dealt with in accordance with the law.</p> | No significant difference. |
| <p>(2) Did the Company establish a dedicated unit under the Board of Directors to promote ethical corporate management and periodically (at least once a year) report to the Board of Directors about the supervision and implementation of the ethical corporate management policy and unethical conduct prevention plan?</p> | V | | <p>In order to improve the management of ethical management, the Company's corporate governance director and the human resources department under the Board of Directors are responsible for the formulation, supervision and implementation of ethical management policies and prevention plans, and report to the Board of Directors on a regular basis (at least once a year). At the same time, internal audits conduct annual self-assessment operations in accordance with laws and regulations, include the implementation of ethical management in self-evaluation, summarize the results of self-evaluation by various departments, and report to the Board of Directors.</p> | No significant difference. |

| Assessment Items | Operating status (Note) | | | Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation |
|--|----------------------------|----|---|---|
| | Yes | No | Summary | |
| (3) Does the Company have policies that help prevent against conflict of interests and appropriate channels for filing related complaints in place and precisely enforce them? | V | | When the directors, managers, or other personnel of the Company discover conflicts of interest with themselves, the legal persons or stakeholders they represent, etc., when performing the Company's business, the directors and managers shall be avoided when discussing and voting at the current Board of Directors. Other personnel should report the relevant situation to the direct supervisor and the Company's dedicated unit at the same time, and the direct supervisor should provide appropriate guidance. | No significant difference. |
| (4) Does the Company have an effective accounting system and internal control systems set up to facilitate ethical corporate management? Does the internal auditing unit formulate audit plans based on unethical conduct risk assessment results? Does it audit compliance with the unethical conduct prevention plan or commission an accountant to perform the audit? | V | | <p>The Company clearly stipulates the "Ethical Corporate Management Operating Procedures and Code of Conduct" and "Reporting and Disciplinary Measures for Violating Ethical Behaviors and Ethical Business Operations". If any personnel violates the ethical management regulations, they will be punished according to the rewards and punishments measures based on the severity of the circumstances. the Company has a complaint system to provide remedies for violators in accordance with relevant regulations.</p> <p>The Company's internal audit personnel irregularly, without warning, reviews the status of the Company's compliance with the foregoing provisions according to the Company's administrative measures of each individual department, accounting system, and internal control system, and prepare audit reports for submission to the Audit Committee and the Board of Directors.</p> | No significant difference. |
| (5) Does the Company organize internal and external educational trainings periodically to help enforce honest operations? | V | | <p>In order to implement education and publicity, the code and other documents are posted on the Company's website. In addition to the education of new colleagues on ethical behavior and integrity requirements, the establishment of internal regulations, internal management requirements, education and training are also used to implement the ethical management policy.</p> <p>In 2021, the Company has held internal and external education and training related to ethical management issues and forbid of insider trading (including courses related to ethical management regulations and compliance, accounting systems, and internal control), and had a total of 314 participants and 456 course-hours.</p> | No significant difference. |

| Assessment Items | Operating status (Note) | | | Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation |
|---|----------------------------|----|--|---|
| | Yes | No | Summary | |
| <p>3. Implementation status of the Company's reporting system</p> <p>(1) Does the Company have a substantial reporting and reward system as well as a convenient reporting channel in place with appropriate personnel to be assigned to assist the party being reported on?</p> <p>(2) Has the Company established standard operating procedures for investigating and processing reports, as well as follow-up actions and relevant post-investigation confidentiality measures?</p> <p>(3) Does the Company adopt measures to prevent reporters from improper treatment for filing the report?</p> | V | | <p>The Company has specified relevant normative matters in the "Code of Ethical Conduct", "Ethical Corporate Management Best Practice Principles", "Ethical Corporate Management Operating Procedures and Code of Conduct", and "Report and Disciplinary Measures for Violations of Ethical Behavior and Ethical Management".</p> <p>the Company's personnel should proactively report to the Audit Committee, managers, internal audit supervisors, corporate governance supervisors, human resources department, or other appropriate supervisors if they find any violations of the regulations on ethical management. Upon investigation, if the violation of the regulations on ethical management is confirmed, the Company will punish them according to the rewards and punishments based on the severity of the circumstances. the Company will keep the identity of the informant and the content of the report confidential, and promises to protect the informant from being improperly handled due to the report.</p> | No significant difference. |
| <p>4. Enhance information disclosure</p> <p>Has the Company disclosed its Ethical Corporate Management Best Practice Principles and progress onto its website and MOPS?</p> | V | | <p>In order to implement the "Code of Ethical Conduct", "Ethical Corporate Management Best Practice Principles" and "Report and Disciplinary Measures for Violation of Ethical Behavior and Ethical Management" set by the Company, the regulations are posted on the Market Observation Post System (http://www.feds.com.tw), as the code of conduct followed by every Far Eastern employee.</p> | No significant difference. |
| <p>5. If the Company has established Ethical Corporate Management Best Practice Principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancies between the principles and their implementation: No discrepancies</p> | | | | |
| <p>6. Other important information to facilitate a better understanding of the Company's implementation of ethical corporate management (such as the Company's review and revision of the Ethical Corporate Management Best Practice Principles): The Company abides by the Company law, securities exchange law, commercial accounting law, listing-related regulations and other business conduct related laws and regulations, and reviews the Company's internal regulations at any time to ensure the implementation of ethical management</p> | | | | |

4.7 If the Company has established the Corporate Governance Principles and the related regulations, it shall disclose the inquiry method:

4.7.1 The corporate website: <http://www.feds.com.tw>

4.7.2 Market Observation Post System: <http://mops.twse.com.tw>

4.8 Other information relating to corporate governance:

4.8.1 The Company's intellectual property management plan

- (1) Intellectual property strategy, management policies, possible risks, and countermeasures: The Company's intellectual property strategy is to register new trademarks, protect existing trademarks, and train intellectual property management talents. Currently, the legal unit is responsible for the relevant procedures and management of trademarks, including the registration of new trademarks, and maintaining the validity of existing trademarks. The legal unit searches for trademark counterfeiting or imitations. In case of such an event, the legal affair unit is responsible for the subsequent matters. For the licensing of trademarks to a third party, the individual contract shall include the methods of licensing, and violation penalties, in order to achieve risk control.
- (2) Status in 2021: The Company has obtained 146 domestic trademarks and 36 foreign trademarks. In 2021, 8 trademarks were renewed. In February 2021, "遠百" (Far Eastern) has been determined as a registered trademark by the Intellectual Property Office, Ministry of Economic Affairs, R.O.C.

4.8.2 The "Procedures for Handling Material Inside Information", which was established to manage the Company's material inside information, has been announced to all directors, managers, and employees and published on the corporate website (<http://www.feds.com.tw>) for all personnel to follow in order to avoid violations or instances of insider trading.

4.8.3 Insiders such as newly appointed directors and managers shall be given the latest edition of "Regulations and Directions Governing Insiders' Equity at TWSE Listed Companies" formulated by TWSE for insiders to comply with.

4.8.4 The Company irregularly educates insiders about information regarding insider trading published on the TWSE website.

4.9 Implementation of Internal Control System

4.9.1. The declaration of internal control system

Far Eastern Department Stores Co., Ltd.

The Declaration of Internal Control System

Date: 4 March 2022

Based on the self-examination results of the internal control system for the year of 2021, Far Eastern New Century Corporation (the Company) therefore declares the following:

1. Board of Directors and the management of the Company understand that it is their responsibility to establish, implement, and maintain an internal control system, and such a system has been established. The purpose to establish the aforesaid system is to reasonably assure (1) the operating results and operating efficiencies (including profit, performance, and the safeguard of assets); (2) the reliability, instantaneity and transparency of the financial reports, and (3) the compliance of the relevant laws and regulations.
2. An internal control system, regardless how perfectly the system is being designed, can have its defects. A system that can reasonably assure the achievements of the three purposes mentioned in the preceding paragraph is considered as effective and useful. In addition, changes in the business environment and situation may, as a result, hinder the effectiveness of an adequate system. However, the internal control system of the Company has included a self-examination mechanism; the Company will make immediate corrections considering the materiality when material errors are detected.
3. The evaluation of effectiveness of the internal control system design and implementation is made in accordance with "Guidelines for the Establishment of Internal Control Systems by Public Companies" (the Guidelines). The Guidelines are made to exam the following five items during the internal control process: (1) Control Environment, (2) Risk Evaluation and Management, (3) Control Activities, (4) Information and Communication, and (5) Monitoring processes. Details of each area being examined can be found in the Guidelines.
4. Based on the items mentioned in the preceding paragraph, the Company has evaluated the design of the internal control system and the effectiveness of the implementation of the aforesaid system..
5. The Company management declares that the internal control system (including Subsidiary Governance) as of 31 Dec. 2021 has effectively assured that the following objectives have been reasonably achieved during the assessment period:
 - (1) The effectiveness and efficiency of business operations; (2) The reliability, timeliness, transparency, and regulatory compliance of the financial reports; (3) The compliance of the relevant laws/regulations..
6. This Declaration is a significant content in the annual report and prospectus of the Company, and it is available to the general public. If it contains false information or conceals any material contents, the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the ROC Securities and Exchange Act.
7. The Board of Directors has approved the Declaration of Internal Control System in the board meeting held on 4 March 2022. All of 7 Directors present consented to the Declaration, and no dissenting opinion was expressed.

Far Eastern Department Stores Ltd

Chairman: Douglas Tong Hsu

President: Nancy Hsu

4.9.2 Independent Auditor's Review Report: The Company did not contract an independent auditor to review the internal control system, therefore, this is not applicable. : None.

4.10 Penalty on the Company and its personnel, punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvement in the most recent year and during the current fiscal year up to the date of publication of the Annual Report:

None.

4.11 Major resolutions of shareholders' meetings and Board meetings in the recent year and up to the Annual Report publication date

4.11.1 Resolutions in the Annual Shareholders' Meeting

Date: July 27, 2021

Location: Taipei Hero House, No. 20, Sec. 1, Changsha St., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)

| Resolutions of Shareholders' Meeting | |
|---|---|
| Reported Items | <ol style="list-style-type: none"> 1. 2020 Business Report. 2. 2020 Financial Report. 3. The Audit Committee's review report of the 2020 financial statements. 4. 2020 employees' compensation and Directors' remuneration |
| Approving Items | <ol style="list-style-type: none"> 1. 2020 Financial Statements. Resolution: The number of votes in favor has exceeded the statutory amount, resolution passed. |
| | <ol style="list-style-type: none"> 2. the Company's 2020 distribution of earnings proposal. Resolution: The number of votes in favor has exceeded the statutory amount, resolution passed. Implementation status: 2020 distribution of earnings. Cash dividend was NT\$1.10 per share. The ex dividend date was settled as August 3, 2021, and cash dividends were distributed by August 24, 2021. |
| Discussions and elections | <ol style="list-style-type: none"> 1. Total reelection of the Company's directors (including independent directors). Director elected: Douglas Tong Hsu, Representative of Ding & Ding Management Consultants Co.; Nancy Hsu, Representatives of Far Eastern New Century Corporation; Nicole Hsu, Representative of Yue Li Investment Corporation; Philby Lee Independent director elected: Eugene You-Hsin Chien, Edward Way, Dong, Ding Yu Implementation Status: Executed according to the resolution of the shareholders' meeting. Approved by the Ministry of Economic Affairs on August 12, 2021 and published on the corporate website. |
| | <ol style="list-style-type: none"> 2. Proposal to remove non-compete restriction stipulated in Article 209 of the Company Act for directors. Resolution: The number of votes in favor has exceeded the statutory amount, resolution passed. Implementation Status: Executed according to the resolution of the shareholders' meeting. |

4.11.2 Important Resolutions of Board Meetings until the annual report being published

| Term | Date | Important Resolutions |
|--------------------------------------|------------|--|
| 12th Board Meeting of the 18 th term | 2021/03/23 | <ol style="list-style-type: none"> 1. Approved the 2020 employee compensation and director remuneration. 2. Approved the Company's 2020 consolidated financial statements and individual financial statements. 3. Approved the Company's 2020 distribution of earnings proposal. 4. Approved the Company's 2021 operating budget. 5. Approved the Company's 2020 "Statement on Internal Control". 6. Approved the total reelection of the Company's directors (including independent directors). <p>Approved the date of the 2021 Annual General Shareholders' Meeting and relevant matters.</p> |
| 13th Board Meeting of the 18 th term | 2021/05/05 | <ol style="list-style-type: none"> 1. Reported 2021 1st quarter financial statements. 2. Approved the Company's 2020 business report. 3. Approved the list of candidates for Company directors. <p>Passed the proposed removal of non-compete clauses for directors.</p> |
| 14th Board Meeting of the 18th term | 2021/07/06 | <ol style="list-style-type: none"> 1. Approved the rescheduled date and venue of the 2021 Annual General Shareholders' Meeting, and the authorization of the Chairman in determining the ex-dividend date and relevant matters. 2. Approved the new establishment of the Chubei Branch Office. <p>Approved the capital increase of the Company's subsidiary, Bai Yang Investment Co., Ltd.</p> |
| 1st Board Meeting of the 19th term | 2021/07/27 | <ol style="list-style-type: none"> 1. Approved the election of Douglas Tong Hsu as the Company's Chairman. 2. Reported 2021 2nd quarter financial statements. <p>Approved the re-election of the 5th Remuneration Committee members.</p> |
| 2nd Board Meeting of the 19th term | 2021/11/12 | <ol style="list-style-type: none"> 1. Reported 2021 3rd quarter financial statements. <p>Approved the Company's 2022 Audit Plan.</p> |
| 3rd Board Meeting of the 19th term | 2022/03/04 | <ol style="list-style-type: none"> 1. Approved the 2021 employee compensation and director remuneration. 2. Approved the Company's 2021 consolidated financial statements and individual financial statements. 3. Approved the Company's 2021 distribution of earnings proposal. 4. Approved the Company's 2022 operating budget. 5. Approved amendments to certain provisions in the Company's "Procedures for the Acquisition of Disposal of Assets." 6. Approved amendments to certain provisions in the Company's "Procedures for Extending Loans to Others," and "Procedures for Endorsements and Guarantees." 7. Approved the Company's 2020 "Statement on Internal Control". 8. Approved amendments to certain provisions in the Company's "Corporate Sustainability Policy." 9. Approved amendments to certain provisions in the Company's "Election Procedures of Directors and Supervisors." 10. Approved amendments to certain provisions in the Company's Articles of Incorporation. <p>Approved the date of the 2022 Annual General Shareholders' Meeting and relevant matters.</p> |
| 4th Board Meeting of the 19th term | 2022/05/11 | <ol style="list-style-type: none"> 1. 2022 1st quarter financial report. 2. Approved the Company's 2021 business report. 3. Approved the amendment to the Company's "Meeting Rules of Board of Directors". 4. Approved the proposal to change the convening method of the 2022 Annual General Shareholders' Meeting and add additional items to the agenda. |

4.12 In recent years until the annual report being published, Dissenting Comments On Major Board of Director Resolutions from Directors and Supervisors: None

4.13 Any resignation or dismissal of the Company's Chairman of the Board, President, Accounting Director, Financial Director, internal audit manager, corporate governance manager, and research and development manager in the most recent year up to the publication date of this report: None.

5. Audit Fees

5.1 Professional Fees of CPA in Recent Year:

Unit: NT\$ thousands

| Accounting Firm | CPA name | | Audit fee | Non-audit Fees | | | | Total | Audit Period |
|-------------------|--|----------------|-----------|----------------|--------------|-----------------|-------|-------|-----------------------|
| | | | | System Design | Registration | Human Resources | Other | | |
| Deloitte & Touche | Vivian Ye | Ming-Hsing Cho | 6,600 | 0 | 0 | 0 | 345 | 6,945 | 2021/01/01-2021/12/31 |
| Remarks | Non-audit Fees are mainly for services such as transfer pricing. | | | | | | | | |

5.2 If accounting firm was replaced and if the audit fees paid for the fiscal year in which such replacement took place are lower than those for the previous year, the fees before and after the change and the reason(s) should be disclosed: the Company has not changed its accounting firm.

5.3 If the audit fee is more than 10% less than that paid in the previous year, the amount and percentage of decrease and reason shall be disclosed: None.

6. Information For Change Of CPA:

6.1 About the previous CPA: Not applicable

6.2 About the successor CPA: Not applicable

6.3 Reply of the predecessor auditor regarding Article 10, Subparagraph 6, Item 1 and Point 3 of Item 2 of the Guidelines: Not applicable.

7. The Company's Chairman, President and Managers Responsible for Finance or Accounting Who Have Held a Position in Company's Audit Firm or its Affiliations in the Last Year: None

8. Shareholding Transferred or Pledged by Directors, Management, and Major Shareholders Who Holds 10% of the Company Shares or More:

8.1 Shareholding Variation

Unit: share

| Title | Name | 2021 | | From Jan 1 to April 26, 2022 | |
|---|---|------------------------------|--------------------------------------|------------------------------|--------------------------------------|
| | | Shares Increased (Decreased) | Pledged Shares Increased (Decreased) | Shares Increased (Decreased) | Pledged Shares Increased (Decreased) |
| Chairman | Douglas Tong Hsu | 0 | 0 | 0 | 0 |
| Director | Representative of Ding & Ding Management Consultants Co. Nancy Hsu | 0 | 0 | 0 | 0 |
| | | 0 | 0 | 0 | 0 |
| | Representatives of Far Eastern New Century Corporation Nicole Hsu | 0 | 0 | 0 | 0 |
| | | 0 | 0 | 0 | 0 |
| | Representative of Yue Li Investment Corporation Philby Lee | 0 | 0 | 0 | 0 |
| | | 0 | 0 | (18,000) | 0 |
| Independent Director | Edward Way | 0 | 0 | 0 | 0 |
| | Eugene You-Hsin Chien | 0 | 0 | 0 | 0 |
| | Dong, Ding Yu | 0 | 0 | 0 | 0 |
| Manager | Nancy Hsu | 0 | 0 | 0 | 0 |
| | Chang-Li Lin | 0 | 0 | 0 | 0 |
| | Chris Liu | 0 | 0 | 0 | 0 |
| | James Tang | 0 | 0 | 0 | 0 |
| | Chin-Shih Liao | 0 | 0 | 0 | 0 |
| | Lily Y. T. Liu | 0 | 0 | 0 | 0 |
| | Cho-Cheng Lan | 0 | 0 | 0 | 0 |
| | Chih-Yao Shih | 0 | 0 | 0 | 0 |
| | Peter Chen | 0 | 0 | 0 | 0 |
| | Hwa-Ling Hsu | 0 | 0 | 0 | 0 |
| | Greg Tseng | 0 | 0 | 0 | 0 |
| | Tian-Zuo Jiang | 0 | 0 | 0 | 0 |
| | Rebecca Chan | 0 | 0 | 0 | 0 |
| | Jason Wang | 0 | 0 | 0 | 0 |
| | Wei- Hsing Hsu | 0 | 0 | 0 | 0 |
| | Chih-Kuo Mao | 0 | 0 | 0 | 0 |
| | Shawn Cheng | 0 | 0 | 0 | 0 |
| | Sophia Yu | 0 | 0 | 0 | 0 |
| Major shareholder with more than 10% shareholding | Far Eastern New Century Corporation | 0 | 0 | 0 | 0 |

8.2 Shareholding Transferred: None

8.3 Shareholding Pledged: None

9. Relationships Between Top 10 Shareholders:

April 26, 2022

| Name | Current Shareholding | | Spouse & Minor Children's Shareholding | | Shareholding in Name of Others | | Name, relationship of top ten shareholders are Spouses of within 2 degrees of consanguinity to each other | | Note |
|--|----------------------|-------|--|---|--------------------------------|---|--|---|------|
| | Shares | % | Shares | % | Share | % | Name | Relationship | |
| Far Eastern New Century Corporation Representative: Douglas Tong Hsu | 241,769,702 | 17.06 | 0 | 0 | 0 | 0 | Asia Cement Corporation, Yuan Ze University, Yuan Ding Investment Co., Ltd Tranguil Enterprise Ltd Yuan Tong Investment Co., Ltd | The same Chairman The same Chairman The same Chairman The same Chairman Invested by evaluated by Far Eastern New Century Corporation and evaluated by equity method | N/A |
| Yuan Ding Investment Co., Ltd. Representative: Douglas Tong Hsu | 139,785,985 | 9.87 | 0 | 0 | 0 | 0 | Far Eastern New Century Corporation Asia Cement Corporation Yuan Ze University Tranguil Enterprise Ltd. Yuan Tong Investment Co., Ltd. | The same Chairman The same Chairman The same Chairman The same Chairman Invested by evaluated by Far Eastern New Century Corporation and evaluated by equity method | N/A |
| Asia Cement Corporation Representative: Douglas Tong Hsu | 80,052,950 | 5.65 | 0 | 0 | 0 | 0 | Far Eastern New Century Corporation Yuan Ze University Yuan Ding Investment Co., Ltd. Tranguil Enterprise Ltd Yu Yuan Investment Co., Ltd. | The same Chairman The same Chairman The same Chairman The same Chairman Invested by evaluated by Asia Cement Corporation and evaluated by equity method | N/A |
| Yuan Tong Investment Co., Ltd Representative: Jian Cheng Wang | 79,249,530 | 5.59 | 0 | 0 | 0 | 0 | Far Eastern New Century Corporation Yuan Ding Investment Co., Ltd. | Invested by evaluated by Far Eastern New Century Corporation and evaluated by equity method | N/A |
| Chia Yuan Investment Co., Ltd. Representative: Su Ciou Wu | 70,308,000 | 4.96 | 0 | 0 | 0 | 0 | N/A | N/A | N/A |

| | | | | | | | | | |
|---|------------|------|---|---|---|---|--|--|-----|
| Yuan Ze University Representative: Douglas Tong Hsu | 67,373,794 | 4.75 | 0 | 0 | 0 | 0 | Far Eastern New Century Corporation Asia Cement Corporation Yuan Ding Investment Co., Tranguil Enterprise Ltd | The same Chairman | N/A |
| PJ Asset management Co., Ltd. Representative: Chen Hai Lin | 63,997,000 | 4.52 | 0 | 0 | 0 | 0 | N/A | N/A | N/A |
| Labor Pension Fund of Far Eastern Department Stores Co., Ltd. | 29,926,799 | 2.11 | 0 | 0 | 0 | 0 | N/A | N/A | N/A |
| Yu Yuan Investment Co., Ltd. Representative: Chun Ming Chen | 29,130,476 | 2.06 | 0 | 0 | 0 | 0 | Asia Cement Corporation | Invested by evaluated by Asia Cement Corporation and evaluated by equity method | N/A |
| Tranguil Enterprise Ltd Representative: Douglas Tong Hsu | 28,833,590 | 2.03 | 0 | 0 | 0 | 0 | Far Eastern New Century Corporation Asia Cement Corporation Yuan Ze University Yuan Ding Investment Co., Ltd. | The same Chairman | N/A |

10. The combined shareholding ratio of the Company, Director, Supervisor, President and the Business that is Controlled by the Company Directly or Indirectly on the Invested Company:

31 Dec, 2021 unit: Thousand shares; %

| Affiliated Company (Note 1) | Investment of the Company | | Directors, Supervisors, Managements and Direct or Indirect Investment of the Affiliated company | | Consolidated Investment | |
|---|---------------------------|-----|---|----|-------------------------|-----|
| | Shares | % | Shares | % | Shares | % |
| Far Eastern Ai Mai Co., Ltd. | 87,744 | 100 | 0 | 0 | 87,744 | 100 |
| Bai Ding Investment Co., Ltd. | 119,981 | 67 | 60,019 | 33 | 180,000 | 100 |
| Bai Yang Investment Co. | 1,074,991 | 100 | 0 | 0 | 1,074,991 | 100 |
| Yu Ming Advertising agency Co., Ltd | 3,500 | 100 | 0 | 0 | 3,500 | 100 |
| Ya Tung Department Store Ltd. | 41,000 | 100 | 0 | 0 | 41,000 | 100 |
| Far Eastern Hon Li Do CO., Ltd. | 1,571 | 56 | 1,259 | 44 | 2,830 | 100 |
| Asians Merchandise Company | 950 | 100 | 0 | 0 | 950 | 100 |
| FEDS Development Ltd. | 218 | 54 | 185 | 46 | 403 | 100 |
| Pacific Liu Tong Investment Co.,Ltd | 281,734 | 35 | 308,050 | 38 | 589,784 | 73 |
| Far Eastern City Super Ltd. | 47,827 | 96 | 2 | 0 | 47,829 | 96 |
| Oriental Securities Corporation | 141,980 | 20 | 240,902 | 33 | 382,882 | 53 |
| Ding Ding Integrated Marketing Services. Ltd. | 3,631 | 10 | 3,631 | 10 | 7,262 | 20 |
| Yuan Hsin Digital Payment Co., Ltd. | 6,171 | 9 | 10,407 | 15 | 16,578 | 24 |

Note 1: Long-term investment accounted for using equity method

IV. Capital Overview

1. Capital and shareholding of the Company

1.1 Issued Shares

April 26, 2022 unit: shares; NT\$

| Month/Year | Par Value (NT\$/share) | Authorized Capital | | Paid-in Capital | | Remark | | |
|------------|---------------------------|--------------------|----------------|-----------------|----------------|--|--|-------|
| | | Shares | Amount | Shares | Amount | Sources of Capital | Capital Increased by Assets Other than Cash | Other |
| 12/2015 | 10 | 1,750,000,000 | 17,500,000,000 | 1,416,940,589 | 14,169,405,890 | Capital reduction by treasury shares | None | None |

Note : 2015.12.3 MOEA Ruling Reno. 10401255720

| Type of Stock | Authorized Capital | | | Remarks |
|------------------|---------------------------|------------------|---------------|---------|
| | Outstanding issued shares | Un-issued Shares | Total Shares | |
| Common Shares | 1,416,940,589 | 333,059,411 | 1,750,000,000 | None |

1.2 Composition of Shareholders

April 26, 2022

| Shareholder Structure Amount | Government Institutions | Financial Institutions | Other Institutional Shareholders | Individual Shareholders | Foreign Institutions and Individual Shareholders | Total |
|------------------------------------|----------------------------|---------------------------|--|----------------------------|---|---------------|
| Head count | 11 | 6 | 147 | 62,312 | 182 | 62,658 |
| Number of shares held | 3,447 | 7,143,788 | 1,016,373,184 | 246,605,555 | 146,814,615 | 1,416,940,589 |
| Shareholding (%) | 0.00 | 0.50 | 71.73 | 17.40 | 10.37 | 100 |

1.3 Distribution Profile of Share Ownership

April 26, 2022

| Shareholder Ownership | Number of Shareholders | Number of shares held | % |
|-------------------------|------------------------|-----------------------|-------|
| 1 - 999 | 31,239 | 6,788,365 | 0.48 |
| 1,000 - 5,000 | 22,623 | 47,976,620 | 3.40 |
| 5,001 - 10,000 | 4,422 | 31,498,817 | 2.22 |
| 10,001 - 15,000 | 1,660 | 20,015,423 | 1.41 |
| 15,001 - 20,000 | 752 | 13,279,291 | 0.94 |
| 20,001 - 30,000 | 743 | 18,011,972 | 1.27 |
| 30,001 - 40,000 | 304 | 10,577,228 | 0.75 |
| 40,001 - 50,000 | 184 | 8,402,030 | 0.59 |
| 50,001 - 100,000 | 345 | 23,721,870 | 1.67 |
| 100,001 - 200,000 | 190 | 26,445,088 | 1.87 |
| 200,001 - 400,000 | 77 | 20,749,497 | 1.46 |
| 400,001 - 600,000 | 31 | 14,885,071 | 1.05 |
| 600,001 - 800,000 | 13 | 9,197,862 | 0.65 |
| 800,001 - 1,000,000 | 9 | 7,983,017 | 0.56 |
| 1,000,001 - 999,999,999 | 66 | 1,157,408,438 | 81.68 |
| Total | 62,658 | 1,416,940,589 | 100 |

1.4 Major Shareholders

April 26, 2022

| Shares | Shares | % |
|--|-------------|-------|
| Major Shareholders | | |
| Far Eastern New Century Corporation | 241,769,702 | 17.06 |
| Yuan Ding Investment Co., Ltd. | 139,785,985 | 9.87 |
| Asia Cement Corporation | 80,052,950 | 5.65 |
| Yuan Tong Investment Co., Ltd | 79,249,530 | 5.59 |
| Chia Yuan Investment Company | 70,308,000 | 4.96 |
| Yuan-Ze University | 67,373,794 | 4.75 |
| PJ Asset management Co., Ltd. | 63,997,000 | 4.52 |
| Labor Pension Fund of Far Eastern Department Stores Ltd. | 29,926,799 | 2.11 |
| Yu Yuan Investment Co., Ltd. | 29,130,476 | 2.06 |
| Tranquil Enterprise Ltd | 28,833,590 | 2.03 |

1.5 Stock price, net worth, earnings, and dividends for the most recent two years

| Year | | 2020 | 2021 | From 1 Jan., 2022 to 31 Mar., 2022 | |
|-------------------------------|---|----------------------------|-----------|------------------------------------|--------------|
| Market Price per Share | High | 26.70 | 25.25 | 21.8 | |
| | Low | 20.20 | 20.70 | 20.70 | |
| | Average | 24.19 | 22.60 | 21.27 | |
| Net Value per Share | Before distribution | 22.14 | 22.02 | 22.69 (Note 1) | |
| | After distribution | 21.04 | (Note 2) | (Note 2) | |
| Earnings per Share | Weighted Average Shares (thousand shares) | | 1,408,734 | 1,408,734 | 1,408,734 |
| | Earnings per share | Before adjustment | 1.38 | 0.86 | 0.38(Note 1) |
| | | After adjustment | 1.38 | (Note 2) | - |
| Dividends per Share (Note 3) | Cash dividend | | 1.10 | 0.90 | - |
| | Stock dividend | Distribution of surplus | - | - | - |
| | | Additional Paid-In Capital | - | - | - |
| | Accumulated un-distributed dividend (NT\$ '000) | | 35,486 | 37,807 | 37,807 |
| Return on Investment Analysis | Price/Earnings Ratio (Note 4) | | 17.53 | 26.28 | 13.99 |
| | Price/Dividend Ratio (Note 5) | | 21.99 | 25.11 | - |
| | Cash dividend yield (Note 6) | | 4.55 | 3.98 | - |

Note 1: The numbers is calculated based on 2022 Q1 financial report reviewed by CPA.

Note 2: Earnings distribution shall be resolved by Shareholders' Meeting in the subsequent year.

Note 3: Distribution of profit generated from the preceding year.

Note 4: Price/Earnings Ratio = Average closing share price of the period/Earnings per share.

Note 5: Price/Dividend Ratio = Average closing share price of the period/Cash dividend per share.

Note 6: Cash dividend yield = Cash dividend per share/average closing share price of the year.

1.6 Dividend policy and implementation status

1.6.1 The Company's dividend policy declared in the Articles of Incorporation:

If there is a surplus in the Company's annual final accounts, after paying the income tax for profitable businesses in accordance with the law, it shall first make up for the previous years' losses. Ten percent of the legal earnings reserve is set aside, and the special surplus reserve is set aside according to laws and regulations, together with the accumulated undistributed surplus of the previous year, as the surplus available for distribution, but a portion may be reserved depending on the business situation, share dividends to shareholders evenly based on all shares, but in case of capital increase, the dividends that should be distributed to the new shares in the current year shall be handled in accordance with the resolutions of the shareholders meeting.

The Company's dividends shall be distributed with the objective of maintaining stable dividends, taking into account the characteristics of the business climate change, considering the impact of the life cycle of each product or service on the future demand for funds and the tax system. The distribution of dividends shall not be less than the balance of the current year's after-tax net profit after deducting the amount of loss, the legal earnings reserve and the special surplus reserve, except for the improvement of the financial structure and the capital needs to support transfer investment, capacity expansion or other major capital expenditure 50%, the cash dividend shall not be less than 10% of the shareholder dividend for the year.

Taking the dividends paid by the Company in the last three years as an example, the dividend payout rates for 2019, 2020 and 2021 are 63%, 80% and 105%, respectively. The distribution of cash dividends is in line with the cash dividends in the Company's Articles of Incorporation and is not less than 10% of the shareholders' dividends for the year. The calculation method is as follows

| Year | EPS (A) | Cash Dividend (B) | Stock Dividend (C) | Dividend Per Share (D=B+C) | Payout Ratio (D/A) | Cash Payout Ratio (B/D) |
|------|---------|-------------------|--------------------|----------------------------|--------------------|-------------------------|
| 2019 | 1.26 | 0.80 | 0.00 | 0.80 | 63% | 100% |
| 2020 | 1.38 | 1.10 | 0.00 | 1.10 | 80% | 100% |
| 2021 | 0.86 | 0.90 | 0.00 | 0.90 | 105% | 100% |

1.6.2 Current year dividend distribution proposal to the shareholders' meeting: A cash dividend of NT\$0.90 per share will be distributed.

1.7 Effects on Business Performance and EPS Resulting from Stock Dividend Distribution Proposed by 2022 Annual General Shareholders' Meeting:

| Item | | Year | Unit: NT\$ 2022 (Estimate) |
|--|---------------------------------------|------|------------------------------------|
| Paid-in Capital (beginning of the year) | | | 14,169,405,890 |
| Stock & Cash Dividend Distribution | Cash Dividend (NT\$/per share) | | 0.90 |
| | 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 | | |
| Average Return on Investment (%) (Reciprocal of Average P/E Ratio) | | | |

| | | | |
|---------------------------|--|---|-----------------------|
| Pro Forma EPS & P/E Ratio | If Retained Earnings Pro Forma Earnings Per Share Distributed in Cash Dividend | Pro Forma Earnings Per Share | not applicable (note) |
| | | 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: The Company has not prepared and announced the financial forecast for 2022. According to the letter issued by the Securities and Futures Management Commission of the Ministry of Finance of the Ministry of Finance of the Tai-Cai-Zheng (1) Zi No. 00371 dated February 1, 2000 (1989), there is no need to disclose this information.

1.8 Remuneration to Employees and Directors

1.8.1. Description regarding compensation for employees and Directors in the Articles of Incorporation:

The standard is set according to Articles of Incorporation of the Company: "If there is profit for the current year, the Company shall set aside 2%~3.5% of it as compensation for employees and, shall set aside not more than 2.5% of it as compensation for Directors. If there is accumulated loss on the books of the Company, portion of the profit equaling the loss shall first be set aside to cover the latter.

The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-third of the total number of Directors, determine the actual ratio, amount, form (in the form of shares or in cash) and the number of shares of the profit distributable as employees' compensation, and, in addition, thereto report of such distribution shall be submitted to the shareholders' meeting. The actual ratio and amount of the profit distributable as Directors' remuneration shall also be determined by Board of Directors, and a report of such distribution shall be submitted to the shareholders' meeting.

1.8.2. The accounting treatment for the differences between actual and accrued amount of compensation for employees and Directors:

The estimated amount of compensation for employees and directors is based on the employee's remuneration and director's remuneration from 2% to 3.5% and not more than 2.5%, respectively, prior to the pre-tax benefit of the deduction of staff and directors' compensation. The 2021 annual estimates are based on 3.2% and 2.4% of the pre-tax benefits mentioned above. These amounts were allotted in cash on March 4, 2022. If the amount of the annual financial report is significantly changed by the resolution of the Board of Directors before the date of issuance, the change will be adjusted to the original annual cost. If the amount of the annual financial report still changes after the date of publication, it will be adjusted according to the accounting estimate and adjusted in the next year.

1.8.3. Proposed employees' compensation and Directors' remuneration:

The 2021 employees' compensation and Directors' remuneration was resolved on 4 March 2022 by 3th Board Meeting of the 19th term. The amounts and forms are listed below:

- (1) the amount of employees' compensation and Directors' remuneration in cash or in shares:
The Board of Directors of the Company resolved to distribute employees' compensation of NT\$47.003 million in 2021 and directors' compensation is NT\$35.252 million. These amounts are not different from the amount recognized in the 2021 accounts.
- (2) Proposed employee compensation by shares as percentages of net income and total employee compensation: None

1.8.4. Remuneration to employees and Directors of Year 2020. The discrepancy, if there is any, between the total amount being actually paid as employees' compensation, remuneration for Directors for 2020 (including number of shares, dollar amount, and share price) and the amount of such compensation and remuneration being recognized should be stated, and the reason for such discrepancy:

- (1) The Board of Directors resolved to allot 2020 employees for NT\$75.603 million and actually issued NT\$75.110 million.
- (2) The Board of Directors resolved to allot 2020 directors' compensation for NT\$56.702 million and actually issued NT\$45.500 million.
The number of differences will be released in the following years or supplemented with the remaining years of the previous year.

1.9 Shares buyback by the Company: The Company did not buy back share during year 2021 until the annual report being published.

2. Corporate Bonds:

- (1) Corporate Bond Issued and Outstanding: None
- (2) **Convertible Bond:** None
- (3) **Exchangeable Bond:** None
- (4) **Shelf Registrations for Issuing Corporate Bonds:** None
- (5) **Bond with Warrants:** None

3. Preferred Shares: None

4. Issuance of Overseas Depository Receipts: None

5. Employee Stock Options: None

6. Employee Restricted Stock Options: None

7. Share Issued for Merger or Acquisition: None

8. Fund Utilization Plans and Status

8.1 Plan: Uncompleted bond issues, private placement of securities, completed bond issues or private placement of securities in recent 3 years whose return of investment has not emerged:
None

8.2 Implementation Status: None

V. Business Overview

1. Business activities

1.1 Business Scope

1. The Company's main business activity is as follows:
The Company and its subsidiaries are single industries that operate retail department stores and supermarkets.
2. Main business content and proportion: Refer to page 86 for sales volume and value during the most recent two years.
3. New product development plan: None.

1.2 Industry Overview

1. The industry's current status and developments

In 2021, the department store market was heavily impacted by COVID-19. The public tended to stay indoors, which resulted in a decrease in the visitor number of shopping malls, and the revenue of department stores fell. In contrast to the sales in the convenience store market (annual growth rate of 0.1%), the supermarket market (annual growth rate of 10.7%), and the mass merchandise store market (annual growth rate of 8.9%), the sales in department stores market decreased by 3.2%, giving a total revenue of NT\$ 342.6 billion. However, the department store industry took this as an opportunity to reflect on how to create a more resilient operation with the use of technology in order to achieve the goal of sustainable operation.

According to the survey report released by the Department of Statistics, Ministry of Economic Affairs, the major cause of the predicament which the department stores are in is “market share erosion due to e-commerce” reaching 72.5% this year. In recent years, traditional retail has been shifting to e-commerce, and the trend has been expedited by the pandemic. Faced with the fierce competition of e-commerce, the department store industry evolves with the advance in technology. It accelerated the integration of online and offline resources and adopted the sales model of “based on physical stores, assisted by online channels” in order to establish an omni-channel sales network to better satisfy the consumers’ needs.

In the post-pandemic era, technology retail has become an important indicator. The department store industry is also investing a vast amount of resources in the development of digital services, upgrading mobile apps, and launching online shopping platforms, with the aim of increasing shoppers’ stickiness through convenient services. At the same time, the department stores also incorporated mobile payment systems, offering convenient parking, promotional sales information, digital gift coupons, and point rewards to their customers, and then, the customers are inclined to register on the department store apps. In this way, the department stores can better understand the consumers’ preferences and shopping habits through data collection on the app, and user data analysis, in order to achieve precision marketing. Then, through the integration of physical and online channels, the department stores are able to provide customers with a 24-7 shopping environment.

The advance in technology accelerated the change in the retail industry. The operating model of department stores will be focusing on customers’ needs and convenience, providing more innovative digital services, shopping experience, social media marketing, and mobile app online shopping. Furthermore, the development of digitalization also gave rise to mobile payment. Currently, the percentage of non-cash payments has exceeded that of cash payments and has also become the priority payment method at department stores. Therefore, many department stores are actively introducing non-cash payment methods so as to build a convenient omni-channel consumption pattern to stimulate consumption dynamics.

2. Relationship between the industry’s up-, mid-, and down-stream

Department stores belong to the general merchandise retail industry under the definition of the industry category, which refers to the type of business that engages in a variety of goods and retails by departments in one place. Therefore, the relevance of the upper, middle and lower reaches of the department store industry is mainly composed of the manufacturers (or counters) that provide products in the upstream, the department stores that provide sales places in the midstream, and the customers who come to buy the products from the downstream. Factors such as the location of the department store, the characteristics of the business district, the crowds of consumers, and the convenience of transportation are all closely related to the performance of the department store.

3. Product development trends and competition

The department store industry is deeply affected by digital technology. The department stores are slowly digitalizing and reshaping their consumption pattern from the physical store to online stores, and creating a brand new and comprehensive shopping experience for the consumers. In addition, digitalized physical department stores have incorporated a large amount of advanced digital technology in the operating infrastructure, and also upgraded the operation and service efficiency of shopping malls with a variety of smart technologies including mobile devices, big data, IoT, AI, AR, and VR in order to upgrade the convenience and experience of shopping and move toward an operating model which can better meet the consumers' expectation.

Looking at the trend in the industry, many department stores are more actively developing their own online shopping systems. Based on the customers' high level of trust, and the advantage of high product diversity in the retail industry, the department stores build a speedy one-stop consumption pattern. Further, with the application of big data, the department stores can better understand the preferences and needs of customers in order to develop new services tailored for the customers, and satisfy their needs before requested or even realize that there is such a need. In this way, we expect to increase revenue in our business model.

The traditional retail business model is challenged by the rise of e-commerce. Thus, department stores need to redefine the relationship among shopping malls, customers, and merchandise, and continue to create unique services and shopping experiences to beat e-commerce through differentiation. Due to the shift in the consumption pattern from "purchase what is needed" to "consumption experience comes first," the consumers focus on the diversity of the shopping mall experiences and satisfying all their needs. Customers are expecting shopping to become a fun leisure activity like watching a movie. Therefore, they are more willing to spend more on products that are customized and provide a good service experience. Therefore, we believe that "experiential marketing" and "innovative service" will be the two main directions of future development.

In 2020, the three major chain department stores including Far East Department Store, Far East SOGO, and Shin Kong Mitsukoshi totaled more than NT\$167.8 billion in sales, with a market share of over 48%, indicating that the development trend of Evergrande, a major department store market, is quite obvious. As the channel is king, chain groups with abundant resources have the greatest advantages in investment promotion and operation. The competitive situation of department store operations moving towards large-scale and chain-oriented businesses will continue and will not be easy to change.

1.3 Overview of technology and R&D

Based on different professional needs, Far Eastern Department Store provides comprehensive courses for employees, so as to promote employees' work competency. In 2021, the Company provided a total of 19,998 hours of training, consisting of 3 main categories, such as basic training, core business training, self-development training targeting the new recruits, professional personnel, and the management. The Company has invested more than NT\$730 thousand in training courses, with the aim

of enhancing the employees' professionalism and knowledge through physical and online courses, in order to help the employees to demonstrate their core values and grow together with Far Eastern Department Stores.

As a leading domestic listed department store company, Far Eastern Department Store is the only representative of Taiwan to become a member of IGDS (Intercontinental Group of Department Stores). In Taiwan, it also joined the Republic of China Department Store Retailers Association, the Republic of China Shopping Center Association, and societies. Forty-five department store business associations and other related public associations, including the Republic of China Chamber of Commerce and Industry Association, Taiwan Enterprise Sustainability Research and Training Center, and 45 other related public associations, aim to promote the booming development of the domestic department store retail industry and enhance its own management capabilities, and contribute to the prosperity of the industrial economy, and lay the key cornerstone of a sustainable enterprise.

1.4 Long-term and short-term business development plans

1. short term:

- (1) To enhance growth momentum, each branch company will continue to adjust the brand lineup and industry segments in response to market trends and the local characteristics of the business district to enhance the merchandise power and characteristics of the mall.
- (2) Organize special events, organize international exhibitions and various activities in accordance with festivals, seasons and popular topics, increase interaction with customers, and strengthen malls' ability to gather customers and operate.
- (3) Optimize APP digital tools, strengthen social marketing, combine data analysis, provide customers with warm service and experience, use CRM big data to carry out more detailed and in-depth segmentation, design various types of unique experience activities, and provide more refined and intelligent personal services.
- (4) Embracing digital technology, developing online shopping, constructing all-customer channels, optimizing customer shopping experience, and moving towards innovative and smart new retail.
- (5) Cross-industry and different industry integration, co-operating with industry players to launch a series of merchandise or exhibition activities to create topical department stores and increase shopping retention rate.

2. long term:

- (1) Deeply cultivate local operations, continue to build a new type of digital shopping mall, expand the scale of operation and grow niche.
- (2) Develop the mainland market, optimize the types of existing stores in mainland China, and develop new operating bases.
- (3) Create a smart shopping mall with technology and environmental protection, create customer-specific happiness and fashion, become a sustainable retail leading brand, and fulfill corporate social responsibilities.

2. Market, production and sales

2.1 Market analysis

1. The main regions where our products (services) are sold (provided):
Taiwan and China.
2. Domestic market share of main products (KPI value):
the Company's market share in Taiwan (including Far Eastern SOGO Department Store and Ya Tung Department Store) is 26%.
3. Supply and demand and growth potential of the market:
In the next three years, the department store market will continue to have new shopping malls opening, which will become a driving force to boost market revenue, but it is also expected to bring more fierce market competition.
4. main competitor:
Shinkong Mitsukoshi Department Store.
5. Competitive niche and favorable and unfavorable factors for long-term growth and response strategies:
 - (1) Competitive niche
 - ① Long-term accumulation of professional industry knowledge and experience.
 - ② Decent, pragmatic, forward-looking and innovative business philosophy and strategy.
 - ③ Excellent management team, loyal customer base.
 - ④ Good corporate reputation, all suppliers fully support and cooperate
 - (2) Favorable conditions for future development
 - ① The two sides of the Taiwan Strait continue to exhibit stores, expand the market scale, and increase revenue and profits.
 - ② With abundant resources, the Group will develop smart retail in conjunction with related companies and move towards omni-channel operations.
 - (3) Unfavorable conditions for future development
 - ① E-commerce, chain convenience stores, and retail sales grew strongly.
 - ② Competitors in the same industry in department stores are aggressively selling drugs for promotion, which significantly increases operating costs.
 - ③ Large shopping malls and outlet malls have opened successively to increase market competition.
 - (4) Countermeasures
 - ① According to the conditions of each store's business circle, adjust the product structure, screen the target audience, and carry out differentiated marketing.
 - ② Strengthen experience marketing and create a more interactive and experience shopping service.
 - ③ Develop online shopping and jointly innovate mobile marketing with the group to provide a more convenient consumer experience.
 - ④ Expand the integration of virtual and real, move towards mutual guidance of virtual and real, and develop high-quality O2O.
 - ⑤ Create management efficiency, increase revenue and reduce expenditure, and save costs.

2.2 Important applications and manufacturing processes of major products: Not applicable because the Company is in the department store industry.

2.3 State of supply of major raw materials: Not applicable because the Company is in the department store industry.

2.4 The names of customers who have accounted for more than 10% of the total purchases (sales) in any of the most recent two years, their purchases (sales) amount and proportion, and the reasons for the increase or decrease. However, because of the contractual agreement, the name of the customer or the transaction partner, if it is an individual and not a related party, can be codenamed.

1. Procurements: None.
2. Sales: None.

2.5 Production volumes and values for the most recent two years: Not applicable because the Company is in the department store industry.

2.6 Sales volume and value during the most recent two years

unit: Thousand NT\$

| Item | Year | 2020 | | 2021 | |
|---------------------|------|------------|------------|------------|------------|
| | | Turnover | Weight (%) | Turnover | Weight (%) |
| Sales revenue | | 23,070,901 | 62 | 22,093,160 | 63 |
| Commission revenue | | 11,023,289 | 30 | 10,301,121 | 29 |
| Advertising revenue | | 794,739 | 2 | 737,065 | 2 |
| Rent revenue | | 1,613,378 | 4 | 1,435,287 | 4 |
| Others | | 785,642 | 2 | 741,831 | 2 |
| Total | | 37,287,949 | 100 | 35,308,464 | 100 |

Note: Department of Consolidated Statement Data

3. Employee Information in Recent 2 Years up to the Annual Report being Published

| Year | | 2020 | | 2021 | | As of March 31, 2022 | |
|--------------------------|-----------------------|-------------|---------------------------------------|-------------|---------------------------------------|----------------------|---------------------------------------|
| | | The Company | All companies in the Financial Report | The Company | All companies in the Financial Report | The Company | All companies in the Financial Report |
| Number of employees | Management | 422 | 1,406 | 458 | 1,431 | 440 | 1,403 |
| | Other personnel | 935 | 4,023 | 938 | 3,801 | 955 | 3,742 |
| | Total | 1,357 | 5,429 | 1,396 | 5,232 | 1,395 | 5,145 |
| Average age | | 38.4 | 39.7 | 38.6 | 40.5 | 38.6 | 40.7 |
| Average years of service | | 12.5 | 11.6 | 12.7 | 12.2 | 12.6 | 12.2 |
| Education distribution | Ph.D. | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Masters | 6.0% | 3.5% | 4.8% | 3.3% | 4.4% | 3.2% |
| | College | 78.0% | 67.0% | 79.7% | 68.1% | 78.9% | 68.0% |
| | High School | 15.6% | 27.6% | 15.1% | 26.9% | 16.3% | 27.1% |
| | High School and below | 0.4% | 1.9% | 0.4% | 1.7% | 0.4% | 1.7% |

4. Environmental protection expenditure information

In the most recent year and up to the publication date of the Annual Report, losses suffered due to environmental pollution (including compensation and environmental protection inspection results that violate environmental protection laws and regulations, the date of punishment, the type of punishment, the violation of laws and regulations, the content of violations, and the content of punishment should be listed), It also discloses the estimated amount and corresponding measures that may occur at present and in the future. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be explained:

None (the consolidated company is a single industry operating retail department stores and supermarkets, not a production institution).

5. Labor relations

5.1 Current employee welfare measures and systems:

1. Employee benefits measures

(1) the Company:

- ① Establish an employee welfare committee to allocate welfare funds to handle various employee welfare measures. In addition to bonuses, year-end, and three festival bonuses, there are also birthdays, marriages, childbirth, hospitalization, funerals, children's school allowances, and employee travel subsidies, etc. A number of welfare measures.
- ② Staff shopping discounts at the Company and related companies' consumption discounts.
- ③ Employee group insurance guarantees the safety of employees' lives.

(2) Affiliated enterprises:

Following the Group's spirit of labor-management harmony, various employee welfare measures have also been planned to provide employees with a safe and secure working environment.

2. Staff training and training:

(1) the Company:

- ① In order to meet the work needs of various positions and levels, the Company also plans to handle relevant professional training in operation management, marketing services, and product information to meet the needs of colleagues at work. In 2021, a total of 29,859 person-times and a total of 31,142 hours were handled. hour.
- ② Each year, according to the needs of colleagues' business and work, and in line with their personal development potential, suitable colleagues are selected to participate in various training courses conducted by the Far East Group's Human Development Center. In 2021, there will be a total of 183 people and 1,363 training hours.
- ③ In order to enhance the professional ability of colleagues and absorb the latest information to increase work efficiency, we recommend that colleagues participate in various professional courses conducted by professional institutions from time to time. In 2021, there will be a total of 182 person-times and 1,322 hours of training.
- ④ The average training hours per person in 2020 is 12.6 hours, and the training expenses are about 733 thousand yuan.

(2) Affiliated enterprises:

According to the management needs of each company, complete and diversified education and training courses are planned to cultivate various professional and career development capabilities of employees.

3. Retirement plan:

(1) The Company:

the Company has established employee retirement policies and established a labor retirement reserve supervision committee in accordance with the provisions of the Labor Standards Law.

The old retirement reserve is allocated at 2% of the salary every month and deposited in the special account of the Taiwan Bank for the management of the labor retirement reserve. After the implementation of the New Labor Retirement Regulations, for employees who choose the new system, the Company also contributes 6% of their wages to the special account of the Labor Insurance Bureau on a monthly basis, and appoints a consulting company to conduct the actuarial calculation of the old retirement reserve every year. Ensure the pension rights of all employees.

(2) Affiliated enterprises:

In accordance with the Labor Standards Law, Labor Pension Regulations and local laws and regulations, or better than the laws and regulations, the relevant matters concerning the allocation and payment of employee pensions are handled.

5.2 The Company's various administrative measures strive to be fair and reasonable. If colleagues have different opinions, they can reach communication and coordination through complaint channels such as suggestion boxes and e-mails. Both employers and employees can coexist in harmony and communicate rationally to establish mutual benefits. Virtuous circle.

5.3 Losses due to labor-management disputes during in the most recent year and up to the Annual Report publication date:

| Company | Disposition dates | Disposition reference numbers | Violated article | Violation | The content of the dispositions | Improvements |
|--|-------------------|--|---|--|---------------------------------|--|
| Far Eastern Ai Mai Co., Ltd. Keelung store | 2021.4.23 | Keelung Social Affairs Inspection No. 1100211594 | Article 37 of the Labor Standards Act | Some working-hour labor national holidays fall on official holidays and rest days, and are not compensated for other "working days". | Set a fine of NT\$20,000 | Strengthen the propaganda that staff national holidays are scheduled days off during the division of labor. They should not be regarded as regular holidays or rest days. They must arrange a rest day and a regular holiday within the same week. |
| Far Eastern Ai Mai Co., Ltd. Fuxing store | 2021.11.11 | Taichung labor Affairs Inspection No. 1100293419 | Article 34-2 of the Labor Standards Act | Shift workers fail to take 11 consecutive hours of rest when changing shifts break time. | Set a fine of NT\$50,000 | Strengthen the control of branch schedules, and there must be an 11-hour break between night shifts and morning shifts. |

6. Information security management

(I) Describe the information security risk management framework, information security policies, specific management plans and resources devoted to information security management, etc.

(1) The Company attaches great importance to the development of technological trends and continues to actively promote informatization and the effective use of manpower to achieve the goal of reducing costs and enhancing corporate competitiveness. Additionally, being committed to the application of information technology and continues to develop mobile apps for restaurant waiting lists, membership management, and e-vouchers, in response to the transformation of the retail industry from traditional sales to intelligent sales. Due to the rapid development of e-commerce, which significantly affects physical department stores, the Company continues to

update its official website, while closely monitoring and expanding online shopping, as well as striving to integrate the real and the virtual to develop a full range of department store retailers. In hopes of improving the Company's operational performance, and enhancing the rights and interests of all shareholders.

(2) The Company has established the Personal Information Review Committee to coordinate decision-making and implement resources integration of the Company's personal information and privacy protection management business and information security in order to protect the safety of consumers' personal data.

(3) In connection with information security risk inspection and the purchase of information security insurance, the Company has established the Information Security Task Force, in order for the Company to carry out the necessary self-inspection before purchasing information security insurance.

(4) The Company has established regulations governing active directory (AD) management for information security-related equipment network, system account life cycle and authorized account management, recording of data access and off-site backup, network and communication security (antivirus/e-mail), etc., as well as performs personal information inventory check and de-identification of personal information. On the other hand, the Company implements an internal control system and an information security policy, where the internal audit unit and CPAs monitor the implementation effectiveness of these regulations and procedures every year, in order to ensure the appropriateness and effectiveness of these regulations and procedures.

(II) For the most recent year up to the publication date of this annual report, the loss, possible impact and response measures of major information security incidents, if not reasonably estimated; however, there are no reasons they could not be reasonably estimated.

7. Important contracts

| Nature of contract | Company | Party | Start and end date of the contract | Main items covered | Restriction clauses |
|---------------------------------------|--|--|------------------------------------|--|---------------------|
| Commercial Real Estate Lease Contract | Far Eastern Ai Mai Co., Ltd. | Hsinchu Chemical Company | 11/2001 to present | Land leasing and construction of wholesale stores | None |
| | Far Eastern Department Stores Co., Ltd. | Ministry of Education | 4/2006 to 4/2027 | Lease of state-owned school property land located at Nos. 89 and 91 in Huiguo Section, Xitun District, Taichung City | None |
| | Pacific SOGO Department Store. Co., Ltd. | Taipei City Government MRT Engineering Bureau Taipei City Government Finance Bureau Hong Tong Commercial Development Company | 1/2007 to present | Public real estate lease of joint development building at Zhongxiao Fuxing Station (BR4) of MRT Muzha Line | None |
| | Far Eastern Department Stores Co., Ltd. | Far Eastern Ai Mai Co., Ltd. | 10/2009~10/2029 | B1 & 3F, No. 581, Heping Road, Hualien City storage area lease | None |
| | Far Eastern Department Stores Co., Ltd. | Far Eastern Department Stores Co., Ltd. | 10/2016~10/2036 | B5 - 18F, No. 21, Sanduo 4th Road, Kaohsiung City real estate lease | None |

| Nature of contract | Company | Party | Start and end date of the contract | Main items covered | Restriction clauses |
|--|--|-------------------------------------|------------------------------------|---|---------------------|
| | Far Eastern Department Stores Co., Ltd. | Taoyuan City Farmers' Association | 5/2018 to 5/2033 | Commercial building lease in front of Taoyuan City Farmers' Association Station | None |
| | Far Eastern Ai Mai Co., Ltd. | Yuan Yang Construction Company | 3/2020 to present | Land leasing and construction of wholesale stores | None |
| Set up a superficies contract | FEDS Asia Pacific Development Co., Ltd. | Asia Cement Corporation | 1/1998 to present | Land leaseing construction and operation of Kaohsiung Asia Corporate Finance Center Building (Far Eastern Department Store Asia Pacific Shopping Center) | None |
| | Far Eastern Department Stores Co., Ltd. | Taipei City Government | 10/2003 to present | Obtaining superficies by the Taipei City Government, Taipei City Xinyi Project District No. A13 | None |
| | Chubei New Century Shopping Mall Co., Ltd. | Hsinchu County Government | 7/2015 to present | Entrusting private participation in the construction and operation of Tanba Parking Lot in Zhubei City, Hsinchu County | None |
| Joint venture contract | Far Eastern Department Stores Co., Ltd. | Malaysia City Super Limited | 7/2004 to present | To develop the integrity of the retail system in food and everyday products | None |
| Building in charge contract | Far Eastern Department Stores Co., Ltd. | Far Eastern Construction Co.,Ltd | 6/2011~12/2026 | Utilization and management of B4 to13F of lots 8, 9, 10, 14, 14-1 and B1 to 3F of lot 8 at Subsection 2, Xinban Section, Banqiao District, New Taipei City. | None |
| Long-term borrowings Long-term borrowings Long-term borrowings | Far Eastern Department Stores Co., Ltd. | Mega Bank | 9/2021~9/2023 | borrowings | None |
| | | Bank of Taiwan | 7/2020~7/2023 | | |
| | | Hua Nan Bank | 8/2021~8/2023 | | |
| | | CTBC Bank | 11/2021~10/2023 | | |
| | | Bank of China | 7/2021~7/2023 | | |
| | | KGI Bank | 1/2021~1/2024 | | |
| | Chubei New Century Shopping Mall Co., Ltd. | Management bank: Hua Nan Bank | 2/2018~2/2023 | borrowings | None |
| | Pacific Sogo Department Store | Mizuho Bank | 9/2021~9/2023 | borrowings | None |
| | | Bank of China | 7/2021~7/2023 | | |
| | | Bank SinoPac | 5/2021~4/2023 | | |
| | | First Commercial Bank | 1/2022~1/2024 | | |
| | | Sumitomo Mitsui Banking Corporation | 8/2021~8/2023 | | |
| | | Mega Bank | 8/2021~8/2023 | | |
| | | Yuanta Bank | 12/2021~12/2024 | | |
| KGI Bank | | 1/2021~1/2023 | | | |
| Hua Nan Bank | | 12/2021~12/2023 | | | |
| Taiwan Cooperative Bank | | 12/2021~12/2023 | | | |
| BNP Paribas | 8/2021~8/2023 | | | | |
| SK Bank | 5/2021~5/2023 | | | | |

VI. Financial Information

1. Financial Summary for The Last Five Years and Independent Auditors' Report

1.1 Condensed Balance Sheets & Statements of Comprehensive Income

1.1.1. Condensed Consolidated Balance Sheets

Unit: NT\$ thousands

| Item | Year | Five-Year Financial Summary | | | | | Mar 31, 2022 |
|---------------------------------------|---------------------|-----------------------------|-------------|-------------|-------------|-------------|--------------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 | |
| Current Assets | | 25,311,692 | 25,052,856 | 20,746,075 | 21,116,116 | 26,435,715 | 19,499,712 |
| Property, plant and equipment | | 43,699,225 | 43,532,941 | 34,323,257 | 33,945,566 | 33,782,868 | 34,179,582 |
| Intangible assets | | 5,059,516 | 3,449,258 | 2,477,815 | 2,581,127 | 2,428,534 | 2,427,920 |
| Other assets | | 31,638,018 | 31,711,286 | 72,963,958 | 70,780,960 | 68,080,194 | 69,093,752 |
| Total assets | | 105,708,451 | 103,746,341 | 130,511,105 | 128,423,769 | 130,727,311 | 125,200,966 |
| Current liabilities | Before distribution | 51,115,648 | 46,630,770 | 47,667,701 | 45,683,684 | 47,972,617 | 44,654,854 |
| | After distribution | 52,532,588 | 47,835,170 | 48,801,253 | 47,242,319 | - | - |
| Non-current liabilities | | 17,734,625 | 19,425,181 | 43,939,597 | 42,951,797 | 42,919,536 | 39,561,428 |
| Total liabilities | Before distribution | 68,850,273 | 66,055,951 | 91,607,298 | 88,635,481 | 90,892,153 | 84,216,282 |
| | After distribution | 70,267,213 | 67,260,351 | 92,740,850 | 90,194,116 | - | - |
| Equity attributed to owners of parent | | 28,998,718 | 29,523,906 | 30,790,406 | 31,193,920 | 31,048,630 | 31,961,530 |
| Common stock | | 14,169,406 | 14,169,406 | 14,169,406 | 14,169,406 | 14,169,406 | 14,169,406 |
| Capital surplus | | 3,315,931 | 3,315,420 | 3,327,466 | 3,338,791 | 3,340,982 | 3,341,024 |
| Retained earnings | Before distribution | 7,931,970 | 7,904,938 | 8,095,475 | 8,828,962 | 8,447,321 | 8,983,565 |
| | After distribution | 6,515,030 | 6,700,538 | 6,961,923 | 7,270,327 | - | - |
| Other equity | | 3,678,521 | 4,231,252 | 5,295,169 | 4,953,871 | 5,188,031 | 5,564,645 |
| Treasury stocks | | (97,110) | (97,110) | (97,110) | (97,110) | (97,110) | (97,110) |
| Non-controlling interests | | 7,859,460 | 8,166,484 | 8,113,401 | 8,594,368 | 8,786,528 | 9,023,154 |
| Total equity | Before distribution | 36,858,178 | 37,690,390 | 38,903,807 | 39,788,288 | 39,835,158 | 40,984,684 |
| | After distribution | 35,441,238 | 36,485,990 | 37,770,255 | 38,229,653 | - | - |

1.1.2 Condensed Consolidated Statements of Comprehensive Income

Unit: NT\$ thousands, except earnings per share

| Item | Year | Five-Year Financial Summary | | | | | 2022/01/01 ~2022/03/31 |
|---|------|-----------------------------|-------------|-------------|-------------|-------------|---------------------------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 | |
| Operating Revenues | | 41,166,982 | 39,242,551 | 37,896,062 | 37,287,949 | 35,308,464 | 9,062,173 |
| Gross Profit | | 20,493,375 | 20,150,967 | 19,642,613 | 18,707,278 | 17,410,066 | 4,801,464 |
| Operating Profit | | 3,086,724 | 4,187,329 | 4,538,651 | 4,084,964 | 3,632,646 | 1,240,653 |
| Total Non-Operating Income And Expenses | | (387,882) | (1,638,214) | (1,435,713) | (1,084,193) | (1,196,251) | (206,648) |
| Profit Before Income Tax | | 2,698,842 | 2,549,115 | 3,102,938 | 3,000,771 | 2,436,395 | 1,034,005 |
| Net Profit For The Year | | 1,845,022 | 1,650,495 | 2,152,269 | 2,544,897 | 1,905,316 | 787,134 |
| Other Comprehensive (Loss) Income For The Year, Net Of Income Tax | | (159,208) | 907,277 | 1,237,650 | (429,988) | 208,259 | 362,339 |
| Total Comprehensive Income For The Year | | 1,685,814 | 2,557,772 | 3,389,919 | 2,114,909 | 2,113,575 | 1,149,473 |
| Owners Of The Company | | 1,535,986 | 1,318,150 | 1,781,843 | 1,939,139 | 1,208,100 | 536,127 |
| Non-Controlling Interests | | 309,036 | 332,345 | 370,426 | 605,758 | 697,216 | 251,007 |
| Owners Of The Company | | 1,363,957 | 2,029,426 | 3,044,048 | 1,525,741 | 1,411,154 | 912,858 |
| Non-Controlling Interests | | 321,857 | 528,346 | 345,871 | 589,168 | 702,421 | 236,615 |
| EPS (NT\$/Share) | | 1.09 | 0.94 | 1.26 | 1.38 | 0.86 | 0.38 |

1.1.3. Condensed Balance Sheets (Stand-alone)

Unit: NT\$ thousands

| Item | | Year | | | | |
|-------------------------------|---------------------|------------|------------|------------|------------|------------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 |
| Current assets | | 1,886,095 | 2,519,024 | 2,061,664 | 2,077,748 | 2,571,184 |
| Property, plant and equipment | | 25,020,048 | 25,314,067 | 18,724,837 | 18,176,915 | 17,627,670 |
| Intangible assets | | 50,001 | 50,207 | 55,892 | 69,628 | 59,660 |
| Other assets | | 33,934,933 | 33,674,667 | 58,596,823 | 57,701,949 | 57,751,316 |
| Total assets | | 60,891,077 | 61,557,965 | 79,439,216 | 78,026,240 | 78,009,830 |
| Current liabilities | Before distribution | 20,999,068 | 18,588,427 | 20,207,931 | 17,726,400 | 17,649,586 |
| | After distribution | 22,416,008 | 19,792,827 | 21,341,483 | 19,285,035 | — |
| Non-current liabilities | | 10,893,291 | 13,445,632 | 28,440,879 | 29,105,920 | 29,311,614 |
| Total liabilities | Before distribution | 31,892,359 | 32,034,059 | 48,648,810 | 46,832,320 | 46,961,200 |
| | After distribution | 33,309,299 | 33,238,459 | 49,782,362 | 48,390,955 | — |
| Common stock | | 14,169,406 | 14,169,406 | 14,169,406 | 14,169,406 | 14,169,406 |
| Capital surplus | | 3,315,931 | 3,315,420 | 3,327,466 | 3,338,791 | 3,340,982 |
| Retained earnings | Before distribution | 7,931,970 | 7,904,938 | 8,095,475 | 8,828,962 | 8,447,321 |
| | After distribution | 6,515,030 | 6,700,538 | 6,961,923 | 7,270,327 | — |
| Other equity | | 3,678,521 | 4,231,252 | 5,295,169 | 4,953,871 | 5,188,031 |
| Treasury stocks | | (97,110) | (97,110) | (97,110) | (97,110) | (97,110) |
| Total equity | Before distribution | 28,998,718 | 29,523,906 | 30,790,406 | 31,193,920 | 31,048,630 |
| | After distribution | 27,581,778 | 28,319,506 | 29,656,854 | 29,635,285 | — |

1.1.4. Condensed Statements of Comprehensive Income (Stand-alone) – IFRSs

Unit: NT\$ thousands, except earnings per share

| Item | | Year | | | | |
|---|--|------------|------------|------------|------------|------------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 |
| Operating Revenues | | 10,581,149 | 10,781,588 | 10,614,744 | 11,037,055 | 10,013,982 |
| Gross Profit | | 6,483,723 | 6,496,456 | 6,445,982 | 6,631,224 | 6,095,355 |
| Operating Profit | | 1,882,157 | 2,089,339 | 2,125,167 | 1,986,745 | 1,744,186 |
| Total Non-Operating Income And Expenses | | (100,506) | (455,490) | 69,386 | 243,534 | (357,599) |
| Profit Before Income Tax | | 1,781,651 | 1,633,849 | 2,194,553 | 2,230,279 | 1,386,587 |
| Net Profit For The Year | | 1,535,986 | 1,318,150 | 1,781,843 | 1,939,139 | 1,208,100 |
| Other Comprehensive (Loss) Income For The Year, Net Of Income Tax | | (172,029) | 711,276 | 1,262,205 | (413,398) | 203,054 |
| Total Comprehensive Income For The Year | | 1,363,957 | 2,029,426 | 3,044,048 | 1,525,741 | 1,411,154 |
| EPS (NT\$/Share) | | 1.09 | 0.94 | 1.26 | 1.38 | 0.86 |

1.2 Auditors and opinions in the most recent five years

| Auditor | | Year | | | | |
|-------------------|--|-----------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 |
| Deloitte & Touche | | Shu-Chuan Yeh Kenny Hong | Shu-Chuan Yeh Ming-Hsing Cho | Shu-Chuan Yeh Ming-Hsing Cho | Shu-Chuan Yeh Ming-Hsing Cho | Shu-Chuan Yeh Ming-Hsing Cho |
| Opinions | | Unqualified Opinion | Unqualified Opinion | Unqualified Opinion | Unqualified Opinion | Unqualified Opinion |

2. Financial analysis of the most recent 5 years

2.1 Financial Ratio Analysis (Consolidated)

| Year (Note 1) Item (Note 2) | | Five-Year Financial Summary | | | | | Mar 31, 2022 |
|--------------------------------|---|-----------------------------|--------|--------|--------|--------|--------------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 | |
| Financial structure | Ratio of liabilities to assets (%) | 65.13 | 63.67 | 70.19 | 69.01 | 69.52 | 67.26 |
| | Ratio of long-term capital to property, plant and equipment (%) | 124.92 | 131.20 | 241.36 | 243.74 | 244.96 | 235.65 |
| Liquidity analysis | Current ratio (%) | 49.51 | 53.72 | 43.52 | 46.22 | 55.10 | 43.66 |
| | Quick ratio (%) | 42.62 | 45.59 | 36.62 | 40.33 | 49.33 | 36.65 |
| | Interest coverage ratio (times) | 7.05 | 6.82 | 4.71 | 4.52 | 4.05 | 5.96 |
| Operating ability | Receivables turnover(times) | 37.63 | 26.32 | 28.62 | 45.63 | 34.01 | 35.02 |
| | Average collection period (days) | 9.69 | 13.86 | 12.75 | 7.99 | 10.73 | 10.42 |
| | Inventory turnover (times) | 7.6 | 7.03 | 6.49 | 7.06 | 7.28 | 6.55 |
| | Payables turnover (times) | 1.16 | 1.03 | 1.08 | 1.17 | 1.06 | 1.16 |
| | Average sales days (days) | 48.02 | 51.92 | 56.24 | 51.69 | 50.13 | 55.72 |
| | Property, plant and equipment turnover (times) | 0.94 | 0.89 | 1.11 | 1.09 | 1.04 | 1.06 |
| | Total assets turnover (times) | 0.38 | 0.37 | 0.28 | 0.28 | 0.27 | 0.28 |
| Profitability analysis | Return on total assets (%) | 2.09 | 1.91 | 2.14 | 2.49 | 1.96 | 2.98 |
| | Return on equity | 5.03 | 4.42 | 5.67 | 6.46 | 4.78 | 7.79 |
| | Pre-tax income to paid-in capital (%) (Note 6) | 19.04 | 17.99 | 21.89 | 21.17 | 17.19 | 29.18 |
| | Ratio of net income to sales (%) | 4.48 | 4.20 | 5.67 | 6.82 | 5.39 | 8.68 |
| | EPS (NT\$/share) | 1.09 | 0.94 | 1.26 | 1.38 | 0.86 | 0.38 |
| Cash flow | Cash flow ratio (%) | 14.02 | 9.62 | 16.54 | 23.39 | 21.61 | - |
| | Cash flow adequacy ratio (%) | 148.24 | 148.96 | 166.06 | 210.85 | 224.56 | 213.40 |
| | Cash reinvestment ratio (%) | 10.82 | 4.92 | 7.82 | 11.40 | 10.05 | - |
| Leverage | Operating leverage | 1.98 | 1.65 | 2.23 | 2.44 | 2.47 | 2.12 |
| | Financial leverage | 1.17 | 1.11 | 1.22 | 1.26 | 1.28 | 1.20 |

Please describe the reasons for changes in financial ratios in recent two years. (Not necessary if the change does not reach 20%)

1. Increase in quick ratio : It was caused by the increase in current assets.
2. Decrease in account receivable turnover rate and increase in average collection days: This is due to the increase in the balance of receivables.
3. Decrease in return on total assets , return on equity and ratio of net income to sales: It was caused by the decrease in after-tax profit and loss.

2.2 Financial Ratio Analysis (Stand-alone)

| Item (Note 2) | | Year | | | | |
|------------------------|---|--------|--------|--------|--------|--------|
| | | 2017 | 2018 | 2019 | 2020 | 2021 |
| Financial structure | Ratio of liabilities to assets (%) | 52.37 | 52.03 | 61.24 | 60.02 | 60.19 |
| | Ratio of long-term capital to property, plant and equipment (%) | 159.44 | 169.74 | 316.32 | 331.73 | 342.41 |
| Liquidity analysis | Current ratio (%) | 8.98 | 13.55 | 10.20 | 11.72 | 14.56 |
| | Quick ratio (%) | 6.29 | 10.16 | 6.27 | 7.98 | 10.87 |
| | Interest coverage ratio (times) | 9.94 | 10.66 | 6.80 | 5.78 | 4.16 |
| Operating ability | Receivables turnover(times) | 23.00 | 16.79 | 17.60 | 29.53 | 20.64 |
| | Average collection period (days) | 15.86 | 21.73 | 20.73 | 12.36 | 17.68 |
| | Inventory turnover (times) | 10.97 | 11.54 | 8.89 | 9.66 | 9.73 |
| | Payables turnover (times) | 0.93 | 0.81 | 0.91 | 1.11 | 0.90 |
| | Average sales days (days) | 33.27 | 31.62 | 41.05 | 37.78 | 37.51 |
| | Property, plant and equipment turnover (times) | 0.41 | 0.42 | 0.58 | 0.59 | 0.55 |
| | Total assets turnover (times) | 0.17 | 0.17 | 0.13 | 0.14 | 0.12 |
| Profitability analysis | Return on total assets (%) | 2.85 | 2.37 | 2.70 | 2.93 | 1.99 |
| | Return on equity | 5.33 | 4.50 | 5.96 | 6.25 | 3.88 |
| | Pre-tax income to paid-in capital (%) (Note 6) | 12.57 | 11.53 | 15.48 | 15.74 | 9.78 |
| | Ratio of net income to sales (%) | 14.51 | 12.22 | 16.78 | 17.56 | 12.06 |
| | EPS (NT\$/share) | 1.09 | 0.94 | 1.26 | 1.38 | 0.86 |
| Cash flow | Cash flow ratio (%) | 22.23 | 14.93 | 13.62 | 24.50 | 25.49 |
| | Cash flow adequacy ratio (%) | 142.52 | 146.46 | 140.45 | 156.98 | 171.65 |
| | Cash reinvestment ratio (%) | 9.21 | 3.16 | 2.61 | 5.32 | 4.87 |
| Leverage | Operating leverage | 1.63 | 1.49 | 1.79 | 2.04 | 2.15 |
| | Financial leverage | 1.11 | 1.08 | 1.21 | 1.30 | 1.33 |

Please describe the reasons for changes in financial ratios in recent two years. (Not necessary if the change does not reach 20%)

1. Current ratio and quick ratio increase: Mainly due to the decrease in current liabilities.
2. Interest coverage ratio decrease: Mainly due to the decrease in income before interest and income tax
3. Decrease in account receivable turnover rate and increase in average collection days: This is due to the increase in the balance of receivables.
4. Decrease in return on total assets, return on equity and ratio of net income to sales: It was caused by the decrease in after-tax profit and loss.
5. Pre-tax income to paid-in capital decrease: It was caused by the decrease in pre-tax income.
6. EPS decrease: Mainly attributed to the decrease in net profit attributable to owners of the company.

Note 1: The numbers is calculated based on 2021 Q1 financial report reviewed by CPA..

Note 2: At the end of the annual report, the following formula should be listed.:

1. Financial structure

- (1) Liabilities to assets ratio = Total liabilities / Total assets
- (2) Long-term capital to fixed assets ratio = (Total shareholders' equity + Long-term liabilities) / Net fixed assets

2. Liquidity analysis

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities
- (3) Interest coverage ratio = Net income before income tax and interest expenses / Interest expenses

3. Operating ability

- (1) Receivables turnover (including accounts and notes receivable) = Net sales / Average accounts receivable (including accounts and notes receivable)
- (2) Average collection days = 365 / Accounts receivable turnover
- (3) Inventory turnover = Costs of goods sold / Average inventory
- (4) Average sales days = 365 / Inventory turnover
- (5) Payables turnover (including accounts and notes payable) = Costs of goods sold / Average accounts payable

- (including accounts and notes payable)
- (6) Fixed assets turnover ratio = Net sales / Net fixed assets
 - (7) Total assets turnover ratio = Net sales / Total assets

4. Profitability analysis

- (1) Return on total assets = $[\text{Net income} + \text{Interest expenses} \times (1 - \text{Tax rate})] / \text{Average total assets}$
- (2) Return on shareholders' equity = $\text{Net income} / \text{Average shareholders' equity}$
- (3) Net income to sales ratio = $\text{Net income} / \text{Net sales}$
- (4) Earnings per share = $(\text{Net income} - \text{Preferred stock dividend}) / \text{Weighted-average number of outstanding shares}$.

5. Cash flow

- (1) Cash flow ratio = $\text{Cash flows from operating activities} / \text{Current liabilities}$
- (2) Cash flow adequacy ratio = $\text{Net cash flow from operating activities for the past 5 years} / (\text{Capital expenditures} + \text{Increase in inventory} + \text{Cash dividends}) \text{ for the past 5 years}$
- (3) Cash reinvestment ratio = $(\text{Net cash flow from operating activities} - \text{Cash dividends}) / (\text{Gross fixed assets} + \text{Long-term Investment} + \text{Other assets} + \text{Working capital})$

6. Leverage

- (1) Operating leverage = $(\text{Net sales} - \text{Variable operating costs and expenses}) / \text{Operating income}$
- (2) Financial leverage = $\text{Operating income} / (\text{Operating income} - \text{Interest expenses})$

3. The Audit Committee's Review Report

The Audit Committee's Review Report

To the 2022 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 2021 and found them in order.

The Convener of the Audit Committee: Edward Wei

11 May, 2022

- 4. If the Company and affiliated enterprises encountered any financial difficulties in the most recent year and up to the Annual Report publication date, specify the impact on the Company's financial situation: None.**

5.2021 FINANCIAL REPORT (CONSOLIDATED)

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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, 2021 is stated as follows:

Evaluation of Impairment Loss of Goodwill

As of December 31, 2021, the goodwill of the Group originated from the merger contract signed between Far Eastern Ai Mai Co., Ltd. (Ai Mai), a subsidiary of the Group, and GEANT Group (France) in 2000. Each party obtained 50%-50% ownership with Far Eastern Ai Mai Co., Ltd. as the surviving entity at the time. The Group acquired the other 50% ownership in 2006 due to the consideration of the retail business strategy, and the amount of goodwill generated was NT\$437,462 thousand. However, due to the impact of the COVID-19 pandemic in 2021 and the changes in retail business, the Group has considered whether the carrying amount of the goodwill from the time the retail business was acquired exceeds the recoverable amount. Since management's subjective judgment on the recoverable amount involves significant uncertainties, the carrying amount of goodwill may be overestimated; Thus, we considered the evaluation of impairment loss of goodwill as a key audit matter. For the accounting policy related to impairment loss of the goodwill, refer to Notes 4 (j), 5(a) and 17 to the accompanying consolidated financial statements.

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

1. We evaluated the expertise, competency and independence of the independent appraisers contracted by the management to perform an impairment test.
2. We obtained an understanding of the process of management's estimation of the future sales growth rate and the profit margin forecast by the operating segments in Far Eastern Ai Mai Co., Ltd.
3. We confirmed the appropriateness of the discount rate used by management and assessed the impairment of goodwill by using the same evaluation model to calculate the weighted average cost of capital ratio used by management.

Other 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, 2021 and 2020 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, 2021 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 4, 2022

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

| ASSETS | 2021 | | 2020 | |
|--|-----------------------|------------|-----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | \$ 19,532,090 | 15 | \$ 14,791,434 | 12 |
| Financial assets at fair value through profit or loss - current (Note 7) | 434,650 | - | 450,046 | - |
| Financial assets at fair value through other comprehensive income - current (Notes 8 and 34) | 262,709 | - | 278,539 | - |
| Financial assets at amortized cost - current (Notes 9 and 34) | 1,184,222 | 1 | 1,171,058 | 1 |
| Notes receivable (Note 10) | 671 | - | 1,864 | - |
| Trade receivables (Note 10) | 1,178,651 | 1 | 600,242 | - |
| Trade receivables from related parties (Notes 10 and 32) | 169,643 | - | 124,738 | - |
| Other receivables (Notes 10 and 32) | 904,572 | 1 | 1,007,684 | 1 |
| Current tax assets (Note 27) | 991 | - | 1,063 | - |
| Inventories (Note 11) | 2,441,255 | 2 | 2,374,459 | 2 |
| Prepayments (Notes 18 and 32) | 265,776 | - | 211,102 | - |
| Other current assets (Notes 19 and 32) | 60,485 | - | 103,887 | - |
| Total current assets | <u>26,435,715</u> | <u>20</u> | <u>21,116,116</u> | <u>16</u> |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 34) | 4,815,595 | 4 | 4,659,302 | 4 |
| Financial assets at amortized cost - non-current (Notes 9 and 34) | 123,000 | - | 24,000 | - |
| Investments accounted for using the equity method (Notes 13 and 34) | 10,151,421 | 8 | 10,164,724 | 8 |
| Property, plant and equipment (Notes 14, 32 and 34) | 33,782,868 | 26 | 33,945,566 | 26 |
| Right-of-use assets (Note 15) | 39,551,296 | 30 | 42,712,637 | 33 |
| Investment properties (Notes 16 and 34) | 8,978,133 | 7 | 9,021,607 | 7 |
| Intangible assets (Note 17) | 2,428,534 | 2 | 2,581,127 | 2 |
| Deferred tax assets (Note 27) | 597,004 | 1 | 572,186 | 1 |
| Net defined benefit assets (Note 23) | 196,769 | - | 205,863 | - |
| Long-term prepayments for lease (Notes 18, 33 and 34) | 1,844,391 | 1 | 1,517,865 | 1 |
| Other non-current assets (Notes 19 and 33) | 1,822,585 | 1 | 1,902,776 | 2 |
| Total non-current assets | <u>104,291,596</u> | <u>80</u> | <u>107,307,653</u> | <u>84</u> |
| TOTAL | <u>\$ 130,727,311</u> | <u>100</u> | <u>\$ 128,423,769</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Notes 20, 32 and 33) | \$ 9,868,799 | 8 | \$ 9,045,746 | 7 |
| Short-term bills payable (Notes 20 and 33) | 3,190,706 | 3 | 3,729,003 | 3 |
| Contract liabilities - current (Notes 25 and 32) | 9,659,984 | 7 | 8,121,734 | 6 |
| Notes payable | 5,830 | - | 6,626 | - |
| Trade payables | 16,806,804 | 13 | 15,844,472 | 12 |
| Trade payables to related parties (Note 32) | 96,397 | - | 68,101 | - |
| Other payables (Notes 21, 24 and 32) | 3,768,878 | 3 | 3,721,330 | 3 |
| Current tax liabilities (Note 27) | 470,027 | - | 485,553 | 1 |
| Provisions - current (Note 22) | 3,000 | - | 3,000 | - |
| Lease liabilities - current (Notes 15 and 32) | 3,189,336 | 3 | 3,473,928 | 3 |
| Advance receipts (Note 32) | 517,771 | - | 510,474 | 1 |
| Current portion of long-term borrowings (Notes 20 and 33) | - | - | 299,933 | - |
| Other current liabilities (Notes 21 and 32) | 395,085 | - | 373,784 | - |
| Total current liabilities | <u>47,972,617</u> | <u>37</u> | <u>45,683,684</u> | <u>36</u> |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Notes 20 and 33) | 17,589,721 | 13 | 15,139,828 | 12 |
| Provisions - non-current (Note 22) | 25,272 | - | 25,047 | - |
| Deferred tax liabilities (Note 27) | 2,295,710 | 2 | 2,348,055 | 2 |
| Lease liabilities - non-current (Notes 15 and 32) | 21,763,708 | 17 | 24,335,088 | 19 |
| Net defined benefit liabilities (Note 23) | 718,441 | 1 | 737,454 | - |
| Other non-current liabilities (Notes 21 and 32) | 526,684 | - | 366,325 | - |
| Total non-current liabilities | <u>42,919,536</u> | <u>33</u> | <u>42,951,797</u> | <u>33</u> |
| Total liabilities | <u>90,892,153</u> | <u>70</u> | <u>88,635,481</u> | <u>69</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | | |
| Share capital | | | | |
| Ordinary shares | <u>14,169,406</u> | <u>11</u> | <u>14,169,406</u> | <u>11</u> |
| Capital surplus | <u>3,340,982</u> | <u>3</u> | <u>3,338,791</u> | <u>2</u> |
| Retained earnings | | | | |
| Legal reserve | 3,611,319 | 3 | 3,424,615 | 3 |
| Special reserve | 2,619,569 | 2 | 2,709,263 | 2 |
| Unappropriated earnings | <u>2,216,433</u> | <u>1</u> | <u>2,695,084</u> | <u>2</u> |
| Total retained earnings | <u>8,447,321</u> | <u>6</u> | <u>8,828,962</u> | <u>7</u> |
| Other equity | <u>5,188,031</u> | <u>4</u> | <u>4,953,871</u> | <u>4</u> |
| Treasury shares | <u>(97,110)</u> | <u>-</u> | <u>(97,110)</u> | <u>-</u> |
| Total equity attributable to owners of the Company | 31,048,630 | 24 | 31,193,920 | 24 |
| NON-CONTROLLING INTERESTS | | | | |
| | <u>8,786,528</u> | <u>6</u> | <u>8,594,368</u> | <u>7</u> |
| Total equity | <u>39,835,158</u> | <u>30</u> | <u>39,788,288</u> | <u>31</u> |
| TOTAL | <u>\$ 130,727,311</u> | <u>100</u> | <u>\$ 128,423,769</u> | <u>100</u> |

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

| | 2021 | | 2020 | |
|--|--------------------|------------|--------------------|------------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 25 and 32) | \$ 35,308,464 | 100 | \$ 37,287,949 | 100 |
| OPERATING COSTS (Notes 11, 26 and 32) | <u>17,898,398</u> | <u>51</u> | <u>18,580,671</u> | <u>50</u> |
| GROSS PROFIT | <u>17,410,066</u> | <u>49</u> | <u>18,707,278</u> | <u>50</u> |
| OPERATING EXPENSES (Notes 23, 26 and 32) | | | | |
| Selling and marketing expenses | 868,950 | 2 | 987,735 | 3 |
| General and administrative expenses | 12,908,103 | 37 | 13,639,718 | 36 |
| Expected credit loss (gain) | <u>367</u> | <u>-</u> | <u>(5,139)</u> | <u>-</u> |
| Total operating expenses | <u>13,777,420</u> | <u>39</u> | <u>14,622,314</u> | <u>39</u> |
| OPERATING PROFIT | <u>3,632,646</u> | <u>10</u> | <u>4,084,964</u> | <u>11</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Interest income (Note 26) | 57,683 | - | 66,244 | - |
| Other income (Note 26) | 318,847 | 1 | 312,581 | 1 |
| Other losses (Notes 14, 15, 17, 26 and 32) | (748,359) | (2) | (651,295) | (2) |
| Finance costs (Notes 26 and 32) | (796,860) | (2) | (851,591) | (2) |
| Share of profit of associates accounted for using the equity method | <u>(27,562)</u> | <u>-</u> | <u>39,868</u> | <u>-</u> |
| Total non-operating income and expenses | <u>(1,196,251)</u> | <u>(3)</u> | <u>(1,084,193)</u> | <u>(3)</u> |
| PROFIT BEFORE INCOME TAX | 2,436,395 | 7 | 3,000,771 | 8 |
| INCOME TAX EXPENSE (Note 27) | <u>531,079</u> | <u>2</u> | <u>455,874</u> | <u>1</u> |
| NET PROFIT FOR THE YEAR | <u>1,905,316</u> | <u>5</u> | <u>2,544,897</u> | <u>7</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 23, 24 and 27) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income | 169,399 | 1 | (384,300) | (1) |
| Remeasurement of defined benefit plans | (48,000) | - | (96,805) | - |

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2021 | | 2020 | |
|--|---------------------|----------|---------------------|------------|
| | Amount | % | Amount | % |
| Share of other comprehensive income of associates accounted for using the equity method | \$ 79,079 | - | \$ 31,283 | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | <u>9,648</u> | <u>-</u> | <u>19,377</u> | <u>-</u> |
| | <u>210,126</u> | <u>1</u> | <u>(430,445)</u> | <u>(1)</u> |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating the financial statements of foreign operations | 4,859 | - | (25,068) | - |
| Share of other comprehensive (loss) income of associates accounted for using the equity method | <u>(6,726)</u> | <u>-</u> | <u>25,525</u> | <u>-</u> |
| | <u>(1,867)</u> | <u>-</u> | <u>457</u> | <u>-</u> |
| Other comprehensive income (loss) for the year, net of income tax | <u>208,259</u> | <u>1</u> | <u>(429,988)</u> | <u>(1)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 2,113,575</u> | <u>6</u> | <u>\$ 2,114,909</u> | <u>6</u> |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ 1,208,100 | 3 | \$ 1,939,139 | 5 |
| Non-controlling interests | <u>697,216</u> | <u>2</u> | <u>605,758</u> | <u>2</u> |
| | <u>\$ 1,905,316</u> | <u>5</u> | <u>\$ 2,544,897</u> | <u>7</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ 1,411,154 | 4 | \$ 1,525,741 | 4 |
| Non-controlling interests | <u>702,421</u> | <u>2</u> | <u>589,168</u> | <u>2</u> |
| | <u>\$ 2,113,575</u> | <u>6</u> | <u>\$ 2,114,909</u> | <u>6</u> |
| EARNINGS PER SHARE (Note 28) | | | | |
| Basic | <u>\$0.86</u> | | <u>\$1.38</u> | |
| Diluted | <u>\$0.86</u> | | <u>\$1.37</u> | |

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

| | Equity Attributable to Owners of the Company | | | | | | | | | | | |
|--|--|------------------------------|-----------------------------|-----------------|----------------------------|--|---|------------------------------------|------------------------------|---|--------------|---------------|
| | Share Capital (Note 24) | Capital Surplus (Note 24) | Retained Earnings (Note 24) | | | Exchange Differences on Translating the Financial Statements of Foreign Operations | Other Equity (Note 24) | | | Non-controlling Interests (Note 24) | Total Equity | |
| | | | Legal Reserve | Special Reserve | Unappropriated Earnings | | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Gain on Property Revaluation | Treasury Shares (Note 24) | | | Total |
| BALANCE AT JANUARY 1, 2020 | \$ 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 reserve | - | - | - | (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 |
| Appropriation of 2020 earnings | - | - | - | - | - | - | - | - | - | - | - | - |
| Legal reserve | - | - | 186,704 | - | (186,704) | - | - | - | - | - | - | - |
| Special reserve | - | - | - | (89,694) | 89,694 | - | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | (1,558,635) | - | - | - | - | (1,558,635) | - | (1,558,635) |
| Cash dividends distributed by subsidiaries | - | - | - | - | - | - | - | - | - | - | (510,016) | (510,016) |
| | - | - | 186,704 | (89,694) | (1,655,645) | - | - | - | - | (1,558,635) | (510,016) | (2,068,651) |
| Net profit for the year ended December 31, 2021 | - | - | - | - | 1,208,100 | - | - | - | - | 1,208,100 | 697,216 | 1,905,316 |
| Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax | - | - | - | - | (27,314) | (2,615) | 226,789 | 6,194 | - | 203,054 | 5,205 | 208,259 |
| Total comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | 1,180,786 | (2,615) | 226,789 | 6,194 | - | 1,411,154 | 702,421 | 2,113,575 |
| Adjustments resulting from investments in associates accounted for using the equity method | - | 2,191 | - | - | - | - | - | - | - | 2,191 | (245) | 1,946 |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates | - | - | - | - | (3,792) | - | 3,792 | - | - | - | - | - |
| BALANCE AT DECEMBER 31, 2021 | \$ 14,169,406 | \$ 3,340,982 | \$ 3,611,319 | \$ 2,619,569 | \$ 2,216,433 | \$ 65,935 | \$ 2,944,932 | \$ 2,177,164 | \$ (97,110) | \$ 31,048,630 | \$ 8,786,528 | \$ 39,835,158 |

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

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

| | 2021 | 2020 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | \$ 2,436,395 | \$ 3,000,771 |
| Adjustments for: | | |
| Depreciation expense | 5,230,418 | 5,790,171 |
| Amortization expense | 79,021 | 83,971 |
| Expected credit loss (gain) recognized on receivables | 367 | (5,139) |
| Loss on financial assets and liabilities at fair value through profit or loss | 163 | 11,520 |
| Finance costs | 796,860 | 851,591 |
| Interest income | (57,683) | (66,244) |
| Dividend income | (318,847) | (312,581) |
| Share of loss (gain) of associates accounted for using the equity method | 27,562 | (39,868) |
| Loss on disposal of property, plant and equipment | 5,270 | 17,035 |
| Loss on disposal of intangible assets | 28 | - |
| Gain on lease modifications | (73) | (5,935) |
| Gain on disposal of investments | (4,330) | (553) |
| Impairment loss recognized on intangible assets | 437,462 | 6,384 |
| Impairment loss recognized on property, plant and equipment | 252,499 | 16,853 |
| Impairment loss recognized on right-of-use assets | 231,371 | 613,770 |
| Unrealized gain on physical and slow-moving inventories | (2,463) | (32) |
| Loss on changes in fair value of investment properties | 44,277 | 71,617 |
| Amortization of prepayments | 61,219 | 39,674 |
| Concession on lease liabilities | (227,979) | (280,698) |
| Recognized (reversal) of unrealized purchase discounts | 389 | (210) |
| Net changes in operating assets and liabilities | | |
| Increase in financial assets mandatorily classified as at fair value through profit or loss | (18,979) | (15,360) |
| Notes receivable | 1,193 | (732) |
| Trade receivables | (581,023) | 144,075 |
| Trade receivables from related parties | (42,437) | 38,282 |
| Other receivables | 83,609 | (120,004) |
| Inventories | (64,722) | 406,672 |
| Prepayments | (25,076) | 188,606 |
| Other current assets | 43,402 | 6,208 |
| Contract liabilities - current | 1,538,250 | 350,906 |
| Notes payable | (796) | 3,442 |
| Trade payables | 962,332 | 723,562 |
| Trade payables to related parties | 28,296 | (25,354) |
| Other payables | 194,707 | (58,840) |
| Advance receipts | 157,631 | 239,964 |

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

| | 2021 | 2020 |
|---|--------------------|--------------------|
| Other current liabilities | \$ 15,687 | \$ 57,808 |
| Net defined benefit liabilities | <u>(42,606)</u> | <u>(53,507)</u> |
| Cash generated from operations | 11,241,394 | 11,677,825 |
| Dividends received | 441,004 | 431,307 |
| Interest paid | (746,919) | (796,027) |
| Interest received | 51,314 | 62,228 |
| Income tax returned | 287 | 2,801 |
| Income tax paid | <u>(616,711)</u> | <u>(690,968)</u> |
| Net cash generated from operating activities | <u>10,370,369</u> | <u>10,687,166</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through other comprehensive income | (37,894) | (41,279) |
| Proceeds from sale of financial assets at fair value through other comprehensive income | 66,595 | 46,717 |
| Purchase of financial assets amortized at cost | (3,785,778) | (1,305,880) |
| Proceeds from sale of financial assets at amortized cost | 3,672,710 | 1,706,277 |
| Acquisition of investments accounted for using the equity method | (42,358) | - |
| Proceeds from sale of financial assets at fair value through profit or loss | 38,542 | 11,603 |
| Payments for property, plant and equipment | (2,317,029) | (2,011,132) |
| Proceeds from disposal of property, plant and equipment | 13,793 | 1,473 |
| Payments for intangible assets | (156,329) | (193,635) |
| Acquisition of right-of-use assets | (152,185) | (110,833) |
| Acquisition of investment properties | (803) | (6,583) |
| Increase in other non-current assets | <u>(311,585)</u> | <u>(509,118)</u> |
| Net cash used in investing activities | <u>(3,012,321)</u> | <u>(2,412,390)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 102,360,062 | 115,681,868 |
| Repayments of short-term borrowings | (101,516,029) | (116,326,590) |
| Proceeds from short-term bills payable | 22,533,679 | 35,197,389 |
| Repayments of short-term bills payable | (23,071,976) | (35,091,379) |
| Proceeds from long-term borrowings | 126,399,960 | 103,720,004 |
| Repayments of long-term borrowings | (124,250,000) | (105,820,000) |
| Repayment of the principal portion of lease liabilities | (2,990,437) | (2,957,964) |
| Decrease in other non-current liabilities | (42,940) | (90,834) |
| Dividends paid to owners of the Company | (1,556,294) | (1,131,061) |
| Dividends paid to non-controlling interests | <u>(495,016)</u> | <u>(117,859)</u> |
| Net cash used in financing activities | <u>(2,628,991)</u> | <u>(6,936,426)</u> |

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

| | 2021 | 2020 |
|---|----------------------|----------------------|
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | \$ <u>11,599</u> | \$ <u>28,861</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 4,740,656 | 1,367,211 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>14,791,434</u> | <u>13,424,223</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 19,532,090</u> | <u>\$ 14,791,434</u> |

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Far Eastern Department Stores, Ltd. (the “Company” or “FEDS”) was incorporated in the Republic of China (ROC) in August 31, 1967, and operates a nationwide chain of department stores. The Company’s shares have been listed on the Taiwan Stock Exchange since October 11, 1978.

The consolidated financial statements of the Company and its subsidiaries, collectively referred to as the “Group”, are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 4, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

Amendment to IFRS 16 “Covid-19 - Related Rent Concessions beyond June 30, 2021”

The Group elected to apply the amendment that extends the availability of the practical expedient to lease payments due on or before June 30, 2022. Refer to Note 4 for the relevant accounting policies of the practical expedient.

The Group applies the amendment from January 1, 2021

- b. The IFRSs endorsed by the FSC for application starting from 2022

| <u>New IFRSs</u> | <u>Effective Date Announced by IASB</u> |
|---|---|
| “Annual Improvements to IFRS Standards 2018-2020” | January 1, 2022 (Note 1) |
| Amendments to IFRS 3 “Reference to the Conceptual Framework” | January 1, 2022 (Note 2) |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 (Note 3) |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract” | January 1, 2022 (Note 4) |

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

- c. IFRSs that have been issued by the International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|--|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined by IASB |
| IFRS 17 “Insurance Contracts” | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information” | January 1, 2023 |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2023 |
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 (Note 2) |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 (Note 3) |
| Amendments to IAS 12 “Deferred income tax related to assets and liabilities arising from one single transaction” | January 1, 2023 (Note 4) |

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

1) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms would not affect the classification of the liability.

2) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed.
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information related to material transactions, other events or conditions are themselves material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

3) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

4) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and recognize the cumulative effect of initial application in retained earnings at that date. The Group will apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments, investment properties which are measured at fair value, and net defined benefit (assets) liabilities which are measured at the present value of the defined benefit obligation less the fair value of the plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and the entities controlled by the Group (i.e., its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the parent.

See Note 12 and Table 8 for details on subsidiaries, including the percentages of their ownership and main businesses.

Refer to Table 1 for the diagram of intercompany relationships of the consolidated financial statements for the year ended December 31, 2021.

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including the subsidiaries and associates in other countries or subsidiaries which use currencies that are different from the Group) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (as appropriate attributed to owners of the Group and non-controlling interests, respectively).

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories are stated at the lower of cost or net realizable value, using the retail method. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

g. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Group uses the equity method of accounting to recognize its investments in associates.

Under the equity method, an investment in an associate is initially recognized at cost and is adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates attributable to the Group.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus-changes in the Group's share of equity of associates. If the Group's ownership interest is reduced due to the additional subscription of new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the Group transact with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of the property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss for the year.

i. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties include right-of-use assets and properties under construction that meet the definition of investment properties. Investment properties also include land held for a currently undetermined future use.

Freehold investment properties are measured initially at cost, including transaction costs. Investment properties acquired through leases are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. All investment properties are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Investment properties under construction, of which the fair value is not reliably measurable, are measured at cost less accumulated impairment loss until such time as either the fair value becomes reliably measurable or construction is completed (whichever comes earlier).

For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of an item of property for subsequent accounting is its fair value at the commencement of owner-occupation.

For a transfer of classification from property, plant and equipment to investment properties at the end of owner-occupation, any difference between the fair value of an item of property at the transfer date and its previous carrying amount is recognized in other comprehensive income.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis during their expected useful life. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

When the Group has a right to charge for the usage of concession infrastructure (as a consideration for providing construction services in a service concession arrangement), it recognizes this as an intangible asset. The intangible asset is subsequently measured at cost less accumulated amortization and any accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of the intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss for the year.

Concession assets

The Company is engaged in the construction of the Tingba Carpark in Zhubei City, Hsinchu County based on the construction and operation contract and is entrusted with the right to collect a parking fare from car owners who park at the parking lot during the concession period in accordance with the “intangible assets” mode stipulated in IFRIC 12 “Service Concession Arrangements.” The cost related to the said concession includes the parking lot and related auxiliary facilities that are directly related to the operating activities and need to be relocated free of charge at the end of the concession period, the construction works of the affiliated entities (operating assets and construction in progress), and the operating royalties paid to Hsinchu County Government for the operating period according to the construction and operation contract. The operating royalties for the construction are discounted on the operating date and recognized as concession assets while the relative liabilities are recognized as concession liabilities.

The concession assets are amortized at the cost net of the residual value on a straight-line basis over the following estimated useful lives: 45 years for the concession.

Concession assets are subsequently measured at the cost and amortized over the concession period. Significant additions, improvements, and updates are included in the capital expenditures, while maintenance and repairs are included in the current expenses. The profit or loss from the disposal of the concession assets shall be recognized in the profit and loss.

1. Concession liability

The Company pays royalties to Hsinchu County Government during the operating period in accordance with the construction and operation contract as a necessary cost for obtaining the concession, which is discounted up to the operating date and recognized as a concession liability; also, interest expenses are calculated subsequently in accordance with the effective interest method.

- m. Impairment of property, plant and equipment, right-of-use assets and intangible assets (except for goodwill)

At the end of each reporting period, the Group reviews for any indication of impairment loss pertaining to the property, plant and equipment, right-of-use assets and intangible assets (except for goodwill). If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. The impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (deducting amortization or depreciation) that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

- n. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

- 1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

- a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

- i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 32: Financial Instruments.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss. Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Without taking the collateral held into consideration, pertinent to the objectives of the credit risk management, the Group determines that a default has occurred for a financial asset when internal or external information indicates that the borrower can no longer repay the liability, unless there is reasonable and substantiated information to recognize the default at a later time.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

When derecognizing financial liability, the difference between the carrying amount of the financial liability de-recognized and the consideration paid (including the transfer of any non-cash asset or liability undertaken) is recognized in profit or loss.

o. Provisions

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

p. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods are recognized as revenue when the goods are shipped or delivered because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

When other party participates providing in goods or services to customers, the Group obtains control of the specified goods or services before they are transferred to the customers and, therefore, is acting as a principal in the transaction. On the contrary, the other party is acting as an agent. As the principal, the total amount of the consideration that is expected to be obtained in exchange for the transfer of goods or services is recognized as income. As an agent, the amount of any fees or commissions that the other party expected to obtain in exchange for the provision of goods or services, recognized as income. The charge or commission of the Group may be the net amount of the consideration. The income retained by the Group in exchange for goods or services is the amount retained after payment to the other party.

The Group offers award credits which can be used for future purchases when the customer shops (customer loyalty program). The award credits provide a material right to the customer. The transaction price allocated to the award credits is recognized as a contract liability when collected and will be recognized as revenue when the award credits are redeemed or have expired.

q. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets, except for those that meet the definition of investment properties. With respect to the recognition and measurement of right-of-use assets that meet the definition of investment properties, refer to Note 9 for the accounting policies for investment properties.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group and the lessor conducted rent negotiations directly related to COVID-19, and adjusted the rent due before December 31, 2021, resulting in a decrease in rent. As these negotiations did not significantly change other lease terms, the Group chooses to adopt a practical and expedient approach to all rent negotiations that meet the aforementioned conditions. It does not assess whether the negotiation is a lease modification, but recognizes a reduction of lease payment in the profit or loss when the concession event or situation occurs (booked as a deduction in variable lease payments) and reduces the lease liability accordingly.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

r. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

s. Government subsidies

The government subsidies are recognized when there is reasonable assurance that the Group will comply with the conditions attached to the subsidies, and the grants will be received.

The government subsidies that are related to profit making and aim to compensate the Group are recognized as current income on a systematic basis for the period in which the related costs are booked as expenses.

If the nature of the government subsidies is to compensate for the expenses incurred by the Group or as a form of financial support to the Group and not related to the related future expenses, the government subsidies shall be recognized in the profit or loss when received.

t. Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expenses when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses (the effect of the changes to the asset ceiling) and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income (loss) is reflected immediately in retained earnings and will not be reclassified subsequently to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

u. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

The current payable (recoverable) income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Group operates and generates taxable income (loss).

According to the Income Tax Act of the ROC, the recognition of annual unappropriated earnings that are taxable, is subject to the resolution passed in the shareholders' meeting.

Adjustments of prior years' tax liabilities are added to or deducted from the current years' tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which utilize the benefit of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation and Uncertainty

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise. Furthermore, the estimated cash flows, growth rate and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on the impact arising from potential disruptions of the Group's operations and volatility in financial markets due to the evolution of COVID-19 pandemic.

Please refer to Note 17 for the amount of goodwill as of December 31, 2021 and 2020.

6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|----------------------|----------------------|
| | 2021 | 2020 |
| Cash on hand and revolving funds | \$ 205,825 | \$ 174,161 |
| Checking accounts and demand deposits | 7,768,813 | 6,321,368 |
| Cash equivalents (investments with original maturities of less than 3 months) | | |
| Time deposits | 6,600,102 | 7,845,295 |
| Repurchase agreements | 299,494 | 399,727 |
| Triple stimulus vouchers | - | 50,883 |
| Quintuple stimulus vouchers | 62,729 | - |
| Commercial papers | <u>4,595,127</u> | <u>-</u> |
| | <u>\$ 19,532,090</u> | <u>\$ 14,791,434</u> |

The market interest rate interval for bank deposits, repurchase agreements, and commercial papers on the balance sheet date is as follows:

| | December 31 | |
|-----------------------|---------------|---------------|
| | 2021 | 2020 |
| Deposits in bank | 0.001%-2.100% | 0.001%-2.025% |
| Repurchase agreements | 0.250% | 0.230%-0.240% |
| Commercial papers | 0.330%-0.340% | - |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

| | December 31 | |
|--|-------------------|-------------------|
| | 2021 | 2020 |
| <u>Financial assets mandatorily classified as at FVTPL</u> | | |
| Non-derivative financial assets | | |
| Beneficiary certificates | \$ 347,960 | \$ 336,200 |
| Listed and over-the-counter (OTC) shares | <u>86,690</u> | <u>113,846</u> |
| | <u>\$ 434,650</u> | <u>\$ 450,046</u> |

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| <u>Investments in equity instruments at FVTOCI</u> | | |
| Domestic investments | | |
| Listed and OTC shares | \$ 4,431,551 | \$ 4,352,973 |
| Unlisted shares | <u>630,337</u> | <u>568,317</u> |
| | 5,061,888 | 4,921,290 |
| Foreign investments | | |
| Unlisted shares | <u>16,416</u> | <u>16,551</u> |
| | <u>\$ 5,078,304</u> | <u>\$ 4,937,841</u> |
| Current | \$ 262,709 | \$ 278,539 |
| Non-current | <u>4,815,595</u> | <u>4,659,302</u> |
| | <u>\$ 5,078,304</u> | <u>\$ 4,937,841</u> |

- a. These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.
- b. Refer to Note 34 for information relating to investments in equity instruments at FVTOCI pledged as security.

9. FINANCIAL ASSETS AT AMORTIZED COST

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Time deposits with original maturities of more than 3 months | \$ 1,121,222 | \$ 1,008,058 |
| Pledged deposits | <u>186,000</u> | <u>187,000</u> |
| | <u>\$ 1,307,222</u> | <u>\$ 1,195,058</u> |
| Current | \$ 1,184,222 | \$ 1,171,058 |
| Non-current | <u>123,000</u> | <u>24,000</u> |
| | <u>\$ 1,307,222</u> | <u>\$ 1,195,058</u> |
| Gross carrying amount | \$ 1,307,222 | \$ 1,195,058 |
| Less: Allowance for impairment loss | <u>-</u> | <u>-</u> |
| Amortized cost | <u>\$ 1,307,222</u> | <u>\$ 1,195,058</u> |

- a. The credit risk of financial instruments such as bank deposits is measured and monitored by the accounting department. The counterparties are creditworthy banks and financial institutions with good credit rating.

- b. The interest rate interval of the financial assets measured at amortized cost as of December 31, 2021 and 2020 was 0.30%–1.95% and 0.30%–2.40%, respectively.
- c. Refer to Note 34 for information relating to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES (INCLUDING RELATED PARTIES)

a. Notes receivable

| | <u>December 31</u> | |
|-------------------------------------|--------------------|-----------------|
| | <u>2021</u> | <u>2020</u> |
| Operating | \$ 671 | \$ 657 |
| Non-operating | 1,794 | 3,001 |
| Less: Allowance for impairment loss | <u>(1,794)</u> | <u>(1,794)</u> |
| | <u>\$ 671</u> | <u>\$ 1,864</u> |

December 31, 2021

| | Not Past Due | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | Over 90 Days | Total |
|-----------------------------------|---------------|----------------------|---------------|---------------|----------------|----------------|
| Expected credit loss rate | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 100% | |
| Gross carrying amount | \$ 671 | \$ - | \$ - | \$ - | \$ 1,794 | \$ 2,465 |
| Loss allowance (Lifetime ECLs) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,794)</u> | <u>(1,794)</u> |
| Amortized cost | <u>\$ 671</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 671</u> |

December 31, 2020

| | Not Past Due | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | Over 90 Days | Total |
|-----------------------------------|-----------------|----------------------|---------------|---------------|----------------|-----------------|
| Expected credit loss rate | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 100% | |
| Gross carrying amount | \$ 1,864 | \$ - | \$ - | \$ - | \$ 1,794 | \$ 3,658 |
| Loss allowance (Lifetime ECLs) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,794)</u> | <u>(1,794)</u> |
| Amortized cost | <u>\$ 1,864</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,864</u> |

b. Trade receivables

| | <u>December 31</u> | |
|-------------------------------------|---------------------|-------------------|
| | <u>2021</u> | <u>2020</u> |
| At amortized cost | | |
| Gross carrying amount | \$ 1,474,826 | \$ 852,642 |
| Less: Allowance for impairment loss | <u>(126,532)</u> | <u>(127,662)</u> |
| | <u>\$ 1,348,294</u> | <u>\$ 724,980</u> |

The Group's trade receivables pertained to revenue on credit cards and gift certificates. The average credit period for revenue from credit cards and gift certificates was 2 to 3 days and 15 days, respectively.

In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowances for impairment loss were recognized against trade receivables based on estimated irrecoverable amounts determined with reference to past default experience of the counterparties and an analysis of their current financial position.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2021

| | Not Past Due | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | Over 90 Days | Total |
|-----------------------------------|---------------------|------------------------------|----------------------|----------------------|---------------------|---------------------|
| Expected credit loss rate | 0.0000% | 0.1200% | 5.0800% | 10.4300% | 18.88%-100% | |
| Gross carrying amount | \$ 1,342,023 | \$ 5,445 | \$ 763 | \$ 92 | \$ 126,503 | \$ 1,474,826 |
| Loss allowance (Lifetime ECLs) | - | (5) | (19) | (9) | (126,499) | (126,532) |
| Amortized cost | <u>\$ 1,342,023</u> | <u>\$ 5,440</u> | <u>\$ 744</u> | <u>\$ 83</u> | <u>\$ 4</u> | <u>\$ 1,348,294</u> |

December 31, 2020

| | Not Past Due | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | Over 90 Days | Total |
|-----------------------------------|---------------------|------------------------------|----------------------|----------------------|---------------------|-------------------|
| Expected credit loss rate | 0.0000% | 2.0800% | 6.6200% | 7.7600% | 100% | |
| Gross carrying amount | \$ 721,706 | \$ 3,070 | \$ 241 | \$ - | \$ 127,625 | \$ 852,642 |
| Loss allowance (Lifetime ECLs) | - | (21) | (16) | - | (127,625) | (127,662) |
| Amortized cost | <u>\$ 721,706</u> | <u>\$ 3,049</u> | <u>\$ 225</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 724,980</u> |

The movements of the loss allowance of trade receivables were as follows:

| | 2021 | 2020 |
|-----------------------------------|-------------------|-------------------|
| Balance at January 1 | \$ 127,662 | \$ 128,628 |
| Add: Impairment losses recognized | 146 | - |
| Less: Impairment losses reversed | - | (966) |
| Less: Amounts written off | <u>(1,276)</u> | <u>-</u> |
| Balance at December 31 | <u>\$ 126,532</u> | <u>\$ 127,662</u> |

c. Other receivables

| | For the Year Ended December 31 | |
|-------------------------------------|---------------------------------------|---------------------|
| | 2021 | 2020 |
| <u>At amortized cost</u> | | |
| Gross carrying amount | | |
| Others | \$ 1,185,625 | \$ 1,289,489 |
| Less: Allowance for impairment loss | <u>(281,053)</u> | <u>(281,805)</u> |
| | <u>\$ 904,572</u> | <u>\$ 1,007,684</u> |

The following table details the loss allowance of other receivables based on the Group's provision matrix.

December 31, 2021

| | Not Past Due | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | Over 90 Days | Total |
|-----------------------------------|---------------------|------------------------------|----------------------|----------------------|---------------------|-------------------|
| Expected credit loss rate | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 100% | |
| Gross carrying amount | \$ 904,379 | \$ 157 | \$ 36 | \$ - | \$ 281,053 | \$ 1,185,625 |
| Loss allowance (Lifetime ECLs) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(281,053)</u> | <u>(281,053)</u> |
| Amortized cost | <u>\$ 904,379</u> | <u>\$ 157</u> | <u>\$ 36</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 904,572</u> |

December 31, 2020

| | Not Past Due | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | Over 90 Days | Total |
|-----------------------------------|---------------------|------------------------------|----------------------|----------------------|---------------------|---------------------|
| Expected credit loss rate | 0.0000% | 0.0000% | 4.4000% | 6.2100% | 100% | |
| Gross carrying amount | \$ 1,007,527 | \$ 132 | \$ 26 | \$ - | \$ 281,804 | \$ 1,289,489 |
| Loss allowance (Lifetime ECLs) | <u>-</u> | <u>-</u> | <u>(1)</u> | <u>-</u> | <u>(281,804)</u> | <u>(281,805)</u> |
| Amortized cost | <u>\$ 1,007,527</u> | <u>\$ 132</u> | <u>\$ 25</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,007,684</u> |

The movements of the loss allowance of other receivables were as follows:

| | 2021 | 2020 |
|-----------------------------------|-------------------|-------------------|
| Balance at January 1 | \$ 281,805 | \$ 283,829 |
| Add: Impairment losses recognized | 221 | - |
| Less: Impairment losses reversed | - | (4,173) |
| Less: Amounts written off | - | (1,553) |
| Foreign exchange gains and losses | <u>(973)</u> | <u>3,702</u> |
| Balance at December 31 | <u>\$ 281,053</u> | <u>\$ 281,805</u> |

11. INVENTORIES

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| Merchandise | <u>\$ 2,441,255</u> | <u>\$ 2,374,459</u> |
| Allowance for inventory write-down | <u>\$ 69,945</u> | <u>\$ 71,159</u> |
| Allowance for losses on physical inventory | <u>\$ 21,760</u> | <u>\$ 23,009</u> |
| Allowance for unrealized purchase discounts | <u>\$ 3,216</u> | <u>\$ 2,827</u> |

The cost of goods sold includes:

| | <u>For the Year Ended December 31</u> | |
|--|---------------------------------------|----------------------|
| | 2021 | 2020 |
| Cost of goods sold | \$ 17,537,926 | \$ 18,216,356 |
| Reversed unrealized loss on physical inventory and slow-moving inventory | 2,463 | 32 |
| (Recognized) reversed unrealized purchase discounts | <u>(389)</u> | <u>210</u> |
| | <u>\$ 17,540,000</u> | <u>\$ 18,216,598</u> |

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

The detailed information of the subsidiaries at the end of reporting period are as follows:

| Investor | Investee | Main Businesses | <u>Proportion of Ownership (%)</u> | | Remark |
|-------------------------------------|---------------------------------------|--|------------------------------------|------|--------|
| | | | 2021 | 2020 | |
| Far Eastern Department Stores, Ltd. | Far Eastern Ai Mai Co., Ltd. | Hypermarket | 100 | 100 | |
| | Bai Yang Investment Co., Ltd. | Investment | 100 | 100 | |
| | Bai Ding Investment Co., Ltd. | Investment | 67 | 67 | |
| | Yu Ming Advertising Agency Co., Ltd. | Advertising and importation of certain merchandise | 100 | 100 | |
| | Far Eastern Hon Li Do Co., Ltd. | Building rental | 56 | 56 | |
| | FEDS Development Ltd. | Investment | 54 | 54 | |
| | Ya Tung Department Stores, Ltd. | Department store | 100 | 100 | |
| | Far Eastern CitySuper Co., Ltd. | Hypermarket | 96 | 96 | |
| | Pacific Liu Tong Investment Co., Ltd. | Investment | 35 | 35 | |
| | Asians Merchandise Company | Trading | 100 | 100 | |

(Continued)

| Investor | Investee | Main Businesses | Proportion of Ownership (%) | | Remark | |
|--|---|---|-----------------------------|------|--------|--|
| | | | December 31 | | | |
| | | | 2021 | 2020 | | |
| Bai Yang Investment Co., Ltd. | Pacific Liu Tong Investment Co., Ltd. | Investment | 2 | 2 | | |
| | FEDS Asia Pacific Development Co., Ltd. | Shopping mall | 70 | 70 | | |
| | Bai Ding Investment Co., Ltd. | Investment | 33 | 33 | | |
| | FEDS New Century Development Co., Ltd. | Shopping mall | 100 | 100 | 1) | |
| | FEDS Development Ltd. | Investment | 46 | 46 | | |
| | Pacific China Holdings (HK) Limited | Investment | 40 | 40 | | |
| Bai Ding Investment Co., Ltd. | Far Eastern Big City Shopping Malls Co., Ltd. | Department store | 40 | 40 | | |
| | Pacific Liu Tong Investment Co., Ltd. | Investment | 13 | 13 | | |
| | Pacific Sogo Department Stores Co., Ltd. | Department store | 1 | 1 | | |
| | Far Eastern Hon Li Do Co., Ltd. | Building rental | 44 | 44 | | |
| Yu Ming Advertising Agency Co., Ltd. | Far Eastern CitySuper Co., Ltd. | Hypermarket | - | - | | |
| | Pacific Liu Tong Investment Co., Ltd. | Investment | - | - | | |
| Far Eastern Hon Li Do Co., Ltd. | Pacific Liu Tong Investment Co., Ltd. | Investment | - | - | | |
| | FEDS Development Ltd. | Shanghai Bai Ding Consultant & Management Co., Ltd. | Consulting service | 100 | 100 | |
| Ya Tung Department Stores, Ltd. | Chongqing FEDS Co., Ltd. | Department store | 100 | 100 | | |
| | Pacific Liu Tong Investment Co., Ltd. | Investment | 1 | 1 | | |
| | FEDS Asia Pacific Development Co., Ltd. | Pacific Liu Tong Investment Co., Ltd. | Investment | 2 | 2 | |
| | FEDS New Century Development Co., Ltd. | Pacific Liu Tong Investment Co., Ltd. | Investment | 2 | 2 | |
| Pacific Liu Tong Investment Co., Ltd. | Chubei New Century Shopping Mall Co., Ltd. | Department store | 100 | 100 | 1) | |
| | Pacific Sogo Department Stores Co., Ltd. | Department store | 79 | 79 | | |
| | Pacific China Holdings (HK) Limited | Investment | 60 | 60 | | |
| Pacific Sogo Department Stores Co., Ltd. | Far Eastern Big City Shopping Malls Co., Ltd. | Department store | 60 | 60 | | |
| | Pacific China Holdings Ltd. (B.V.I.) | Investment | 100 | 100 | | |
| Pacific China Holdings (HK) Limited | Pacific China Holdings Ltd. (B.V.I.) | Investment | 100 | 100 | | |
| | Pacific China Holdings Ltd. (B.V.I.) | Shanghai Pacific Department Stores Co., Ltd. | Department store | 73 | 73 | |
| Pacific (China) Investment Co., Ltd. | Chengdu Quanxing Mansion Pacific Department Store Co., Ltd. | Department store | 100 | 100 | 2) | |
| | Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | Department store | 100 | 100 | | |
| | Chongqing Pacific Consultant & Management Co., Ltd. | Consulting service | 100 | 100 | | |
| | Bai Fa China Holdings (HK) Ltd. | Investment | 100 | 100 | 3) | |
| Pacific (China) Investment Co., Ltd. | Pacific (China) Investment Co., Ltd. | Investment | 100 | 100 | | |
| | Chengdu FEDS Co., Ltd. | Department store | 100 | 100 | 4) | |
| | Dalian Pacific Department Store Co., Ltd. | Department store | 100 | 100 | | |

(Concluded)

- 1) As of December 31, 2021, they were still in the startup period.
- 2) The board of directors resolved to discontinue operations starting from April 2019 and the entity was liquidated on December 29, 2020.
- 3) As there was no further business planning for the entity, the operation was suspended in June 2017.
- 4) Due to an oversupply of department stores in the market, Chengdu FEDS Co., Ltd. (hereinafter referred to as “Chengdu FEDS”) decided to reconstruct the operational plan and transform the business management to improve the overall effectiveness. As such, the operation was discontinued since December 23, 2017.

b. Subsidiaries excluded from the consolidated financial statements

| Investor | Investee | Main Businesses | Proportion of Ownership (%) | | Remark |
|--|---------------------------------|-----------------|-----------------------------|------|--------|
| | | | December 31 | | |
| | | | 2021 | 2020 | |
| Pacific Sogo Department Stores Co., Ltd. | Lian Ching Investment Co., Ltd. | Investment | 50 | 50 | |

The amount of Lian Ching Investment Co., Ltd. has been written off to zero, no liabilities were undertaken by the Group and the accounts are not disclosed in the consolidated financial statements.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

| | <u>December 31</u> | |
|---|---------------------------------------|----------------------|
| | <u>2021</u> | <u>2020</u> |
| Associates that are not individually material | <u>\$ 10,151,421</u> | <u>\$ 10,164,724</u> |
| Aggregate information of associates that are not individually material: | | |
| | <u>For the Year Ended December 31</u> | |
| | <u>2021</u> | <u>2020</u> |
| The Group's share of: | | |
| (Loss) profit from continuing operations | \$ (27,562) | \$ 39,868 |
| Other comprehensive income | <u>72,353</u> | <u>56,808</u> |
| Total comprehensive income for the year | <u>\$ 44,791</u> | <u>\$ 96,676</u> |

July 2021 and October 2020, Yuan Hsin Digital Payment Co., Ltd. undertook a capital reduction to offset the deficit, which resulted in a decrease of the Group's shareholding in Yuan Hsin Digital Payment Co., Ltd. that corresponded to the existing ownership percentage by 4,110 thousand shares and 6,850 thousand shares, respectively.

Yuan Hsin Digital Payment Co., Ltd. had a cash capital increase arranged in August 2021. The Group had shares subscribed proportionally to the shareholding ratio with a resulting investment amount of NT\$42,358 thousand and a shareholding ratio of 35.3%.

Chongqing Pacific Consultant & Management Co., Ltd. (CPCM) invested its equity of RMB75,000 thousand and acquired 33% shareholding in Chengdu Baiyang Industry Co., Ltd. (CDBI). To secure a stable and long-term cooperation, CPCM entered into a contract with Chengdu Department Emporium Group Co., Ltd. (CDEG, a joint venture partner in Mainland China), whereby CPCM agreed to provide funding to CDBI of RMB425,000 thousand. The earnings distribution shall be conducted as per the percentage provided in the cooperation contract and not as per their respective percentages of ownership. The contract further states that where CDBI is not under liquidation or CPCM decides to transfer its shareholding, the aforementioned funding of RMB425,000 thousand shall be capitalized in stages and become the equity of CDBI. As such, the funding is recognized as a long-term investment prepayment. However, if CDEG requires an earnings distribution percentage that exceeds the contractual agreement, CPCM may simultaneously request to recover 50% of the earnings distribution exceeding the agreement and the aforementioned security deposit. As of December 31, 2021, CDBI had paid back a total amount of RMB108,308 thousand to CPCM.

The 2021 "profit and loss" and "other comprehensive profit and loss" of the affiliated companies under the equity method other than Yuan Hsin Digital Payment Co., Ltd., were recognized according to the financial reports of each affiliated company for the same period that were not audited by independent auditors. However, the Company's management believes that the aforementioned financial reports of the invested companies that were not audited by independent auditors have no significant impact. The profit and loss and other comprehensive profit and loss of affiliated companies under the equity method in 2020 were recognized in accordance with the financial reports for the same period of each affiliated company that were audited by independent auditors.

Refer to Note 34 for the information on the carrying amounts of investments in associates accounted for using the equity method that were pledged as security.

14. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Buildings and Facilities | Decorative Facilities | Plant, Transportation and Miscellaneous Equipment | Construction in Progress | Total |
|--|----------------------|-----------------------|--------------------------|------------------------|---|--------------------------|------------------------|
| Cost | | | | | | | |
| Balance at January 1, 2021 | \$ 13,720,139 | \$ 21,491,814 | \$ 10,868,726 | \$ 12,976,520 | \$ 3,214,048 | \$ 691,696 | \$ 62,962,943 |
| Additions (deductions) | - | - | 364,589 | 412,643 | 118,609 | 1,113,405 | 2,009,246 |
| Disposals | - | (663) | (63,702) | (279,160) | (124,996) | - | (468,521) |
| Reclassification | - | - | 32,550 | 30,857 | 11,190 | (16,432) | 58,165 |
| Effect of exchange differences | - | (5,586) | - | (6,466) | (310) | - | (12,362) |
| Balance at December 31, 2021 | <u>\$ 13,720,139</u> | <u>\$ 21,485,565</u> | <u>\$ 11,202,163</u> | <u>\$ 13,134,394</u> | <u>\$ 3,218,541</u> | <u>\$ 1,788,669</u> | <u>\$ 64,549,471</u> |
| Accumulated depreciation and impairment | | | | | | | |
| Balance at January 1, 2021 | \$ - | \$ (8,428,013) | \$ (7,730,837) | \$ (10,562,737) | \$ (2,295,790) | \$ - | \$ (29,017,377) |
| Disposals | - | 201 | 51,865 | 275,236 | 123,722 | - | 451,024 |
| Impairment losses | - | (252,499) | - | - | - | - | (252,499) |
| Depreciation expense | - | (445,612) | (620,962) | (672,878) | (219,824) | - | (1,959,276) |
| Effect of exchange differences | - | 5,259 | - | 6,006 | 260 | - | 11,525 |
| Balance at December 31, 2021 | <u>\$ -</u> | <u>\$ (9,120,664)</u> | <u>\$ (8,299,934)</u> | <u>\$ (10,954,373)</u> | <u>\$ (2,391,632)</u> | <u>\$ -</u> | <u>\$ (30,766,603)</u> |
| Carrying amount at December 31, 2021 | <u>\$ 13,720,139</u> | <u>\$ 12,364,901</u> | <u>\$ 2,902,229</u> | <u>\$ 2,180,021</u> | <u>\$ 826,909</u> | <u>\$ 1,788,669</u> | <u>\$ 33,782,868</u> |
| Cost | | | | | | | |
| Balance at January 1, 2020 | \$ 13,720,139 | \$ 21,470,677 | \$ 10,615,174 | \$ 12,983,625 | \$ 3,106,658 | \$ 116,434 | \$ 62,012,707 |
| Additions (deductions) | - | - | 287,526 | 637,932 | 199,200 | 604,351 | 1,729,009 |
| Disposals | - | - | (61,795) | (712,733) | (108,127) | - | (882,655) |
| Reclassification | - | - | 27,821 | 44,974 | 15,178 | (29,087) | 58,886 |
| Effect of exchange differences | - | 21,137 | - | 22,722 | 1,139 | (2) | 44,996 |
| Balance at December 31, 2020 | <u>\$ 13,720,139</u> | <u>\$ 21,491,814</u> | <u>\$ 10,868,726</u> | <u>\$ 12,976,520</u> | <u>\$ 3,214,048</u> | <u>\$ 691,696</u> | <u>\$ 62,962,943</u> |
| Accumulated depreciation and impairment | | | | | | | |
| Balance at January 1, 2020 | \$ - | \$ (7,962,389) | \$ (7,108,824) | \$ (10,450,016) | \$ (2,168,221) | \$ - | \$ (27,689,450) |
| Disposals | - | - | 55,771 | 703,808 | 104,388 | - | 863,967 |
| Impairment losses | - | - | - | (15,958) | (895) | - | (16,853) |
| Depreciation expense | - | (445,627) | (677,784) | (779,277) | (230,084) | - | (2,132,772) |
| Effect of exchange differences | - | (19,997) | - | (21,294) | (978) | - | (42,269) |
| Balance at December 31, 2020 | <u>\$ -</u> | <u>\$ (8,428,013)</u> | <u>\$ (7,730,837)</u> | <u>\$ (10,562,737)</u> | <u>\$ (2,295,790)</u> | <u>\$ -</u> | <u>\$ (29,017,377)</u> |
| Carrying amount at December 31, 2020 | <u>\$ 13,720,139</u> | <u>\$ 13,063,801</u> | <u>\$ 3,137,889</u> | <u>\$ 2,413,783</u> | <u>\$ 918,258</u> | <u>\$ 691,696</u> | <u>\$ 33,945,566</u> |

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

| | |
|--|-------------|
| Buildings | 17-56 years |
| Buildings and facilities | 5-20 years |
| Equipment under finance leases | 2-20 years |
| Plant, transportation, and miscellaneous equipment | 3-12 years |

The Group's recoverable amount was less than the book amount according to the evaluation of profitability; therefore, impairment losses were recognized for an amount of NT\$252,499 thousand and NT\$16,853 thousand for the period from January 1 to December 31, 2021 and 2020, respectively. The said impairment losses were included in the "other profit and loss" account of the consolidated comprehensive income statement.

Refer to Note 34 for the information on the carrying amounts of property, plant and equipment that were pledged as collateral for long/short-term borrowings.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 | |
|--|---------------------------------------|----------------------|
| | 2021 | 2020 |
| <u>Carrying amount</u> | | |
| Land | \$ 10,495,280 | \$ 10,961,544 |
| Buildings | 29,048,046 | 31,744,713 |
| Plant, transportation, and miscellaneous equipment | <u>7,970</u> | <u>6,380</u> |
| | <u>\$ 39,551,296</u> | <u>\$ 42,712,637</u> |
| | For the Year Ended December 31 | |
| | 2021 | 2020 |
| Additions to right-of-use assets | <u>\$ 673,727</u> | <u>\$ 2,494,328</u> |
| Depreciation charge for right-of-use assets | | |
| Land | \$ 466,064 | \$ 466,005 |
| Buildings | 2,954,864 | 3,360,186 |
| Plant, transportation, and miscellaneous equipment | <u>2,114</u> | <u>1,488</u> |
| | <u>\$ 3,423,042</u> | <u>\$ 3,827,679</u> |

b. Lease liabilities

| | December 31 | |
|------------------------|----------------------|----------------------|
| | 2021 | 2020 |
| <u>Carrying amount</u> | | |
| Current | <u>\$ 3,189,336</u> | <u>\$ 3,473,928</u> |
| Non-current | <u>\$ 21,763,708</u> | <u>\$ 24,335,088</u> |

Range of discount rate for lease liabilities was as follows:

| | December 31 | |
|--|--------------------|-------------|
| | 2021 | 2020 |
| Land | 1.09%-1.75% | 1.09%-1.75% |
| Buildings | 0.86%-4.35% | 0.86%-4.35% |
| Plant, transportation, and miscellaneous equipment | 0.86%-1.09% | 0.88%-1.09% |

After assessing the future profitability, the Group found that the recoverable amount was lower than the carrying value. As such, from January 1 to December 31, 2021 and 2020, an impairment loss of \$231,371 thousand and \$613,770 thousand was recognized. The Group adopts value in use as the recoverable amount, and the discount rates were 5.88% and 6.0%-9.3%. The impairment loss was recognized under other gains and losses in the consolidated statements of comprehensive income.

Apart from the aforementioned additions, depreciation and impairment charges, the right-of-use assets of the Group from January 1 to December 31, 2021 and 2020 had not been subleased to a third party.

The land in Taoyuan leased to the Group has been subleased to a third party as an operating lease. For the right-of-use assets listed as investment properties, please see Note 16 on investment properties. The aforementioned right-of-use assets exclude right-of-use assets qualified as investment properties.

c. Material lease-in activities and terms

The Group had the lease agreement negotiated with some lessors due to the severe impact of the COVID-19 pandemic in 2021 and 2020. The lessor agreed to have provided a rent concession for the period from January 1 to December 31, 2021 and 2020.

The Group recognized the effect of the aforementioned rent concession for an amount of \$227,979 thousand and \$280,698 thousand, respectively (as a deduction in operating expenses).

The Group leases certain property and equipment for its retail business with a lease term of 1 to 50 years. In addition to fixed payments, a part of the lease contract also specifies variable lease payments with different conditions. Some stores are leased by acquiring land use rights to build buildings and transfer buildings to lessor unconditionally at the end of the lease terms.

In 2020, the Group entered into a lease agreement with Far Eastern Construction Co., Ltd. The property is used for operation of hypermarket, retails and other businesses. In September 2020, the Branch Far Eastern Ai Mai Co., Ltd. was established in Shuinan, Taichung.

d. Other lease information

| | For the Year Ended December 31 | |
|---|---------------------------------------|-----------------------|
| | 2021 | 2020 |
| Expenses relating to short-term leases | \$ 40,916 | \$ 52,166 |
| Expenses relating to low-value asset leases | \$ 64,839 | \$ 64,626 |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | \$ (86,857) | \$ (143,427) |
| Total cash outflow for leases | <u>\$ (4,148,023)</u> | <u>\$ (4,224,076)</u> |

The Group has elected to apply the recognition exemption for short-term leases and low-value assets leases and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. INVESTMENT PROPERTIES

| | Land | Buildings and Facilities | Investment Properties under Construction | Right-of-use Assets | Total |
|---|---------------------|---------------------------------|---|----------------------------|---------------------|
| Balance at January 1, 2021 | \$ 5,756,795 | \$ 2,792,754 | \$ 14,254 | \$ 457,804 | \$ 9,021,607 |
| Additions | - | 803 | - | - | 803 |
| Gain (loss) on changes in the fair value of investment properties | <u>(603,037)</u> | <u>597,811</u> | <u>-</u> | <u>(39,051)</u> | <u>(44,277)</u> |
| Balance at December 31, 2021 | <u>\$ 5,153,758</u> | <u>\$ 3,391,368</u> | <u>\$ 14,254</u> | <u>\$ 418,753</u> | <u>\$ 8,978,133</u> |
| Balance at January 1, 2020 | \$ 5,720,778 | \$ 2,866,154 | \$ 10,124 | \$ 489,585 | \$ 9,086,641 |
| Additions | - | 2,453 | 4,130 | - | 6,583 |
| Gain (loss) on changes in the fair value of investment properties | <u>36,017</u> | <u>(75,853)</u> | <u>-</u> | <u>(31,781)</u> | <u>(71,617)</u> |
| Balance at December 31, 2020 | <u>\$ 5,756,795</u> | <u>\$ 2,792,754</u> | <u>\$ 14,254</u> | <u>\$ 457,804</u> | <u>\$ 9,021,607</u> |

Right-of-use assets included in investment properties which are units of office spaces located in Taoyuan and subleased under operating leases to others.

Some of the Group's investment properties were leased out for 2 to 20 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

Except for the minimum lease payments, some of the lease contracts also indicate that the lessees should make variable payments which shall be determined on the basis of the consumer price index.

In 2021 and 2020, due to the COVID-19 pandemic that severely affected the global market economy, the Group agreed to reduce the rent from January 1 to December 31, 2021 and 2020.

The maturity analysis of lease payments receivable under operating leases of investment properties is as follows:

| | December 31 | |
|----------------|---------------------|---------------------|
| | 2021 | 2020 |
| Year 1 | \$ 808,556 | \$ 833,396 |
| Year 2 | 703,610 | 686,945 |
| Year 3 | 594,069 | 623,572 |
| Year 4 | 573,928 | 570,700 |
| Year 5 | 522,935 | 554,832 |
| Year 6 onwards | <u>3,503,157</u> | <u>4,041,713</u> |
| | <u>\$ 6,706,255</u> | <u>\$ 7,311,158</u> |

The fair values of the investment properties as of December 31, 2021 and 2020 were based on the valuations carried out at those dates, on a recurring basis by independent qualified professional valuers, Hong-Kai Chang, Yi-Chih Chang, Yu-Fen Yeh and Kuang-Ping Tai from Savills Real Estate Appraiser Office, a member of certified ROC real estate appraisers.

Except for undeveloped lands, the fair values of investment properties were measured using the income approach and the significant assumptions used are the increase in the estimated future net cash inflows, or the decrease in discount rates that would result in increases in the fair values.

| | December 31 | |
|-----------------------------------|----------------------|----------------------|
| | 2021 | 2020 |
| Expected future cash inflows | \$ 21,238,122 | \$ 20,904,803 |
| Expected future cash outflows | <u>3,246,689</u> | <u>3,011,028</u> |
| Expected future cash inflows, net | <u>\$ 17,991,433</u> | <u>\$ 17,893,775</u> |
| Discount rate | 3.595%-4.095% | 3.595%-4.345% |

The market rentals in the area where the investment properties are located were between \$1 thousand and \$2 thousand per ping (i.e., per 3.3 square meters). The market rentals for comparable properties were between \$1 thousand and \$4 thousand per ping (i.e., per 3.3 square meters).

The expected future cash inflows generated by investment properties include rental income, interest income on rental deposits and disposal proceeds at the end of the period. The rental income was extrapolated using the annual rental growth rate, based on the existing lease contracts of the Group and comparative market rentals. The income analysis covers a period between 5 and 10 years. The interest income on rental deposits was extrapolated using the one-year average deposit interest rate, while the disposal proceeds was determined using the direct capitalization method under the income approach. The expected future cash outflows on investment properties include expenditures such as property tax, land value tax, insurance premiums, management fees, maintenance costs and replacement allowances. These expenditures were extrapolated based on the current level of expenditures, while taking into account the construction cost indices, future adjustments to land value announced, the tax rate promulgated under the House Tax Act and construction costs.

The discount rate was determined with reference to the interest rate for two-year time deposits of Chunghwa Post Co., Ltd. plus 0.75% and the risk premium of investment properties of 2%-2.5%.

Part of the land located in the east of Taiwan that is owned by the Group, is yet to be developed. The fair value of the undeveloped land was measured using the land development analysis approach. The significant assumptions used are such that an increase in total estimated sales, an increase in rate of return, or a decrease in the overall capital interest rate would result in an increase in the fair value.

| | December 31 | |
|-------------------------------|---------------------|---------------------|
| | 2021 | 2020 |
| Estimated total sales price | <u>\$ 1,750,756</u> | <u>\$ 1,647,633</u> |
| Rate of return | 17%-20% | 18%-20% |
| Overall capital interest rate | 1.40%-2.68% | 1.34%-2.72% |

The total sales price is estimated on the basis of the most effective use of land or property available for sale after development is completed, taking into account the related regulations, optimism of domestic macroeconomic prospects, local land use, and comparable market prices.

Refer to Note 34 for the information on the carrying amounts of investment properties pledged as collateral for borrowings.

17. INTANGIBLE ASSETS

| | Goodwill | Computer Software | Franchise | Total |
|--------------------------------|---------------------|------------------------------|-------------------|---------------------|
| <u>Cost</u> | | | | |
| Balance at January 1, 2021 | \$ 7,631,973 | \$ 532,386 | \$ 243,859 | \$ 8,408,218 |
| Additions | - | 39,617 | 312,386 | 352,003 |
| Disposals | - | (17,479) | - | (17,479) |
| Reclassification | - | 11,927 | - | 11,927 |
| Effect of exchange differences | - | (245) | - | (245) |
| Balance at December 31, 2021 | <u>\$ 7,631,973</u> | <u>\$ 566,206</u> | <u>\$ 556,245</u> | <u>\$ 8,754,424</u> |

(Continued)

| | Goodwill | Computer Software | Franchise | Total |
|--|-----------------------|------------------------------|-------------------|-----------------------|
| <u>Accumulated amortization and impairment</u> | | | | |
| Balance at January 1, 2021 | \$ (5,425,075) | \$ (402,016) | \$ - | \$ (5,827,091) |
| Impairment losses recognized | (437,462) | - | - | (437,462) |
| Amortization expense | - | (74,878) | (4,143) | (79,021) |
| Disposals | - | 17,451 | - | 17,451 |
| Effect of exchange differences | - | 233 | - | 233 |
| Balance at December 31, 2021 | <u>\$ (5,862,537)</u> | <u>\$ (459,210)</u> | <u>\$ (4,143)</u> | <u>\$ (6,325,890)</u> |
| Carrying amount at December 31, 2021 | <u>\$ 1,769,436</u> | <u>\$ 106,996</u> | <u>\$ 552,102</u> | <u>\$ 2,428,534</u> |
| <u>Cost</u> | | | | |
| Balance at January 1, 2020 | \$ 7,631,973 | \$ 432,020 | \$ 153,832 | \$ 8,217,825 |
| Additions | - | 59,789 | 90,027 | 149,816 |
| Disposals | - | (4,125) | - | (4,125) |
| Reclassification | - | 43,819 | - | 43,819 |
| Effect of exchange differences | - | 883 | - | 883 |
| Balance at December 31, 2020 | <u>\$ 7,631,973</u> | <u>\$ 532,386</u> | <u>\$ 243,859</u> | <u>\$ 8,408,218</u> |
| <u>Accumulated amortization and impairment</u> | | | | |
| Balance at January 1, 2020 | \$ (5,425,075) | \$ (314,935) | \$ - | \$ (5,740,010) |
| Impairment losses recognized | - | (6,384) | - | (6,384) |
| Amortization expense | - | (83,971) | - | (83,971) |
| Disposals | - | 4,125 | - | 4,125 |
| Effect of exchange differences | - | (851) | - | (851) |
| Balance at December 31, 2020 | <u>\$ (5,425,075)</u> | <u>\$ (402,016)</u> | <u>\$ -</u> | <u>\$ (5,827,091)</u> |
| Carrying amount at December 31, 2020 | <u>\$ 2,206,898</u> | <u>\$ 130,370</u> | <u>\$ 243,859</u> | <u>\$ 2,581,127</u> |

(Concluded)

Goodwill arising on mergers or the acquisition of majority interests in companies is the acquisition cost in excess of the fair value of the identifiable net assets acquired.

The Group had evaluated the recoverable amount of goodwill in 2021 with goodwill impairment related to the Far Eastern Ai Mai Co., Ltd. recognized for an amount of \$437,462 thousand. The root cause of impairments was that the profits generated in Far Eastern Ai Mai Co., Ltd. did not meet the expectation.

The Group had evaluated the recoverable amount of goodwill for any possible impairment at the end of the reporting period and based the calculation of the recoverable amount on the value in use. The value in use is calculated according to the cash flow from each cash-generating unit's financial budget. It was calculated according to the estimated annual discount rate of 9.30% in 2021. The Group after having the recoverable amount of goodwill evaluated had recognized goodwill impairment loss related to the Far Eastern Ai Mai Co., Ltd. for an amount of \$437,462 thousand. The Group did not recognize any goodwill impairment loss in 2020.

For intangible assets pledged as collateral for loans, please see Note 34.

The following intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|-------------------|------------|
| Computer software | 1-10 years |
| Franchise | 45 years |

18. PRE-PAYMENTS FOR LEASES

| | December 31 | |
|--|---------------------|---------------------|
| | 2021 | 2020 |
| | <u>\$ 1,844,391</u> | <u>\$ 1,517,865</u> |

On July 8, 2015, Chubei New Century Shopping Mall Co., Ltd. signed with Hsinchu County Government the "Build-Operate-Transfer Agreement for Tingba Carpark of Hsinchu County" with Hsinchu County Government. As of December 31, 2021, the carpark is not yet open for operation. However, the lease payments and construction expenditure incurred had amounted to \$1,844,391 thousand. Pursuant to the agreement, the lease period starting from the transfer of superficies includes the construction and operation period and lasts for 50 years.

Chubei New Century Shopping Mall Co., Ltd. of the Group has had the trial operation on January 14, 2022; therefore, the related long-term prepaid rent is booked in the "right-of-use assets" account with amortization appropriated in accordance with the straight-line method over the lease period.

For long-term prepayment for lease pledged as collateral of loans, please see Note 34.

19. OTHER ASSETS

| | December 31 | |
|---------------------|---------------------|---------------------|
| | 2021 | 2020 |
| Refundable deposits | \$ 1,309,188 | \$ 1,358,481 |
| Lease incentives | 403,681 | 376,067 |
| Others | <u>170,201</u> | <u>272,115</u> |
| | <u>\$ 1,883,070</u> | <u>\$ 2,006,663</u> |
| Current | \$ 60,485 | \$ 103,887 |
| Non-current | <u>1,822,585</u> | <u>1,902,776</u> |
| | <u>\$ 1,883,070</u> | <u>\$ 2,006,663</u> |

20. BORROWINGS

a. Short-term borrowings

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Credit loans | \$ 8,211,228 | \$ 7,973,651 |
| Secured loans (Note 33) | <u>1,657,571</u> | <u>1,072,095</u> |
| | <u>\$ 9,868,799</u> | <u>\$ 9,045,746</u> |
| Interest rate intervals are as follows: | | |
| Credit loans | 0.7500%-4.5675 % | 0.8100%-3.9500 % |
| Secured loans | 0.8300%-3.9900 % | 0.8600%-3.9900 % |

b. Short-term bills payable

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Commercial papers | \$ 3,192,000 | \$ 3,730,000 |
| Less: Unamortized discount on short-term bills payable | <u>1,294</u> | <u>997</u> |
| | <u>\$ 3,190,706</u> | <u>\$ 3,729,003</u> |

Outstanding short-term bills payable are as follows:

December 31, 2021

| Promissory Institutions | Nominal Amount | Discount Amount | Carrying Amount | Interest Rate | Collateral | Carrying Amount of Collateral |
|----------------------------------|---------------------|-----------------|---------------------|---------------|------------|-------------------------------|
| <u>Commercial papers</u> | | | | | | |
| Mega Bills Finance | \$ 1,212,000 | \$ 488 | \$ 1,211,512 | 0.562%-0.600% | Shares | \$ 705,333 |
| China Bills Finance | 932,000 | 86 | 931,914 | 0.230%-0.300% | Shares | 110,750 |
| Grand Finance | 448,000 | 346 | 447,654 | 0.420%-0.510% | - | - |
| International Bills Finance | 350,000 | 267 | 349,733 | 0.500%-0.590% | Shares | 119,610 |
| Taiwan Cooperative Bills Finance | 200,000 | 91 | 199,909 | 0.680% | - | - |
| Ta Ching Bill Finance | <u>50,000</u> | <u>16</u> | <u>49,984</u> | 0.670% | - | <u>-</u> |
| | <u>\$ 3,192,000</u> | <u>\$ 1,294</u> | <u>\$ 3,190,706</u> | | | <u>\$ 935,693</u> |

December 31, 2020

| Promissory Institutions | Nominal Amount | Discount Amount | Carrying Amount | Interest Rate | Collateral | Carrying Amount of Collateral |
|----------------------------------|---------------------|-----------------|---------------------|---------------|------------|-------------------------------|
| <u>Commercial papers</u> | | | | | | |
| Mega Bills Finance | \$ 1,050,000 | \$ 249 | \$ 1,049,751 | 0.602%-0.620% | Shares | \$ 677,678 |
| China Bills Finance | 900,000 | 258 | 899,742 | 0.250% | Shares | 108,000 |
| Shanghai Bank | 500,000 | 196 | 499,804 | 0.332% | - | - |
| Grand Finance | 400,000 | 48 | 399,952 | 0.650%-0.682% | - | - |
| Ta Ching Bill Finance | 280,000 | 68 | 279,932 | 0.610%-0.710% | - | - |
| International Bills Finance | 200,000 | 65 | 199,935 | 0.510% | - | - |
| Taiwan Bills Finance | 200,000 | 99 | 199,901 | 0.600% | - | - |
| Taiwan Cooperative Bills Finance | <u>200,000</u> | <u>14</u> | <u>199,986</u> | 0.700% | - | <u>-</u> |
| | <u>\$ 3,730,000</u> | <u>\$ 997</u> | <u>\$ 3,729,003</u> | | | <u>\$ 785,678</u> |

c. Long-term borrowings

| | December 31 | |
|--|----------------------|----------------------|
| | 2021 | 2020 |
| Secured loans | \$ 9,500,000 | \$ 10,400,000 |
| Credit loans | 4,630,000 | 3,510,000 |
| Syndicated loan (1) | 1,960,000 | 630,000 |
| Revolving commercial papers | <u>1,499,721</u> | <u>899,761</u> |
| Subtotal | 17,589,721 | 15,439,761 |
| Less: Listed as part due within 1 year | <u>-</u> | <u>299,933</u> |
| | <u>\$ 17,589,721</u> | <u>\$ 15,139,828</u> |

The outstanding long-term bills payable are as follows:

December 31, 2021

| Promissory Institutions | Nominal Amount | Discount Amount | Carrying Amount | Interest Rate | Collateral | Carrying Amount of Collateral |
|--------------------------------|-----------------------|------------------------|------------------------|----------------------|-------------------|--------------------------------------|
| <u>Commercial papers</u> | | | | | | |
| KGI Commercial Bank | <u>\$ 1,500,000</u> | <u>\$ 279</u> | <u>\$ 1,499,721</u> | 0.302 | - | <u>\$ -</u> |

Loan expiry date and interest rate intervals are as follows:

| | December 31 | |
|-------------------------|------------------------------|---------------------------------|
| | 2021 | 2020 |
| loan maturity | January 2022 to January 2024 | September 2021 to November 2023 |
| Interest rate intervals | 0.302%-1.895% | 0.281%-1.895% |

- 1) To support the development costs required for the “Build–Operate–Transfer Agreement for Tingba Carpark of Hsinchu County” (hereinafter referred to as the “Project”) in February 2016, Chubei New Century Shopping Mall Co., Ltd. entered into a medium-term syndicated loan agreement with Hua Nan Bank (lead bank), Taipei Fubon Bank, Chang Hwa Bank (three arrangers) and seven other banks for a loan of \$3,700,000 thousand. The Company serves as the joint guarantor.

The credit period lasts for five years starting from the first drawdown of the facility. The first drawdown is deemed to have been made two years after the loan agreement is signed even if there is no actual drawdown. During the credit period, the drawdown of the loan may be made multiple times. However, it shall not be drawn in a revolving basis. When the drawdown period expires, the unused credit facility is terminated automatically and cannot be drawn again.

According to the syndicated loans agreement, Chubei New Century Shopping Mall Co., Ltd. of the Group shall have the buildings and the affiliated facilities of this plan and the buildings of the affiliated enterprises mortgaged with first priority and a line of credit mortgage provided to the managing bank as collateral of the syndicated loans prior to the first-time use. In addition, the Company shall hold more than 50% shareholding of Chubei New Century Shopping Mall Co., Ltd. of the Group throughout the duration of the syndicated loans directly or indirectly and its managerial control.

Chubei New Century Shopping Mall Co., Ltd. of the Group had a loan amount of \$1,960,000 thousand expensed as of December 31, 2021. The loan is for a period from June 5, 2020 to February 26, 2023 with 1.895% per annum, a monthly interest payment, and a lump sum payment for principal on the expiry date.

21. OTHER LIABILITIES

| | December 31 | |
|-------------------------------------|---------------------|---------------------|
| | 2021 | 2020 |
| Other payables | | |
| Payables for salaries and bonuses | \$ 862,210 | \$ 830,651 |
| Payables for purchases of equipment | 634,220 | 866,484 |
| Payables for rent | 51,556 | 35,581 |
| Others | <u>2,220,892</u> | <u>1,988,614</u> |
| | <u>\$ 3,768,878</u> | <u>\$ 3,721,330</u> |
| Other liabilities | | |
| Deposits received | \$ 298,042 | \$ 339,379 |
| Franchise liabilities | 207,557 | - |
| Others | <u>416,170</u> | <u>400,730</u> |
| | <u>\$ 921,769</u> | <u>\$ 740,109</u> |
| Current | | |
| Other payables | <u>\$ 3,768,878</u> | <u>\$ 3,721,330</u> |
| Other liabilities | <u>\$ 395,085</u> | <u>\$ 373,784</u> |
| Non-current | | |
| Other liabilities | <u>\$ 526,684</u> | <u>\$ 366,325</u> |

22. PROVISIONS

| | December 31 | |
|------------------------------|--------------------|-----------------------------------|
| | 2021 | 2020 |
| Dismantling obligation | <u>\$ 28,272</u> | <u>\$ 28,047</u> |
| Current | \$ 3,000 | \$ 3,000 |
| Non-current | <u>25,272</u> | <u>25,047</u> |
| | <u>\$ 28,272</u> | <u>\$ 28,047</u> |
| | | Dismantling Obligation |
| Balance at January 1, 2021 | | \$ 28,047 |
| Unwinding of discount | | <u>225</u> |
| Balance at December 31, 2021 | | <u>\$ 28,272</u> |

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Group in ROC of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in mainland China are members of a state-managed retirement benefit plan operated by the local government of mainland China. The Group in mainland China are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by Yu Ming Advertising Agency Co., Ltd. (YMAC), Far Eastern Hon Li Do Co., Ltd. (FEHLD), FEDS, AIMAI, Ya Tung Department Stores, Ltd. (YTDS) and SOGO of the Group in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company and aforementioned subsidiaries contribute amounts equal to 2%-6% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The pension costs of YMAC amounted to \$1,163 thousand and \$13 thousand in 2021 and 2020, respectively, and the accrued pension liabilities on December 31, 2021 and 2020 amounted to \$486 thousand for both years.

FEHLD terminated its trading business on July 1, 2000. Its employees were transferred to AIMAI. The length of services of the employees at FEHLD was carried forward and will serve as the calculation basis of the defined benefit plans at AIMAI. If the employees retire, the calculation of pension costs would include the length of service at FEHLD. The accrued pension liabilities on December 31, 2021 and 2020 amounted to \$201 thousand for both years. These accrued pension liabilities were provisions for the aforementioned pension.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans are as follows:

| | FEDS | AIMAI | YTDS | SOGO |
|---|---------------------|-------------------|-----------------|-------------------|
| <u>December 31, 2021</u> | | | | |
| Present value of defined benefit obligation | \$ 662,495 | \$ 256,925 | \$ 10,167 | \$ 683,197 |
| Fair value of the plan assets | <u>(859,196)</u> | <u>(43,199)</u> | <u>(10,235)</u> | <u>(179,169)</u> |
| Net defined benefit (assets) liabilities | <u>\$ (196,701)</u> | <u>\$ 213,726</u> | <u>\$ (68)</u> | <u>\$ 504,028</u> |

(Continued)

| | FEDS | AIMAI | YTDS | SOGO |
|---|---------------------|-------------------|----------------|----------------------------------|
| <u>December 31, 2020</u> | | | | |
| Present value of defined benefit obligation | \$ 691,522 | \$ 259,741 | \$ 10,132 | \$ 671,639 |
| Fair value of the plan assets | <u>(897,385)</u> | <u>(31,071)</u> | <u>(9,945)</u> | <u>(163,729)</u> |
| Net defined benefit (assets) liabilities | <u>\$ (205,863)</u> | <u>\$ 228,670</u> | <u>\$ 187</u> | <u>\$ 507,910</u> (Concluded) |

Movements in net defined benefit liabilities are as follows:

| | FEDS | | | AIMAI | | |
|--|--|--------------------------------------|---|--|--------------------------------------|--|
| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit (Assets) Liabilities | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities |
| Balance at January 1, 2021 | \$ 691,522 | \$ (897,385) | \$ (205,863) | \$ 259,741 | \$ (31,071) | \$ 228,670 |
| Service cost | | | | | | |
| Current service cost | 4,298 | - | 4,298 | 897 | - | 897 |
| Service costs of prior periods | - | - | - | 1,299 | - | 1,299 |
| Net interest expense (income) | 3,458 | (4,502) | (1,044) | - | (166) | (166) |
| Recognized in profit or loss | <u>7,756</u> | <u>(4,502)</u> | <u>3,254</u> | <u>2,196</u> | <u>(166)</u> | <u>2,030</u> |
| Remeasurement | | | | | | |
| Return on plan assets (excluding amounts included in net interest) | - | 45,740 | 45,740 | - | (513) | (513) |
| Actuarial loss | | | | | | |
| - changes in demographic assumptions | 13,493 | - | 13,493 | 6,341 | - | 6,341 |
| - experience adjustments | <u>(28,955)</u> | <u>-</u> | <u>(28,955)</u> | <u>2,316</u> | <u>-</u> | <u>2,316</u> |
| Recognized in other comprehensive income | <u>(15,462)</u> | <u>45,740</u> | <u>30,278</u> | <u>8,657</u> | <u>(513)</u> | <u>8,144</u> |
| Contributions from the employer | - | (24,370) | (24,370) | - | (25,118) | (25,118) |
| Benefits paid | (21,321) | 21,321 | - | (13,669) | 13,669 | - |
| Payments made from the Company | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Balance at December 31, 2021 | <u>\$ 662,495</u> | <u>\$ (859,196)</u> | <u>\$ (196,701)</u> | <u>\$ 256,925</u> | <u>\$ (43,199)</u> | <u>\$ 213,726</u> |
| Balance at January 1, 2020 | \$ 690,534 | \$ (924,569) | \$ (234,035) | \$ 263,309 | \$ (29,769) | \$ 233,540 |
| Service cost | | | | | | |
| Current service cost | 5,044 | - | 5,044 | 1,249 | - | 1,249 |
| Service costs of prior periods | - | - | - | 1,975 | - | 1,975 |
| Net interest expense (income) | 5,179 | (6,955) | (1,776) | - | (240) | (240) |
| Recognized in profit or loss | <u>10,223</u> | <u>(6,955)</u> | <u>3,268</u> | <u>3,224</u> | <u>(240)</u> | <u>2,984</u> |
| Remeasurement | | | | | | |
| Return on plan assets (excluding amounts included in net interest) | - | 40,112 | 40,112 | - | (1,106) | (1,106) |
| Actuarial loss | | | | | | |
| - changes in demographic assumptions | 2,462 | - | 2,462 | 2,043 | - | 2,043 |
| - changes in financial assumptions | 16,849 | - | 16,849 | 6,948 | - | 6,948 |
| - experience adjustments | <u>11,630</u> | <u>-</u> | <u>11,630</u> | <u>334</u> | <u>-</u> | <u>334</u> |
| Recognized in other comprehensive income | <u>30,941</u> | <u>40,112</u> | <u>71,053</u> | <u>9,325</u> | <u>(1,106)</u> | <u>8,219</u> |
| Contributions from the employer | - | (46,149) | (46,149) | - | (15,289) | (15,289) |
| Benefits paid | (40,176) | 40,176 | - | (15,333) | 15,333 | - |
| Company account paid | <u>-</u> | <u>-</u> | <u>-</u> | <u>(784)</u> | <u>-</u> | <u>(784)</u> |
| Balance at December 31, 2020 | <u>\$ 691,522</u> | <u>\$ (897,385)</u> | <u>\$ (205,863)</u> | <u>\$ 259,741</u> | <u>\$ (31,071)</u> | <u>\$ 228,670</u> |

| | YTDS | | | SOGO | | |
|--|---|-------------------------------|---------------------------------|---|-------------------------------|---------------------------------|
| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities |
| Balance at January 1, 2021 | \$ 10,132 | \$ (9,945) | \$ 187 | \$ 671,639 | \$ (163,729) | \$ 507,910 |
| Service cost | | | | | | |
| Current service cost | 92 | - | 92 | 2,814 | - | 2,814 |
| Service costs of prior periods | 413 | - | 413 | - | - | - |
| Net interest expense (income) | 51 | (50) | 1 | 3,358 | (868) | 2,490 |
| Recognized in profit or loss | 556 | (50) | 506 | 6,172 | (868) | 5,304 |
| Remeasurement | | | | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (129) | (129) | - | (2,113) | (2,113) |
| Actuarial loss | | | | | | |
| - changes in demographic assumptions | - | - | - | 17,942 | - | 17,942 |
| - changes in financial assumptions | 146 | - | 146 | - | - | - |
| - experience adjustments | (254) | - | (254) | (6,014) | - | (6,014) |
| Recognized in other comprehensive income | (108) | (129) | (237) | 11,928 | (2,113) | 9,815 |
| Contributions from the employer | - | (111) | (111) | - | (19,001) | (19,001) |
| Benefits paid | - | - | - | (6,542) | 6,542 | - |
| Company account paid | (413) | - | (413) | - | - | - |
| Balance at December 31, 2021 | \$ 10,167 | \$ (10,235) | \$ (68) | \$ 683,197 | \$ (179,169) | \$ 504,028 |
| Balance at January 1, 2020 | \$ 11,215 | \$ (10,105) | \$ 1,110 | \$ 664,251 | \$ (161,435) | \$ 502,816 |
| Service cost | | | | | | |
| Current service cost | 92 | - | 92 | 3,281 | - | 3,281 |
| Net interest expense (income) | 84 | (76) | 8 | 4,982 | (1,286) | 3,696 |
| Recognized in profit or loss | 176 | (76) | 100 | 8,263 | (1,286) | 6,977 |
| Remeasurement | | | | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (326) | (326) | - | (5,270) | (5,270) |
| Actuarial loss | | | | | | |
| - changes in demographic assumptions | - | - | - | 10,988 | - | 10,988 |
| - changes in financial assumptions | 217 | - | 217 | 18,491 | - | 18,491 |
| - experience adjustments | 34 | - | 34 | (6,601) | - | (6,601) |
| Recognized in other comprehensive income | 251 | (326) | (75) | 22,878 | (5,270) | 17,608 |
| Contributions from the employer | - | (131) | (131) | - | (19,491) | (19,491) |
| Benefits paid | (693) | 693 | - | (23,753) | 23,753 | - |
| Company account paid | (817) | - | (817) | - | - | - |
| Balance at December 31, 2020 | \$ 10,132 | \$ (9,945) | \$ 187 | \$ 671,639 | \$ (163,729) | \$ 507,910 |

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments of the plan assets.
- 3) Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

| | FEDS | AIMAI | YTDS | SOGO |
|-----------------------------------|-------------|--------------|-------------|-------------|
| <u>December 31, 2021</u> | | | | |
| Discount rates | 0.500% | 0.500% | 0.500% | 0.500% |
| Expected rates of salary increase | 2.000% | 1.000% | 2.000% | 2.250% |
| <u>December 31, 2020</u> | | | | |
| Discount rates | 0.500% | 0.500% | 0.500% | 0.500% |
| Expected rates of salary increase | 2.000% | 1.000% | 2.000% | 2.250% |

If probable, reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

| | FEDS | AIMAI | YTDS | SOGO |
|-------------------------------------|--------------------|-------------------|-----------------|--------------------|
| <u>December 31, 2021</u> | | | | |
| Discount rate(s) | | | | |
| 0.25% increase | <u>\$ (15,360)</u> | <u>\$ (6,593)</u> | <u>\$ (194)</u> | <u>\$ (17,917)</u> |
| 0.25% decrease | <u>\$ 15,906</u> | <u>\$ 6,847</u> | <u>\$ 201</u> | <u>\$ 18,606</u> |
| Expected rate(s) of salary increase | | | | |
| 0.25% increase | <u>\$ 15,395</u> | <u>\$ 6,685</u> | <u>\$ 194</u> | <u>\$ 17,966</u> |
| 0.25% decrease | <u>\$ (14,947)</u> | <u>\$ (6,470)</u> | <u>\$ (189)</u> | <u>\$ (17,396)</u> |
| <u>December 31, 2020</u> | | | | |
| Discount rate(s) | | | | |
| 0.25% increase | <u>\$ (16,862)</u> | <u>\$ (6,967)</u> | <u>\$ (217)</u> | <u>\$ (18,698)</u> |
| 0.25% decrease | <u>\$ 17,485</u> | <u>\$ 7,247</u> | <u>\$ 225</u> | <u>\$ 19,447</u> |
| Expected rate(s) of salary increase | | | | |
| 0.25% increase | <u>\$ 16,923</u> | <u>\$ 7,076</u> | <u>\$ 218</u> | <u>\$ 18,780</u> |
| 0.25% decrease | <u>\$ (16,409)</u> | <u>\$ (6,838)</u> | <u>\$ (212)</u> | <u>\$ (18,158)</u> |

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

| | FEDS | AIMAI | YTDS | SOGO |
|---|-----------------|-----------------|---------------|---------------------------|
| <u>December 31, 2021</u> | | | | |
| The expected contributions to the plans for the next year | <u>\$ 5,109</u> | <u>\$ 4,088</u> | <u>\$ 120</u> | <u>\$ 19,103</u> |
| The average duration of the defined benefit obligation | 9.4 years | 10.3 years | 7.7 years | 10.6 years (Continued) |

| | FEDS | AIMAI | YTDS | SOGO |
|---|-----------------|-----------------|---------------|---------------------------|
| <u>December 31, 2020</u> | | | | |
| The expected contributions to the plans for the next year | <u>\$ 5,356</u> | <u>\$ 4,240</u> | <u>\$ 120</u> | <u>\$ 19,534</u> |
| The average duration of the defined benefit obligation | 9.9 years | 10.8 years | 8.6 years | 11.3 years (Concluded) |

24. EQUITY

a. Share capital

Ordinary shares

| | <u>December 31</u> | |
|---|----------------------|----------------------|
| | 2021 | 2020 |
| Shares authorized (in thousands) | <u>1,750,000</u> | <u>1,750,000</u> |
| Shares authorized | <u>\$ 17,500,000</u> | <u>\$ 17,500,000</u> |
| Shares issued and fully paid (in thousands) | <u>1,416,941</u> | <u>1,416,941</u> |
| Shares issued | <u>\$ 14,169,406</u> | <u>\$ 14,169,406</u> |

Fully paid ordinary shares, which have a par value of \$10, are entitled to one vote and a right to receive dividends per share.

b. Capital surplus

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u> | | |
| Issuance in excess of ordinary shares | \$ 2,142,074 | \$ 2,142,074 |
| Treasury share transactions | 1,173,346 | 1,173,346 |
| <u>May only be used to offset a deficit</u> | | |
| Changes in percentage of ownership interest in associates | <u>25,562</u> | <u>23,371</u> |
| | <u>\$ 3,340,982</u> | <u>\$ 3,338,791</u> |

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

According to the Articles of Incorporation, where the Company makes profit in a fiscal year, the profit shall be first utilized to make its business income tax payments and offset deficit. From any remaining profit, out of the profit after tax for the current period plus other profit items adjusted to the current year's undistributed earnings other than profit after tax for the period, 10% will be appropriated as a legal reserve. After appropriating to the special reserve as required by government regulations, the remaining amount, along with any prior years' undistributed earnings, may be utilized for earnings distribution in the form of dividend based on shareholding percentage. However, the Company may retain a certain portion depending on the operating needs. In case of a capital increase during the year, dividend appropriated to new shareholders is subject to the resolution passed in the shareholders' meeting. For policies of compensation of employees and remuneration of directors stipulated by the Articles of Incorporation, please see Note 26(i).

The Company's distribution of dividends would be in consideration of on economic conditions, tax obligations, and operating requirements for cash. For an orderly system of dividend distribution, the dividends are distributed in accordance with the Articles of Incorporation. In addition, improvements of the financial structure and support for investment, capacity expansion or other major capital expenditures are needed. The cash dividends to be distributed should not be below 50% than the current year's post-tax net profit deduction, offsetting losses of previous years, the statutory surplus reserve and the special surplus reserve, except for the improvement of financial structure and the transfer of funds, capacity expansion or other major capital expenditures. The cash dividends to be distributed should not be below 10% of the total cash and share dividends for the current accounting year.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2020 and 2019, which were approved in the shareholders' meetings on July 27, 2021 and June 24, 2020, respectively, are as follows:

| | For the Year Ended December 31 | |
|----------------------------|---------------------------------------|---------------------|
| | 2020 | 2019 |
| Legal reserve | <u>\$ 186,704</u> | <u>\$ 125,920</u> |
| Special reserve | <u>\$ (89,694)</u> | <u>\$ (156,088)</u> |
| Cash dividends | <u>\$ (1,558,635)</u> | <u>\$ 1,133,552</u> |
| Dividends per share (NT\$) | \$ 1.10 | \$ 0.80 |

The appropriation of the earnings for 2021 was proposed by the board of directors on March 4, 2022. The appropriations and dividends per share are as follows:

| | For the Year Ended December 31, 2021 |
|----------------------------|---|
| Legal reserve | <u>\$ 117,699</u> |
| Special reserve | <u>\$ 38,409</u> |
| Cash dividends | <u>\$ 1,275,247</u> |
| Dividends per share (NT\$) | \$ 0.9 |

The appropriation of earnings for 2021 is subject to the resolution of the shareholders in their meeting to be held on June 24, 2022.

d. Special reserve

| | <u>For the Year Ended December 31</u> | |
|---|--|---------------------|
| | 2021 | 2020 |
| Beginning at January 1 | \$ 2,709,263 | \$ 2,865,351 |
| Reversals of special reserve | | |
| Reversal of fair value of investment properties | <u>(89,694)</u> | <u>(156,088)</u> |
| Balance at December 31 | <u>\$ 2,619,569</u> | <u>\$ 2,709,263</u> |

On the initial application of the fair value model to investment properties and on the initial application of IFRS 16, the Group appropriated for a special reserve at an amount equal to the net increase arising from fair value measurement and which was subsequently transferred to retained earnings. The additional special reserve should be appropriated for subsequent net increases in fair value. The amount appropriated may be reversed to the extent that the cumulative net increases in fair value decrease or on the disposal of investment properties. If investment properties were reclassified to property, plant and equipment, the associated special reserve would be reversed in accordance to the subsequent depreciation expense of property, plant and equipment.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

| | <u>For the Year Ended December 31</u> | |
|--|--|------------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ 68,550 | \$ 65,325 |
| Exchange differences on translating the financial statements of foreign operations | 3,765 | (16,845) |
| Share from associates accounted for using the equity method | <u>(6,380)</u> | <u>20,070</u> |
| Balance, at December 31 | <u>\$ 65,935</u> | <u>\$ 68,550</u> |

Translation adjustments arising from net assets of foreign operations that are translated from the functional currency to New Taiwan dollars were recognized as other comprehensive income under exchange differences on translating foreign operations.

2) Unrealized gain (loss) on financial assets at FVTOCI

| | <u>For the Year Ended December 31</u> | |
|---|--|---------------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ 2,714,351 | \$ 3,058,874 |
| Recognized for the year | | |
| Unrealized gain (loss) - equity instruments | 163,696 | (386,877) |
| Share from associates accounted for using the equity method | <u>63,093</u> | <u>41,318</u> |
| Other comprehensive income recognized for the year | 2,941,140 | 2,713,315 |
| Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal | <u>3,792</u> | <u>1,036</u> |
| Balance at December 31 | <u>\$ 2,944,932</u> | <u>\$ 2,714,351</u> |

f. Non-controlling interests

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ 8,594,368 | \$ 8,113,401 |
| Share in profit for the year | 697,216 | 605,758 |
| Other comprehensive income (loss) during the year | | |
| Cash dividends distributed by subsidiaries | (510,016) | (117,859) |
| Exchange differences on translating the financial statements of foreign operations | 1,094 | (8,223) |
| Unrealized gain on financial assets at FVTOCI | 5,703 | 2,577 |
| Remeasurement of defined benefit plans | (5,373) | (9,638) |
| Related income tax | 1,075 | 1,928 |
| Share of other comprehensive income of associates accounted for using the equity method | 2,706 | (3,234) |
| Adjustments relating to changes in associates accounted for using the equity method | <u>(245)</u> | <u>9,658</u> |
| Balance, at December 31 | <u>\$ 8,786,528</u> | <u>\$ 8,594,368</u> |

g. Treasury shares

The shares that the subsidiaries held were acquired before the Company Act was amended in 2001. The Company's shares held by its subsidiaries at the end of the reporting period are as follows:

December 31, 2021

| Name of Subsidiary | Number of Shares Held (In Thousands of Shares) | Carrying Amount | Market Price |
|-------------------------------|---|--------------------|-------------------|
| Bai Ding Investment Co., Ltd. | 8,207 | <u>\$ 97,110</u> | <u>\$ 176,023</u> |

December 31, 2020

| Name of Subsidiary | Number of Shares Held (In Thousands of Shares) | Carrying Amount | Market Price |
|-------------------------------|---|--------------------|-------------------|
| Bai Ding Investment Co., Ltd. | 8,207 | <u>\$ 97,110</u> | <u>\$ 196,949</u> |

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote. The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuances for cash and to vote.

25. REVENUE

| | For the Year Ended December 31 | |
|---|---------------------------------------|----------------------|
| | 2021 | 2020 |
| Sales of goods (Note) | \$ 22,093,160 | \$ 23,070,901 |
| Commissions from concessionaires' sales (Note) | 10,301,121 | 11,023,289 |
| Maintenance and promotion fee income | 737,065 | 794,739 |
| Rental income | | |
| Investment properties (Note 14) | | |
| Other lease payments | 242,537 | 302,214 |
| Other operating leases | | |
| Variable lease payments that do not depend on an index or a rate and contingent rentals | 107,795 | 141,057 |
| Other lease payments | 1,084,955 | 1,170,107 |
| Others | <u>741,831</u> | <u>785,642</u> |
| | <u>\$ 35,308,464</u> | <u>\$ 37,287,949</u> |

Note: Gross revenue is presented as follows:

| | For the Year Ended December 31 | |
|------------------------|---------------------------------------|-----------------------|
| | 2021 | 2020 |
| Concessionaires' sales | \$ 86,326,157 | \$ 87,374,524 |
| Sale of goods | <u>22,552,623</u> | <u>23,576,576</u> |
| | <u>\$ 108,878,780</u> | <u>\$ 110,951,100</u> |

Contract Balances

| | December 31, 2021 | December 31, 2020 | January 1, 2020 |
|--------------------------------|------------------------------|------------------------------|------------------------|
| Notes receivable (Note 10) | <u>\$ 671</u> | <u>\$ 1,864</u> | <u>\$ 1,132</u> |
| Trade receivables (Note 10) | <u>\$ 1,348,294</u> | <u>\$ 724,980</u> | <u>\$ 906,371</u> |
| Contract liabilities - current | | | |
| Sale of goods | \$ 9,616,687 | \$ 8,039,334 | \$ 7,669,255 |
| Customer loyalty programs | 30,522 | 76,226 | 95,772 |
| Others | <u>12,775</u> | <u>6,174</u> | <u>5,801</u> |
| | <u>\$ 9,659,984</u> | <u>\$ 8,121,734</u> | <u>\$ 7,770,828</u> |

Refer to Note 10 for the information of notes receivable and trade receivables.

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment.

Revenue of the reporting period recognized from the beginning contract liabilities which were satisfied in the previous periods is as follows:

| | <u>For the Year Ended December 31</u> | |
|---|--|---------------------|
| | 2021 | 2020 |
| <u>From contract liabilities at the start of the year</u> | | |
| Sale of goods | \$ 5,337,162 | \$ 5,872,964 |
| Customer loyalty programs | <u>68,933</u> | <u>34,768</u> |
| | <u>\$ 5,406,095</u> | <u>\$ 5,907,732</u> |

26. NET PROFIT FOR THE YEAR

Net profit for the year includes the following items:

a. Operating costs

| | <u>For the Year Ended December 31</u> | |
|-----------------|--|----------------------|
| | 2021 | 2020 |
| Operating costs | | |
| Cost of sales | \$ 17,540,000 | \$ 18,216,598 |
| Rental costs | 320,677 | 327,294 |
| Others | <u>37,721</u> | <u>36,779</u> |
| | <u>\$ 17,898,398</u> | <u>\$ 18,580,671</u> |

b. Interest income

| | <u>For the Year Ended December 31</u> | |
|-----------------|--|------------------|
| | 2021 | 2020 |
| Interest income | | |
| Bank deposits | \$ 52,590 | \$ 59,386 |
| Others | <u>5,093</u> | <u>6,858</u> |
| | <u>\$ 57,683</u> | <u>\$ 66,244</u> |

c. Other income

| | <u>For the Year Ended December 31</u> | |
|---|--|-------------------|
| | 2021 | 2020 |
| Dividend income | | |
| Investments in equity instruments at FVTOCI | <u>\$ 318,847</u> | <u>\$ 312,581</u> |

d. Other gains and losses

| | <u>For the Year Ended December 31</u> | |
|---|--|---------------------|
| | 2021 | 2020 |
| Financial assets mandatorily classified as at FVTPL | | |
| Loss arising on changes in fair value of investment properties, net | \$ (163) | \$ (11,520) |
| Loss on change in fair value of investment properties | (44,277) | (71,617) |
| Foreign exchange (loss) gain, net | (14,922) | 2,367 |
| Loss on disposal of property, plant and equipment, net | (5,270) | (17,035) |
| Gain on disposal of investments | 4,330 | 553 |
| Impairment loss of intangible assets | (437,462) | (6,384) |
| Impairment loss of property, plant and equipment | (252,499) | (16,853) |
| Impairment loss of right-of-use assets | (231,371) | (613,770) |
| Other gains | 250,077 | 172,445 |
| Other losses | <u>(16,802)</u> | <u>(89,481)</u> |
| | <u>\$ (748,359)</u> | <u>\$ (651,295)</u> |

e. Finance costs

| | <u>For the Year Ended December 31</u> | |
|---|--|-------------------|
| | 2021 | 2020 |
| Interest on lease liabilities | \$ 448,092 | \$ 476,888 |
| Interest on bank loans | 359,985 | 359,531 |
| Other interest expense | <u>23,918</u> | <u>20,639</u> |
| Total interest expense of financial liabilities not measured at fair value through profit or loss | 831,995 | 857,058 |
| Less: Amounts included in the cost of qualifying assets | <u>(35,360)</u> | <u>(5,691)</u> |
| | 796,635 | 851,367 |
| Reversal of unwinding of discounts on provisions | <u>225</u> | <u>224</u> |
| | <u>\$ 796,860</u> | <u>\$ 851,591</u> |

Information on capitalized interest is as follows:

| | <u>For the Year Ended December 31</u> | |
|------------------------------|--|-------------|
| | 2021 | 2020 |
| Capitalized interest amount | \$ 35,360 | \$ 5,691 |
| Capitalization rate interval | 1.895% | 1.895% |

f. Depreciation and amortization

| | <u>For the Year Ended December 31</u> | |
|---|--|----------------------------|
| | 2021 | 2020 |
| Property, plant and equipment | \$ 1,959,276 | \$ 2,132,772 |
| Right-of-use assets | 3,423,042 | 3,827,679 |
| Less: Adjustments to receipts in advance and depreciation | <u>(151,900)</u> | <u>(170,280)</u> |
| | 5,230,418 | 5,790,171 |
| Intangible assets (including amortization expense) | <u>79,021</u> | <u>83,971</u> |
| | <u><u>\$ 5,309,439</u></u> | <u><u>\$ 5,874,142</u></u> |
| An analysis of deprecation by function | | |
| Operating costs | \$ 222,017 | \$ 228,913 |
| Operating expenses | <u>5,008,401</u> | <u>5,561,258</u> |
| | <u><u>\$ 5,230,418</u></u> | <u><u>\$ 5,790,171</u></u> |
| An analysis of amortization by function | | |
| Operating costs | \$ 1,402 | \$ 1,391 |
| Operating expenses | <u>77,619</u> | <u>82,580</u> |
| | <u><u>\$ 79,021</u></u> | <u><u>\$ 83,971</u></u> |

g. Operating expenses directly related to investment properties

| | <u>For the Year Ended December 31</u> | |
|---|--|--------------------------|
| | 2021 | 2020 |
| Direct operating expenses from investment properties generating rental income | \$ 76,114 | \$ 77,914 |
| Direct operating expenses from investment properties not generating rental income | <u>31,401</u> | <u>33,312</u> |
| | <u><u>\$ 107,515</u></u> | <u><u>\$ 111,226</u></u> |

h. Employee benefits expenses

| | <u>For the Year Ended December 31</u> | |
|---|--|----------------------------|
| | 2021 | 2020 |
| Post-employment benefits (Note 20) | | |
| Defined contribution plan | \$ 163,983 | \$ 144,908 |
| Defined benefit plan | <u>12,257</u> | <u>13,342</u> |
| | 176,240 | 158,250 |
| Other employee benefits | <u>3,926,810</u> | <u>3,971,642</u> |
| Total employee benefits expenses | <u><u>\$ 4,103,050</u></u> | <u><u>\$ 4,129,892</u></u> |
| An analysis of employee benefits expenses by function | | |
| Operating expenses | <u><u>\$ 4,103,050</u></u> | <u><u>\$ 4,129,892</u></u> |

i. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at a rate of 2% to 3.5% and no less than 2.5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March 4, 2022 and March 23, 2021, respectively, are as follows:

Accrual rate

| | <u>For the Year Ended December 31</u> | |
|---------------------------|---------------------------------------|-------------|
| | <u>2021</u> | <u>2020</u> |
| Compensation of employees | 3.2% | 3.2% |
| Remuneration of directors | 2.4% | 2.4% |

Amount

| | <u>For the Year Ended December 31</u> | |
|---------------------------|---------------------------------------|-------------|
| | <u>2021</u> | <u>2020</u> |
| | <u>Cash</u> | <u>Cash</u> |
| Compensation of employees | \$ 47,003 | \$ 75,603 |
| Remuneration of directors | 35,252 | 56,702 |

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

27. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

| | <u>For the Year Ended December 31</u> | |
|---------------------------------------|---------------------------------------|------------------|
| | <u>2021</u> | <u>2020</u> |
| Current tax | | |
| In respect of the current year | \$ 607,324 | \$ 644,936 |
| Income tax on unappropriated earnings | 1,436 | 16 |
| Adjustments for the prior years | <u>(11,070)</u> | <u>(257,069)</u> |
| | <u>597,690</u> | <u>387,883</u> |

(Continued)

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2021 | 2020 |
| Deferred tax | | |
| In respect of the current year | \$ (61,012) | \$ 66,567 |
| Adjustments to deferred tax attributable to changes in tax rates and laws | (4,543) | (7,147) |
| Deferred income tax not recognized in previous years is recognized in the current year | <u>(1,056)</u> | <u>8,571</u> |
| | <u>(66,611)</u> | <u>67,991</u> |
| Income tax expense recognized in profit or loss | <u>\$ 531,079</u> | <u>\$ 455,874</u> |

(Concluded)

A reconciliation of accounting profit and income tax expenses are as follows:

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2021 | 2020 |
| Profit before income tax from continuing operations | <u>\$ 2,436,395</u> | <u>\$ 3,000,771</u> |
| Income tax expense calculated at the statutory rate | \$ 650,563 | \$ 625,591 |
| Nondeductible expenses in determining taxable income | 1,101 | 12,365 |
| Deferred tax effect of earnings of subsidiaries | (68,764) | (20,840) |
| Tax-exempt income | (172,645) | (102,407) |
| Income tax on unappropriated earnings | 1,436 | 16 |
| Land value increment tax | 4,490 | (4,039) |
| Unrecognized loss carryforwards | 222,306 | 135,301 |
| Unrecognized deductible temporary differences | (120,639) | (6,211) |
| Adjustments for prior years' income tax | (12,126) | (248,498) |
| Others | <u>25,357</u> | <u>64,596</u> |
| Income tax expense recognized in profit or loss | <u>\$ 531,079</u> | <u>\$ 455,874</u> |

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|--|---------------------------------------|------------------|
| | 2021 | 2020 |
| <u>Deferred tax</u> | | |
| In respect of the current year | | |
| Remeasurement on defined benefit plans | <u>\$ 9,648</u> | <u>\$ 19,377</u> |

c. Current tax assets and liabilities

| | December 31 | |
|-------------------------|--------------------|-------------------|
| | 2021 | 2020 |
| Current tax assets | | |
| Tax refund receivable | <u>\$ 991</u> | <u>\$ 1,063</u> |
| Current tax liabilities | | |
| Income tax payable | <u>\$ 470,027</u> | <u>\$ 485,553</u> |

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2021

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Exchange Differences | Closing Balance |
|--|-------------------|------------------------------|--|----------------------|-------------------|
| <u>Deferred tax assets</u> | | | | | |
| Temporary differences | | | | | |
| Right-of-use assets | \$ 77,617 | \$ (10,702) | \$ - | \$ (68) | \$ 66,847 |
| Differences of pension in determining taxable income | 140,607 | (7,357) | 3,593 | - | 136,843 |
| Investments in subsidiaries | 10,777 | 393 | - | - | 11,170 |
| Others | <u>209,670</u> | <u>76,108</u> | <u>-</u> | <u>(29)</u> | <u>285,749</u> |
| | 438,671 | 58,442 | 3,593 | (97) | 500,609 |
| Loss carryforwards | <u>133,515</u> | <u>(37,120)</u> | <u>-</u> | <u>-</u> | <u>96,395</u> |
| | <u>\$ 572,186</u> | <u>\$ 21,322</u> | <u>\$ 3,593</u> | <u>\$ (97)</u> | <u>\$ 597,004</u> |

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Exchange Differences | Others | Closing Balance |
|--|---------------------|------------------------------|--|----------------------|-------------|---------------------|
| <u>Deferred tax liabilities</u> | | | | | | |
| Temporary differences | | | | | | |
| Depreciation | \$ 963,175 | \$ 28,817 | \$ - | \$ - | \$ - | \$ 991,992 |
| Reserve for land revaluation increment tax | 508,719 | - | - | - | - | 508,719 |
| Investment properties | 348,194 | 4,490 | - | - | - | 352,684 |
| Investments in subsidiaries | 236,843 | (32,223) | - | (1,001) | - | 203,619 |
| Differences of pension in determining taxable income | 46,807 | - | - | - | - | 46,807 |
| Others | <u>244,317</u> | <u>(46,373)</u> | <u>(6,055)</u> | <u>-</u> | <u>-</u> | <u>191,889</u> |
| | <u>\$ 2,348,055</u> | <u>\$ (45,289)</u> | <u>\$ (6,055)</u> | <u>\$ (1,001)</u> | <u>\$ -</u> | <u>\$ 2,295,710</u> |

For the year ended December 31, 2020

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Exchange Differences | Closing Balance |
|--|-------------------|------------------------------|--|----------------------|-------------------|
| <u>Deferred tax assets</u> | | | | | |
| Temporary differences | | | | | |
| Right-of-use assets | \$ 172,450 | \$ (95,046) | \$ - | \$ 213 | \$ 77,617 |
| Differences of pension in determining taxable income | 140,406 | (4,965) | 5,166 | - | 140,607 |
| Investments in subsidiaries | 1,611 | 9,166 | - | - | 10,777 |
| Others | <u>131,784</u> | <u>77,801</u> | <u>-</u> | <u>85</u> | <u>209,670</u> |
| | 446,251 | (13,044) | 5,166 | 298 | 438,671 |
| Loss carryforwards | <u>142,974</u> | <u>(9,459)</u> | <u>-</u> | <u>-</u> | <u>133,515</u> |
| | <u>\$ 589,225</u> | <u>\$ (22,503)</u> | <u>\$ 5,166</u> | <u>\$ 298</u> | <u>\$ 572,186</u> |

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Exchange Differences | Others | Closing Balance |
|--|---------------------|------------------------------|--|----------------------|-------------|---------------------|
| <u>Deferred tax liabilities</u> | | | | | | |
| Temporary differences | | | | | | |
| Depreciation | \$ 922,711 | \$ 40,464 | \$ - | \$ - | \$ - | \$ 963,175 |
| Reserve for land revaluation increment tax | 508,719 | - | - | - | - | 508,719 |
| Investment properties | 352,232 | (4,038) | - | - | - | 348,194 |
| Investments in subsidiaries | 233,970 | (951) | - | 3,824 | - | 236,843 |
| Differences of pension in determining taxable income | 46,807 | - | - | - | - | 46,807 |
| Others | <u>248,515</u> | <u>10,013</u> | <u>(14,211)</u> | <u>-</u> | <u>-</u> | <u>244,317</u> |
| | <u>\$ 2,312,954</u> | <u>\$ 45,488</u> | <u>\$ (14,211)</u> | <u>\$ 3,824</u> | <u>\$ -</u> | <u>\$ 2,348,055</u> |

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets were recognized in the consolidated balance sheets

| | <u>December 31</u> | |
|----------------------------------|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Loss carryforwards | | |
| Expiry in 2031 | \$ 950,349 | \$ - |
| Expiry in 2030 | 365,159 | 482,780 |
| Expiry in 2029 | 609,155 | 644,357 |
| Expiry in 2028 | 1,001,991 | 989,901 |
| Expiry in 2027 | 1,900,830 | 2,014,173 |
| Expiry in 2026 | 636,276 | 1,171,097 |
| Expiry in 2025 | 89,688 | 82,078 |
| Expiry in 2024 | 83,290 | 83,290 |
| Expiry in 2023 | 104,168 | 120,897 |
| Expiry in 2022 | 165,230 | 186,093 |
| Expiry in 2021 | <u>-</u> | <u>157,297</u> |
| | <u>\$ 5,906,136</u> | <u>\$ 5,931,963</u> |
| Deductible temporary differences | <u>\$ 1,745,081</u> | <u>\$ 1,385,443</u> |

- f. Information on unused loss carryforwards

As of December 31, 2021, information on loss carryforwards is as follows:

| Remaining Creditable Amount | Expiry Year |
|------------------------------------|--------------------|
| \$ 950,349 | 2031 |
| 400,879 | 2030 |
| 773,952 | 2029 |
| 1,225,195 | 2028 |
| 1,904,026 | 2027 |
| 636,276 | 2026 |
| 89,688 | 2025 |
| 83,290 | 2024 |
| 129,169 | 2023 |
| <u>195,289</u> | 2022 |
| <u>\$ 6,388,113</u> | |

g. Income tax assessments

Income tax returns of the entities in the Group in the ROC through 2019 have been assessed by the tax authorities.

28. EARNINGS PER SHARE

Unit: NT\$ Per Share

| | For the Year Ended December 31 | |
|----------------------------|---------------------------------------|----------------|
| | 2021 | 2020 |
| Basic earnings per share | <u>\$ 0.86</u> | <u>\$ 1.38</u> |
| Diluted earnings per share | <u>\$ 0.86</u> | <u>\$ 1.37</u> |

Earnings and weighted average number of ordinary shares outstanding used for the computation of earnings per share are as follows:

Net profit for the year

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2021 | 2020 |
| Profit for the year attributable to owners of the Company | \$ 1,208,100 | \$ 1,939,139 |
| Effect of potentially dilutive ordinary shares: | | |
| Compensation of employees | <u> -</u> | <u> -</u> |
| Earnings used in the computation of diluted earnings per share | <u>\$ 1,208,100</u> | <u>\$ 1,939,139</u> |

Shares

(In Thousands of Shares)

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2021 | 2020 |
| Weighted average number of ordinary shares outstanding used in the computation of basic earnings per share | 1,408,734 | 1,408,734 |
| Effect of potentially dilutive ordinary shares: | | |
| Compensation of employees | <u> 3,237</u> | <u> 4,499</u> |
| Weighted average number of ordinary shares outstanding used in the computation of dilutive earnings per share | <u>1,411,971</u> | <u>1,413,233</u> |

The Group may settle the compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in their meeting in the following year.

29. GOVERNMENT SUBSIDIES

In 2021, the Group received a nonrecurring business allowance for an amount of \$117,000 thousand in accordance with Article 5-1 of the “Financial Relief for Industries and Businesses Affected by the COVID-19 Pandemic by the MOEA” in 2021; also, the allowance for an amount of \$44 thousand (RMB10 thousand) from Chongqing City Chamber of Commerce during the outbreak of the COVID-19 pandemic, which were debited to the “operating expenses” and booked in “non-operating income and expense,” respectively.

In 2020, the Group received a subsidy for salaries and working capital totaling \$88,693 thousand in accordance with Article 5 of “Relief Measures from Ministry of Economic Affairs for Severely Affected Industries due to COVID-19”, a wage subsidy of \$3,902 thousand (RMB911 thousand) from the Human Resources and Social Security Bureau of Chongqing City, a loan interest expense subsidy for SME businesses of \$2,570 thousand (RMB600 thousand) from the Commerce Committee of Chongqing City, a production subsidy for SME businesses of \$472 thousand (RMB110 thousand) from the district government of Zhongshan, Dalian, and a capital subsidy of \$300 thousand (RMB70 thousand) from Yuzhong district’s special project of Chongqing Municipal People’s Government, all of which are classified either as a deduction of operating expenses or as non-operating income and expenses.

30. CASH FLOW INFORMATION

a. Non-cash transactions

For the years ended December 31, 2021 and 2020, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

For the years ended December 31, 2021 and 2020, the prepayment for equipment reclassified to property, plant and equipment amounted to \$58,165 thousand and \$58,886 thousand, respectively (please see Note 14).

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2021

| | Opening Balance | Cash Flows | Non-cash Changes | | | Closing Balance |
|--|----------------------|---------------------|-------------------|-------------------------|--------------------|----------------------|
| | | | New Leases | Change in Exchange Rate | Others | |
| Short-term borrowings | \$ 9,045,746 | \$ 844,033 | \$ - | \$ (20,980) | \$ - | \$ 9,868,799 |
| Short-term bills payable | 3,729,003 | (538,297) | - | - | - | 3,190,706 |
| Long-term borrowings (including current portion) | 15,439,761 | 2,149,960 | - | - | - | 17,589,721 |
| Lease liabilities | 27,809,016 | (2,990,437) | 352,397 | (2,371) | (215,561) | 24,953,044 |
| Other non-current liabilities | <u>366,325</u> | <u>(42,940)</u> | <u>-</u> | <u>-</u> | <u>203,299</u> | <u>526,684</u> |
| | <u>\$ 56,389,851</u> | <u>\$ (577,681)</u> | <u>\$ 352,397</u> | <u>\$ (23,351)</u> | <u>\$ (12,262)</u> | <u>\$ 56,128,954</u> |

For the year ended December 31, 2020

| | Opening Balance | Cash Flows | Non-cash Changes | | | Closing Balance |
|--|----------------------|-----------------------|---------------------|----------------------------|---------------------|----------------------|
| | | | New Leases | Change in Exchange Rate | Others | |
| Short-term borrowings | \$ 9,630,896 | \$ (644,722) | \$ - | \$ 59,572 | \$ - | \$ 9,045,746 |
| Short-term bills payable | 3,622,993 | 106,010 | - | - | - | 3,729,003 |
| Long-term borrowings (including current portion) | 17,539,757 | (2,099,996) | - | - | - | 15,439,761 |
| Lease liabilities | 28,787,522 | (2,957,964) | 2,274,812 | 22,601 | (317,955) | 27,809,016 |
| Other non-current liabilities | 457,159 | (90,834) | - | - | - | 366,325 |
| | <u>\$ 60,038,327</u> | <u>\$ (5,687,506)</u> | <u>\$ 2,274,812</u> | <u>\$ 82,173</u> | <u>\$ (317,955)</u> | <u>\$ 56,389,851</u> |

31. CAPITAL MANAGEMENT

Under its operating development schemes and related government rules, the Group manages its capital to ensure it can continue to operate as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising share capital, capital surplus, retained earnings and other equity). The Group's capital management concerns the capital expenditures for capital structure and relative risks to ensure the optimal capital structure; the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued and the proceeds from borrowings and repayments of borrowings, in order to balance the overall capital structure.

32. FINANCIAL INSTRUMENTS

a. Fair value information - financial instruments not measured at fair value

The financial instruments not measured at fair value are either those with due dates in the near future or those with a future collection value which approximately equals its carrying amount. Thus, the fair value of these financial instruments is estimated at their carrying amounts on the financial reporting date.

b. Fair value information - financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|---------------------|-------------|-------------------|---------------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Beneficiary certificates | \$ 347,960 | \$ - | \$ - | \$ 347,960 |
| Domestic listed ordinary shares | <u>86,690</u> | <u>-</u> | <u>-</u> | <u>86,690</u> |
| | <u>\$ 434,650</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 434,650</u> |
| <u>Financial assets at FVTOCI</u> | | | | |
| Domestic listed ordinary shares | \$ 4,431,551 | \$ - | \$ - | \$ 4,431,551 |
| Unlisted shares | <u>-</u> | <u>-</u> | <u>646,753</u> | <u>646,753</u> |
| | <u>\$ 4,431,551</u> | <u>\$ -</u> | <u>\$ 646,753</u> | <u>\$ 5,078,304</u> |

December 31, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|---------------------|----------------|-------------------|---------------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Beneficiary certificates | \$ 336,200 | \$ - | \$ - | \$ 336,200 |
| Domestic listed ordinary shares | <u>113,846</u> | <u>-</u> | <u>-</u> | <u>113,846</u> |
| | <u>\$ 450,046</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 450,046</u> |
| <u>Financial assets at FVTOCI</u> | | | | |
| Domestic listed ordinary shares | \$ 4,352,973 | \$ - | \$ - | \$ 4,352,973 |
| Unlisted shares | <u>-</u> | <u>-</u> | <u>584,868</u> | <u>584,868</u> |
| | <u>\$ 4,352,973</u> | <u>\$ -</u> | <u>\$ 584,868</u> | <u>\$ 4,937,841</u> |

There were no transfers between Level 1 and 2 in both 2021 and 2020.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2021

| Financial Assets | Investment in Equity Instruments at FVTOCI |
|---|---|
| Balance at January 1, 2021 | \$ 584,868 |
| Recognized in profit or loss (included in other gains and losses) | (235) |
| Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI) | <u>62,120</u> |
| Balance at December 31, 2021 | <u>\$ 646,753</u> |

For the year ended December 31, 2020

| Financial Assets | Investment in Equity Instruments at FVTOCI |
|---|---|
| Balance at January 1, 2020 | \$ 591,283 |
| Recognized in profit or loss (included in other gains and losses) | (441) |
| Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI) | <u>(5,974)</u> |
| Balance at December 31, 2020 | <u>\$ 584,868</u> |

3) Valuation techniques and inputs applied for Level 3 fair value measurement

| <u>Financial Instruments</u> | <u>Valuation Techniques and Inputs</u> |
|------------------------------|---|
| Unlisted shares | <p>a) Asset-based approach. Valuation based on the fair value of an investee, calculated through each investment of the investee using the income approach, market approach or a combination of the two approaches, while also taking the liquidity premium into consideration.</p> <p>b) Transaction method of market approach. The approach is a valuation strategy based on market ratios of companies with similar profitability at the end of the reporting period, while taking the liquidity premium into consideration.</p> |

c. Categories of financial instruments

| | <u>December 31</u> | |
|--|--------------------|-------------|
| | <u>2021</u> | <u>2020</u> |
| <u>Financial assets</u> | | |
| FVTPL | | |
| Mandatorily classified as at FVTPL | \$ 434,650 | \$ 450,046 |
| Financial assets at amortized cost (1) | 24,393,325 | 19,065,317 |
| FVTOCI | | |
| Equity instruments | 5,078,304 | 4,937,841 |
| <u>Financial liabilities</u> | | |
| Amortized cost (2) | 51,625,177 | 48,194,418 |

1) The balances included the carrying amount of cash and cash equivalents, notes receivable and trade receivables (including related parties), other receivables and refundable deposits, which are measured at amortized cost.

2) The balances included the carrying amount of short-term borrowings, short-term bills payable, notes payable and trade payables (including related parties), other payables, long-term borrowings including the current portion and deposits received, which are measured at amortized cost.

d. Financial risk management objectives and policies

The Group's major financial instruments include investments in equity instruments, trade receivable, accounts payable, lease liabilities, concession liabilities, and loans. The objective of the financial risk management is to mitigate the market risks (including foreign exchange risk, interest rate risk and other price risks), credit risk, liquidity risk and other financial risks that may impact the management and operating activities of the Group. The financial management department of the Group is committed to analyze and evaluate various financial risk factors that are market-related, provide and execute the corresponding mitigating strategies to reduce the risk impact of market fluctuation.

The main financial activities of the Group are governed by the Group's internal management and approved by the board of directors. The financial schemes, which include fund raising plans should be carried out in compliance with the Group's policies.

1) Market risk

a) Exchange rate risk

The Group was exposed to exchange rate risk for holding assets and liabilities denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are as follows:

| | In Thousands of U.S. Dollars | |
|--------------------|-------------------------------------|------------------|
| | December 31 | |
| | 2021 | 2020 |
| <u>Assets</u> | | |
| USD | <u>\$ 21,643</u> | <u>\$ 5,218</u> |
| <u>Liabilities</u> | | |
| USD | <u>\$ 13,999</u> | <u>\$ 13,772</u> |

Sensitivity analysis

The Group was mainly affected by the floating exchange rates of USD denominated assets and liabilities. The sensitivity analyses below were determined based on the Group's exposure to exchange rates for non-derivative instruments at the end of the reporting period. The change of exchange rates reported to the senior management of the Group was based on a 1% increase or decrease in exchange rate which also denotes the management's assessment for the reasonableness of the fluctuation of exchange rates.

If exchange rates increase/decrease by 1% and all variables remained unchanged, the profit before tax for the years ended December 31, 2021 and 2020 would decrease/increase by \$2,116 thousand and \$2,436 thousand, respectively.

b) Interest rate risk

The Group was exposed to interest rate risk because the entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period are as follows:

| | December 31 | |
|-------------------------------|--------------------|--------------|
| | 2021 | 2020 |
| Fair value interest rate risk | | |
| Financial assets | \$ 12,864,674 | \$ 9,490,963 |
| Financial liabilities | 26,345,448 | 28,361,111 |
| Cash flow interest rate risk | | |
| Financial assets | 5,595,167 | 4,701,632 |
| Financial liabilities | 29,464,379 | 27,662,415 |

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for financial assets and financial liabilities at the end of the reporting period. For sensitivity analysis purposes, the sensitivity rate was adjusted as a result of the volatile financial markets. The measurement of the increase or decrease in the interest rates is based on 100 basis points, which is reported to the senior management denoting the management's assessment for the reasonableness of the fluctuation of the interest rates.

If interest rates increase/decrease by 100 basis points, all variables remained unchanged, the profit before tax for the years ended December 31, 2021 and 2020 would decrease/increase by \$238,692 thousand and \$229,608 thousand, respectively.

c) Other price risks

The Group was exposed to equity price risks involving equity investments in listed companies and beneficial certificates. The Group's investments in listed companies and beneficial certificates should be in compliance with the rule made by the board of directors in order to achieve the goal of risk management and maximize the returns on investments.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period. For sensitivity analysis purposes, the sensitivity rate was adjusted as a result of the volatile financial market.

If equity prices increase/decrease by 5%, the profit before tax for the years ended December 31, 2021 and 2020 would increase/decrease by \$21,733 thousand and \$22,502 thousand, respectively due to the change in fair value of financial assets measured at fair value through profit or loss. The pre-tax other comprehensive income for the years ended December 31, 2021 and 2020 would increase/decrease by \$253,915 thousand and \$246,892 thousand, respectively due to the change in fair value of financial assets measured at fair value through other comprehensive income.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's credit risk was mainly from trade receivables in operating activities, bank deposits and financial instruments in financial activities.

To maintain the quality of trade receivables, the Group manages credit risk by assessing customers' credit elements, such as financial status, historical transactions, etc., and obtains an adequate amount of collaterals as guarantees from the customers with high credit risk. In addition, the Group reviews the recoverable amount of each trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. On the credit risk management of bank deposits and other financial instruments, the Group trades with the counterparties comprising banks with high credit ratings.

3) Liquidity risk

Liquidity risk is a risk in which the Group cannot pay cash or use other financial assets to settle the financial liabilities. The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the use of bank borrowings and ensures compliance with loan covenants and it will not damage to the Group's reputation.

On the demand for capital payments for a particular purpose, the Group maintains adequate cash by the way of the long-term finance/borrowings. For the management of cash shortage, the Group monitors cash management and allocates cash appropriately to maintain financial flexibility and ensure the mitigation of liquidity risk.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables are drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group may be required to pay. The tables include both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks' choice to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment periods.

December 31, 2021

| | On Demand or Not Later than 1 Year | 1-2 Years | 2-3 Years | 3-4 Years | 4-5 Years | Later than 5 Years | Total |
|--|--|------------|-----------|-----------|-----------|-----------------------|--------------|
| <u>Non-derivative financial liabilities</u> | | | | | | | |
| Short-term borrowings | \$ 9,868,799 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 9,868,799 |
| Short-term bills payable | 3,190,706 | - | - | - | - | - | 3,190,706 |
| Notes payable | 5,830 | - | - | - | - | - | 5,830 |
| Trade payables | 16,806,804 | - | - | - | - | - | 16,806,804 |
| Trade payables to related parties | 96,397 | - | - | - | - | - | 96,397 |
| Other payables | 3,768,878 | - | - | - | - | - | 3,768,878 |
| Lease liabilities | 3,305,642 | 3,112,082 | 2,475,248 | 2,193,901 | 1,696,074 | 15,964,399 | 28,747,346 |
| Franchise liabilities | 5,614 | 6,903 | 6,903 | 6,903 | 6,903 | 272,531 | 305,757 |
| Long-term borrowings (including current portion) | - | 17,189,721 | 400,000 | - | - | - | 17,589,721 |
| Deposits received | 90,053 | 164,024 | 7,791 | 21,154 | 2,260 | 12,760 | 298,042 |

Further information on the maturity analysis of the above financial liabilities was as follows:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Lease liabilities | \$ 3,305,642 | \$ 9,477,305 | \$ 6,587,193 | \$ 3,590,620 | \$ 2,918,461 | \$ 2,868,125 |
| Franchise liabilities | 5,614 | 27,612 | 34,514 | 34,514 | 34,514 | 168,989 |
| | <u>\$ 3,311,256</u> | <u>\$ 9,504,917</u> | <u>\$ 6,621,707</u> | <u>\$ 3,625,134</u> | <u>\$ 2,952,975</u> | <u>\$ 3,037,114</u> |

December 31, 2020

| | On Demand or Not Later than 1 Year | 1-2 Years | 2-3 Years | 3-4 Years | 4-5 Years | Later than 5 Years | Total |
|--|--|------------|-----------|-----------|-----------|-----------------------|--------------|
| <u>Non-derivative financial liabilities</u> | | | | | | | |
| Short-term borrowings | \$ 9,045,746 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 9,045,746 |
| Short-term bills payable | 3,729,003 | - | - | - | - | - | 3,729,003 |
| Notes payable | 6,626 | - | - | - | - | - | 6,626 |
| Trade payables | 15,844,472 | - | - | - | - | - | 15,844,472 |
| Trade payables to related parties | 68,101 | - | - | - | - | - | 68,101 |
| Other payables | 3,721,330 | - | - | - | - | - | 3,721,330 |
| Lease liabilities | 3,621,829 | 3,299,652 | 3,058,594 | 2,457,945 | 2,215,733 | 16,965,339 | 31,619,092 |
| Long-term borrowings (including current portion) | 299,933 | 11,069,828 | 4,070,000 | - | - | - | 15,439,761 |
| Deposits received | 76,637 | 215,788 | 6,099 | 7,248 | 19,200 | 14,407 | 339,379 |

Additional information on the maturity analysis for lease liabilities:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|-------------------|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| Lease liabilities | <u>\$ 3,621,829</u> | <u>\$ 11,031,924</u> | <u>\$ 7,378,711</u> | <u>\$ 4,003,498</u> | <u>\$ 2,934,742</u> | <u>\$ 2,648,388</u> |

The amounts of variable interest rate instruments for both non-derivative financial liabilities mentioned above are subject to change if the changes in variable interest rates differ from those estimates of interest rates determined at the end of the year.

b) Financing facilities

| | Unit: Thousand | |
|--|-----------------------|----------------------|
| | December 31 | |
| | 2021 | 2020 |
| <u>Unsecured bank overdraft facilities</u> | | |
| NTD | | |
| Amount used | \$ - | \$ - |
| Amount unused | <u>100,000</u> | <u>100,000</u> |
| | <u>\$ 100,000</u> | <u>\$ 100,000</u> |
| RMB | | |
| Amount used | \$ 35,951 | \$ - |
| Amount unused | <u>64,049</u> | <u>100,000</u> |
| | <u>\$ 100,000</u> | <u>\$ 100,000</u> |
| <u>Secured bank loan facilities</u> | | |
| NTD | | |
| Amount used | \$ 13,982,000 | \$ 12,830,000 |
| Amount unused | <u>9,778,000</u> | <u>8,950,000</u> |
| | <u>\$ 23,760,000</u> | <u>\$ 21,780,000</u> |
| USD | | |
| Amount used | \$ 10,013 | \$ 10,000 |
| Amount unused | <u>-</u> | <u>5,000</u> |
| | <u>\$ 10,013</u> | <u>\$ 15,000</u> |
| RMB | | |
| Amount used | \$ 30,000 | \$ 20,000 |
| Amount unused | <u>5,000</u> | <u>78,000</u> |
| | <u>\$ 35,000</u> | <u>\$ 98,000</u> |
| <u>Unsecured bank loan facilities</u> | | |
| NTD | | |
| Amount used | \$ 12,123,000 | \$ 11,548,000 |
| Amount unused | <u>23,367,000</u> | <u>20,922,000</u> |
| | <u>\$ 35,490,000</u> | <u>\$ 32,470,000</u> |

(Continued)

| | December 31 | |
|---------------|--------------------|-------------------|
| | 2021 | 2020 |
| USD | | |
| Amount used | \$ 132,079 | \$ 121,688 |
| Amount unused | <u>210,791</u> | <u>158,312</u> |
| | <u>\$ 342,870</u> | <u>\$ 280,000</u> |
| RMB | | |
| Amount used | \$ 75,000 | \$ - |
| Amount unused | <u>30,000</u> | <u>255,000</u> |
| | <u>\$ 105,000</u> | <u>\$ 255,000</u> |

(Concluded)

33. TRANSACTIONS WITH RELATED PARTIES

In addition to disclosure in other notes, the transactions between the Company and related parties are summarized as follows.

a. The Group's related parties and their relationships

| <u>Related Party</u> | <u>Relationship with the Group</u> |
|--|--|
| Ding Ding Integrated Marketing Service Co., Ltd. (DDIM) | Associate |
| Chengdu Baiyang Industry Co., Ltd. (CDBI) | Associate |
| Yuan Hsin Digital Payment Co., Ltd. (YHDP) | Associate |
| Oriental Securities Corporation (OSC) | Associate |
| Pacific Department Store Co., Ltd. | Associate |
| Sogo Department Stores Co., Ltd. | Associate |
| Far Eastern International Leasing Corp. (FEIL) | Associate |
| Yuan Ding Enterprise (Shanghai) Limited. (YDEL (Shanghai)) | Associate |
| Yuan Shi Digital Technology Co., Ltd. (YSDT) | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Far EasTone Telecommunications Co., Ltd. (FET) | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Far Eastern Electronic Toll Collection Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Fetc International Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| New Century InfoComm Tech Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Yuan Ding Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Ding Ding Hotel Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Far East Resources Development Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |

(Continued)

| Related Party | Relationship with the Group |
|--|---|
| Yuan Ding Integrated Information Service (Shanghai) Inc. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Far Eastern Construction Co., Ltd. (FECC) | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Far Eastern Apparel Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| YDT Technology International Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Far Eastern General Contractor Inc. (FEG) | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Yuan Cing Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Prime EcoPower Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Arcoa Communication Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Asia Cement Corporation (ACC) | Associate of investor with significant influence over the Group (the associate of FENC) |
| Far Eastern Technical Consultants Co., Ltd. | Associate of investor with significant influence over the Group (the associate of FENC) |
| Yadong Ready Mixed Concrete Co., Ltd. | Associate of investor with significant influence over the Group (the associate of FENC) |
| Everest Textile Co., Ltd. | Associate of investor with significant influence over the Group (the associate of FENC) |
| Far Eastern New Century Corporation (FENC) | Investor with significant influence over the Group (the investor of FEDS accounted for using the equity method) |
| Yuan-Ze University | Other related party (the same chairman) |
| Far Eastern Memorial Hospital (FEMH) | Other related party (the same chairman) |
| Oriental Union Chemical Corp. | Other related party (the same chairman) |
| U-Ming Marine Transport Corp. | Other related party (the same chairman) |
| Mr. Xuyuan Zhi Memorial Foundation | Other related party (related party in substance) |
| Hong-Tong Developing Co., Ltd. | Other related party (related party in substance) |
| Sogo New Life Foundation | Other related party (related party in substance) |
| Pacific Sogo Social Welfare Foundation | Other related party (related party in substance) |
| Ding&Ding Management Consultants Co., Ltd. | Other related party (related party in substance) |
| Far Eastern International Bank (FEIB) | Other related party (the chairman of the Company is its vice chairman) |
| CitySuper (Hong Kong) Ltd. | Other related party (related party in substance of subsidiary, Far Eastern CitySuper Co., Ltd.) |
| CitySuper (Labuan) Ltd. | Other related party (investor accounting for subsidiary, Far Eastern CitySuper Co., Ltd. using equity method) |
| CitySuper Ltd. | Other related party (parent company of CitySuper (Labuan) Ltd.) |
| Yuanbo Asset Management Company | Other related party (subsidiary of Far Eastern International Leasing Corporation) |
| Chengdu Tai Bai Consultant and Management Co., Ltd. | Other related party (collaborative enterprise in mainland China) |
| Shanghai Xujiahui Centre Group | Other related party (collaborative enterprise in mainland China) |
| Fu Ming Transport Corporation | Other related party (the subsidiary of ACC) |

(Concluded)

b. Operating revenue

| Line Item | Related Party Category/Name | For the Year Ended December 31 | |
|-------------------------|--|--------------------------------|------------------|
| | | 2021 | 2020 |
| Sales of goods (Note) | Associates of investor with significant influence over the Group | \$ 48,943 | \$ 51,764 |
| | Other related parties | 7,220 | 5,498 |
| | Investor with significant influence over the Group | 1,074 | 1,043 |
| | Associates | <u>-</u> | <u>8</u> |
| | | <u>\$ 57,237</u> | <u>\$ 58,313</u> |
| Other operating revenue | Other related parties | \$ 61,861 | \$ 64,984 |
| | Associates of investor with significant influence over the Group | 27,959 | 29,118 |
| | Associates | <u>95</u> | <u>1,322</u> |
| | | <u>\$ 89,915</u> | <u>\$ 95,424</u> |

Note: Sales to related parties and unrelated parties were made under normal terms.

c. Purchases

| Line Item | Related Party Category/Name | For the Year Ended December 31 | |
|------------------------|--|--------------------------------|------------------|
| | | 2021 | 2020 |
| Operating costs (Note) | Associates of investor with significant influence over the Group | \$ 47,813 | \$ 55,945 |
| | Other related parties | 14,750 | 12,428 |
| | Investor with significant influence over the Group | <u>6</u> | <u>45</u> |
| | | <u>\$ 62,569</u> | <u>\$ 68,418</u> |

Note: Purchases from related parties and unrelated parties were made under normal terms.

d. Receivables from related parties

| Line Item | Related Party Category/Name | December 31 | |
|-------------------|--|-------------------|-------------------|
| | | 2021 | 2020 |
| Trade receivables | Other related parties | \$ 81,659 | \$ 41,387 |
| | Associates of investor with significant influence over the Group | 47,424 | 54,098 |
| | Associates (Note 1) | 37,412 | 21,373 |
| | Investor with significant influence over the Group | <u>3,148</u> | <u>7,880</u> |
| | | <u>\$ 169,643</u> | <u>\$ 124,738</u> |

(Continued)

| Line Item | Related Party Category/Name | December 31 | |
|-------------------|--|-------------------|-------------------|
| | | 2021 | 2020 |
| Other receivables | Associates (Note 4) | \$ 105,671 | \$ 106,375 |
| | Associates of investor with significant influence over the Group | 11,650 | 12,666 |
| | Other related parties | | |
| | Shanghai Xujiahui Commercial Co., Ltd. (Note 2) | - | 189,778 |
| | Others (Note 3) | 10,300 | 7,127 |
| | | <u>10,300</u> | <u>196,905</u> |
| | Investor with significant influence over the Group | <u>378</u> | <u>1,354</u> |
| | | <u>\$ 127,999</u> | <u>\$ 317,300</u> |

(Concluded)

Note 1: As of December 31, 2021, and 2020, provision for loss allowance amounted to \$119,483 thousand and \$121,952 thousand, respectively.

Note 2: As of December 31, 2020, other receivables from Shanghai Xujiahui Commercial Co., Ltd. included a loan to related party of \$187,250 thousand.

Note 3: As of December 31, 2021, and 2020, provision for loss allowance amounted to \$16,181 thousand for both years.

Note 4: As of December 31, 2020, the dividend receivable for an amount of NT\$26,625 thousand was reported.

e. Other current assets

| Line Item | Related Party Category/Name | December 31 | |
|-------------|--|-----------------|-----------------|
| | | 2021 | 2020 |
| Prepayments | Other related parties | \$ 3,118 | \$ 4,255 |
| | Associates of investor with significant influence over the Group | 49 | 309 |
| | Associates | - | 60 |
| | | <u>\$ 3,167</u> | <u>\$ 4,624</u> |
| Others | Associates | <u>\$ 570</u> | <u>\$ 570</u> |

f. Other non-current assets

| Line Item | Related Party Category/Name | December 31 | |
|------------------|--|------------------|------------------|
| | | 2021 | 2020 |
| Lease incentives | Associates of investor with significant influence over the Group | \$ 16,147 | \$ 18,741 |
| | Other related parties | <u>583</u> | <u>863</u> |
| | | <u>\$ 16,730</u> | <u>\$ 19,604</u> |

(Continued)

| Line Item | Related Party Category/Name | December 31 | |
|---------------------|--|--------------------|-------------------|
| | | 2021 | 2020 |
| Refundable deposits | Associates | \$ 133,176 | \$ 131,941 |
| | Associates of investor with significant influence over the Group | <u>44,815</u> | <u>44,816</u> |
| | | <u>\$ 177,991</u> | <u>\$ 176,757</u> |
| | | | (Concluded) |

g. Payables to related parties

| Line Item | Related Party Category/Name | December 31 | |
|------------------|--|--------------------|------------------|
| | | 2021 | 2020 |
| Trade payables | Associates of investor with significant influence over the Group | \$ 82,671 | \$ 63,634 |
| | Other related parties | 13,726 | 4,461 |
| | Investor with significant influence over the Group | <u>-</u> | <u>6</u> |
| | | <u>\$ 96,397</u> | <u>\$ 68,101</u> |
| Other payables | Associates of investor with significant influence over the Group | \$ 403,653 | \$ 422,029 |
| | Associates | 183,831 | 133,055 |
| | Investor with significant influence over the Group | 60,006 | 54,385 |
| | Other related parties | <u>44,877</u> | <u>28,667</u> |
| | <u>\$ 692,367</u> | <u>\$ 638,136</u> | |

h. Contract liabilities

| Related Party Category/Name | December 31 | |
|--|--------------------|---------------|
| | 2021 | 2020 |
| Associates of investor with significant influence over the Group | <u>\$ -</u> | <u>\$ 484</u> |

i. Other current liabilities

| Line Item | Related Party Category/Name | December 31 | |
|------------------|--|--------------------|-----------------|
| | | 2021 | 2020 |
| Advance receipts | Other related parties | \$ 2,413 | \$ 6,134 |
| | Associates of investor with significant influence over the Group | 1,272 | 2,868 |
| | Associates | <u>41</u> | <u>399</u> |
| | | <u>\$ 3,726</u> | <u>\$ 9,401</u> |
| Others | Associates | \$ 1,078 | \$ 1,356 |
| | Other related parties | 100 | 135 |
| | Associates of investor with significant influence over the Group | <u>-</u> | <u>56</u> |
| | | <u>\$ 1,178</u> | <u>\$ 1,547</u> |

j. Other non-current liabilities

| Line Item | Related Party Category/Name | December 31 | |
|-------------------|--|------------------|------------------|
| | | 2021 | 2020 |
| Deposits received | Associates of investor with significant influence over the Group | | |
| | Yuan Ding Co., Ltd. | \$ 61,166 | \$ 57,880 |
| | Others | <u>632</u> | <u>613</u> |
| | | 61,798 | 58,493 |
| | Other related parties | <u>1,032</u> | <u>1,032</u> |
| | | <u>\$ 62,830</u> | <u>\$ 59,525</u> |
| Others | Other related parties | | |
| | Yuanbo Asset Management Company | <u>\$ 28,744</u> | <u>\$ 28,997</u> |

k. Lease arrangements - the Company as lessee

| Related Party Category/Name | For the Year Ended December 31 | |
|--|--------------------------------|---------------------|
| | 2021 | 2020 |
| <u>Acquisition of right-of-use assets</u> | | |
| Associates of investor with significant influence over the Group | \$ 212,926 | \$ 1,362,677 |
| Associates | <u>3,460</u> | <u>5,337</u> |
| | <u>\$ 216,386</u> | <u>\$ 1,368,014</u> |

| Line Item | Related Party Category/Name | December 31 | |
|--------------------------|--|---------------------|----------------|
| | | 2021 | 2020 |
| Lease liabilities (Note) | Associates of investor with significant influence over the Group | | |
| | Far Eastern Construction Co., Ltd. | \$ 5,002,263 | \$ 4,873,162 |
| | Asia Cement Corporation | 978,775 | 1,064,567 |
| | Far Eastern Resources Development Co., Ltd. | 964,080 | 1,049,386 |
| | Others | <u>22,149</u> | <u>167,935</u> |
| | | 6,967,267 | 7,155,050 |
| | Other related parties | 8,311 | 9,615 |
| Associates | <u>7,274</u> | <u>4,988</u> | |
| | <u>\$ 6,982,852</u> | <u>\$ 7,169,653</u> | |

Note: The rental pertaining to related parties is based on agreement and is received or paid monthly or yearly.

| Related Party Category/Name | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2021 | 2020 |
| <u>Interest expense</u> | | |
| Associates of investor with significant influence over the Group | | |
| Far Eastern Construction Co., Ltd. | \$ 110,934 | \$ 81,387 |
| Others | <u>23,416</u> | <u>26,692</u> |
| | 134,350 | 108,079 |
| Other related parties | 153 | 175 |
| Associates | <u>53</u> | <u>15</u> |
| | <u>\$ 134,556</u> | <u>\$ 108,269</u> |

l. Acquisition of other assets

| Related Party Category/Name | Line Item | Acquisition Price | |
|------------------------------------|-------------------|--------------------------|------------------|
| | | 2021 | 2020 |
| Other related parties | Intangible assets | <u>\$ 18,477</u> | <u>\$ 17,744</u> |

m. Construction projects

The construction projects of the Group were as follows:

| | For the Year Ended December 31 | |
|--|---------------------------------------|-------------------|
| | 2021 | 2020 |
| Associates of investor with significant influence over the Group | <u>\$ 241,447</u> | <u>\$ 175,656</u> |

n. Loans to related parties

| Related Party Category/Name | December 31 | |
|--|--------------------|-------------------|
| | 2021 | 2020 |
| Shanghai Xujiahui Commercial Co., Ltd. | <u>\$ -</u> | <u>\$ 187,250</u> |

Interest income

| Related Party Category/Name | For the Year Ended December 31 | |
|--|---------------------------------------|-----------------|
| | 2021 | 2020 |
| Shanghai Xujiahui Commercial Co., Ltd. | <u>\$ -</u> | <u>\$ 2,480</u> |

The loan to other related party by the Group is secured with promissory notes. The interest is computed using the agreed upon interest rate. The loan is expected to be settled within one year. There were no expected credit losses after assessment.

o. Transactions with other related parties

| Line Item | Related Party Category/Name | For the Year Ended December 31 | |
|---------------------------------|--|--------------------------------|-------------------|
| | | 2021 | 2020 |
| Operating expenses (Note) | Other related parties | \$ 242,456 | \$ 226,529 |
| | Associates of investor with significant influence over the Group | 182,607 | 220,427 |
| | Associates | 160,982 | 159,633 |
| | Investor with significant influence over the Group | <u>140,146</u> | <u>132,347</u> |
| | | <u>\$ 726,191</u> | <u>\$ 738,936</u> |
| Other gains and losses - gains | Associates of investor with significant influence over the Group | | |
| | Asia Cement Corporation | \$ 20,000 | \$ 22,000 |
| | Others | <u>3,630</u> | <u>5,818</u> |
| | | 23,630 | 27,818 |
| | Other related parties | | |
| | Far Eastern International Bank Ltd. | 17,943 | 19,500 |
| | Others | <u>19</u> | <u>65</u> |
| | | 17,962 | 19,565 |
| | Associates | 1,456 | 2,645 |
| | Investor with significant influence over the Group | <u>-</u> | <u>100</u> |
| | <u>\$ 43,048</u> | <u>\$ 50,128</u> | |
| Other gains and losses - losses | Associates | | |
| | Oriental Securities Corporation | \$ 7,029 | \$ 7,054 |
| | Investor with significant influence over the Group | 73 | 6 |
| | Associates of investor with significant influence over the Group | <u>-</u> | <u>7</u> |
| | | <u>\$ 7,102</u> | <u>\$ 7,067</u> |

Note: The rental pertaining to related parties is based on agreement and is received or paid monthly or yearly.

p. Compensation of key management personnel

| | For the Year Ended December 31 | |
|------------------------------|--------------------------------|-------------------|
| | 2021 | 2020 |
| Short-term employee benefits | \$ 130,506 | \$ 132,080 |
| Post-employment benefits | <u>471</u> | <u>22,635</u> |
| | <u>\$ 130,977</u> | <u>\$ 154,715</u> |

The remuneration of directors and other key management personnel was determined by the compensation committee in accordance with the individual performance and the market trends.

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for goods purchases, long/short-term borrowings, short-term bills payable and administrative proceedings:

| | <u>December 31</u> | |
|---|----------------------|----------------------|
| | <u>2021</u> | <u>2020</u> |
| Financial assets at amortized cost | \$ 211,508 | \$ 212,424 |
| Investments accounted for using the equity method | 3,687,521 | 3,582,976 |
| Financial assets at FVTOCI | 2,220,360 | 2,170,890 |
| Property, plant and equipment | 16,587,988 | 17,027,200 |
| Investment properties | 621,252 | 623,925 |
| Prepayments for leases | 38,416 | 31,968 |
| Intangible assets | <u>7,112</u> | <u>7,046</u> |
| | <u>\$ 23,374,157</u> | <u>\$ 23,656,429</u> |

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group as of December 31, 2021 and 2020 are as follows:

Significant Unrecognized Commitments

The amount of unrecognized commitments are as follows:

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Construction of property, plant and equipment | <u>\$ 1,280,296</u> | <u>\$ 1,594,635</u> |

36. OTHER MATTERS

The Group's operating income decreased due to the traffic flow control at the business premises during the outbreak of COVID-19 pandemic. The Group has applied to the government successively for the COVID-19 financial support and rent concession due to the impact of the pandemic. The Group expects to resume regular business operation along with the recession of the pandemic.

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group and the exchange rates between foreign currencies and respective functional currencies are disclosed. The significant assets and liabilities denominated in foreign currencies are as follows:

December 31, 2021

| | Foreign Currency (In Thousands) | Exchange Rate | Carrying Amount |
|--|--|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 21,591 | 27.6800 (USD:NTD) | \$ 597,625 |
| USD | 52 | 6.3674 (USD:RMB) | 1,442 |
| RMB | 18,802 | 4.3471 (RMB:NTD) | <u>81,736</u> |
| | | | <u>\$ 680,803</u> |
| Non-monetary items | | | |
| Associates accounted for using the equity method | | | |
| RMB | 709,003 | 4,3471 (RMB:NTD) | \$ 3,082,109 |
| Financial assets at FVTPL | | | |
| USD | 294 | 27.6800 (USD:NTD) | <u>8,140</u> |
| | | | <u>\$ 3,090,249</u> |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 328 | 27.6800 (USD:NTD) | \$ 9,090 |
| USD | 13,671 | 6.3674 (USD:RMB) | 378,418 |
| RMB | 401 | 4.3471 (RMB:NTD) | <u>1,745</u> |
| | | | <u>\$ 389,253</u> |

December 31, 2020

| | Foreign Currency (In Thousands) | Exchange Rate | Carrying Amount |
|-------------------------|--|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 5,056 | 28.4800 (USD:NTD) | \$ 143,992 |
| USD | 162 | 6.5249 (USD:RMB) | 4,614 |
| RMB | 1,335 | 4.3648 (RMB:NTD) | <u>5,825</u> |
| | | | <u>\$ 154,431</u> |

(Continued)

| | Foreign Currency (In Thousands) | Exchange Rate | Carrying Amount |
|--|--|----------------------|----------------------------|
| Non-monetary items | | | |
| Associates accounted for using the equity method | | | |
| RMB | 715,903 | 4.3648 (RMB:NTD) | \$ 3,124,773 |
| Financial assets at FVTPL | | | |
| USD | 294 | 28.4800 (USD:NTD) | <u>8,375</u> |
| | | | <u>\$ 3,133,148</u> |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 114 | 28.4800 (USD:NTD) | \$ 3,255 |
| USD | 13,658 | 6.5249 (USD:RMB) | 388,991 |
| RMB | 401 | 4.3648 (RMB:NTD) | <u>1,752</u> |
| | | | <u>\$ 393,998</u> |
| | | | (Concluded) |

The Group is mainly exposed to RMB. The following information was aggregated by the functional currencies of the Group, and the exchange rates between respective functional currencies and the presentation currency are disclosed. The significant realized and unrealized foreign exchange gains are as follows:

| Functional Currency | For the Year Ended December 31 | | | |
|------------------------|---------------------------------------|--|----------------------|--|
| | 2021 | | 2020 | |
| | Exchange Rate | Net Foreign Exchange (Losses) Gains | Exchange Rate | Net Foreign Exchange (Losses) Gains |
| NTD | 1.0000 (NTD:NTD) | \$ (24,161) | 1.0000 (NTD:NTD) | \$ (31,641) |
| RMB | 4.3417 (RMB:NTD) | <u>9,239</u> | 4.2827 (RMB:NTD) | <u>34,008</u> |
| | | <u>\$ (14,922)</u> | | <u>\$ 2,367</u> |

38. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and investees:

- 1) Financing provided to others (Table 2)
- 2) Endorsements/guarantees provided (Table 3)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 4)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 5)

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
 - 9) Trading in derivative instruments (None)
 - 10) Intercompany relationships and significant intercompany transactions (Table 7)
- b. Information on investees: Table 8.
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 9)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year (None)
 - c) The amount of property transactions and the amount of the resultant gains or losses (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes (Table 3)
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds (Table 2)
 - f) Other transactions that have a material effect on the profit or loss or the financial position for the year, such as the rendering of services or receipt of payments (None)
- d. Major shareholders: For names, number of shares held and shareholding percentage of shareholders with a stake of 5% or more (Table 10)

39. SEGMENT INFORMATION

The Group belongs to a single industry of department stores and supermarkets. Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on geographical information as management structure. The Group's reportable segments under IFRS 8 "Operating Segments" includes ROC and China.

a. Segment revenue and results

| | Segment Revenue | | Segment Profit | |
|--|-----------------------------------|----------------------|-----------------------------------|---------------------|
| | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2021 | 2020 | 2021 | 2020 |
| ROC | \$ 33,368,333 | \$ 35,165,390 | \$ 3,655,255 | \$ 4,336,183 |
| China | 1,940,131 | 2,122,559 | (22,609) | (251,219) |
| Total for continuing operations | <u>\$ 35,308,464</u> | <u>\$ 37,287,949</u> | 3,632,646 | 4,084,964 |
| Interest income | | | 57,683 | 66,244 |
| Dividend income | | | 318,847 | 312,581 |
| Foreign exchange (loss) gain, net | | | (14,922) | 2,367 |
| Loss arising on financial assets mandatorily classified as at FVTPL | | | (163) | (11,520) |
| Loss on disposal of property, plant and equipment, net | | | (5,270) | (17,035) |
| Gain on disposal of investment | | | 4,330 | 553 |
| Loss on changes in fair value of investment properties, net | | | (44,277) | (71,617) |
| Finance costs | | | (796,860) | (851,591) |
| Share of profits of associates accounted for using the equity method | | | (27,562) | 39,868 |
| Impairment loss on intangible assets | | | (437,462) | (6,384) |
| Impairment loss on property, plant and equipment | | | (252,499) | (16,853) |
| Impairment loss of right-of-use assets | | | (231,371) | (613,770) |
| Other gains | | | 250,077 | 172,445 |
| Other losses | | | (16,802) | (89,481) |
| Profit before income tax | | | <u>\$ 2,436,395</u> | <u>\$ 3,000,771</u> |

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales in 2021 and 2020.

b. Total segment assets and liabilities

| | December 31 | |
|--------------------------------|-----------------------|-----------------------|
| | 2021 | 2020 |
| <u>Segment assets</u> | | |
| ROC | \$ 124,766,690 | \$ 122,111,142 |
| China | <u>5,960,621</u> | <u>6,312,627</u> |
| Total consolidated assets | <u>\$ 130,727,311</u> | <u>\$ 128,423,769</u> |
| <u>Segment liabilities</u> | | |
| ROC | \$ 85,462,358 | \$ 82,807,749 |
| China | <u>5,429,795</u> | <u>5,827,732</u> |
| Total consolidated liabilities | <u>\$ 90,892,153</u> | <u>\$ 88,635,481</u> |

c. Revenue from major products

The Group's revenue from its major products and services are as follows:

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|----------------------|
| | 2021 | 2020 |
| Retail sales revenue | \$ 32,394,281 | \$ 34,094,190 |
| Other operating revenue | <u>2,914,183</u> | <u>3,193,759</u> |
| | <u>\$ 35,308,464</u> | <u>\$ 37,287,949</u> |

d. Geographical information

The Group operates in two principal geographical areas - ROC and China. The Group's revenue from external customers by geographical location and information on its non-current assets by geographical location are detailed below.

| | Revenue from External Customers | | Non-current Assets | |
|-------|--|----------------------|---------------------------|----------------------|
| | For the Year Ended December 31 | | December 31 | |
| | 2021 | 2020 | 2021 | 2020 |
| ROC | \$ 33,368,333 | \$ 35,165,390 | \$ 86,642,045 | \$ 89,632,060 |
| China | <u>1,940,131</u> | <u>2,122,559</u> | <u>457,381</u> | <u>692,859</u> |
| | <u>\$ 35,308,464</u> | <u>\$ 37,287,949</u> | <u>\$ 87,099,426</u> | <u>\$ 90,324,919</u> |

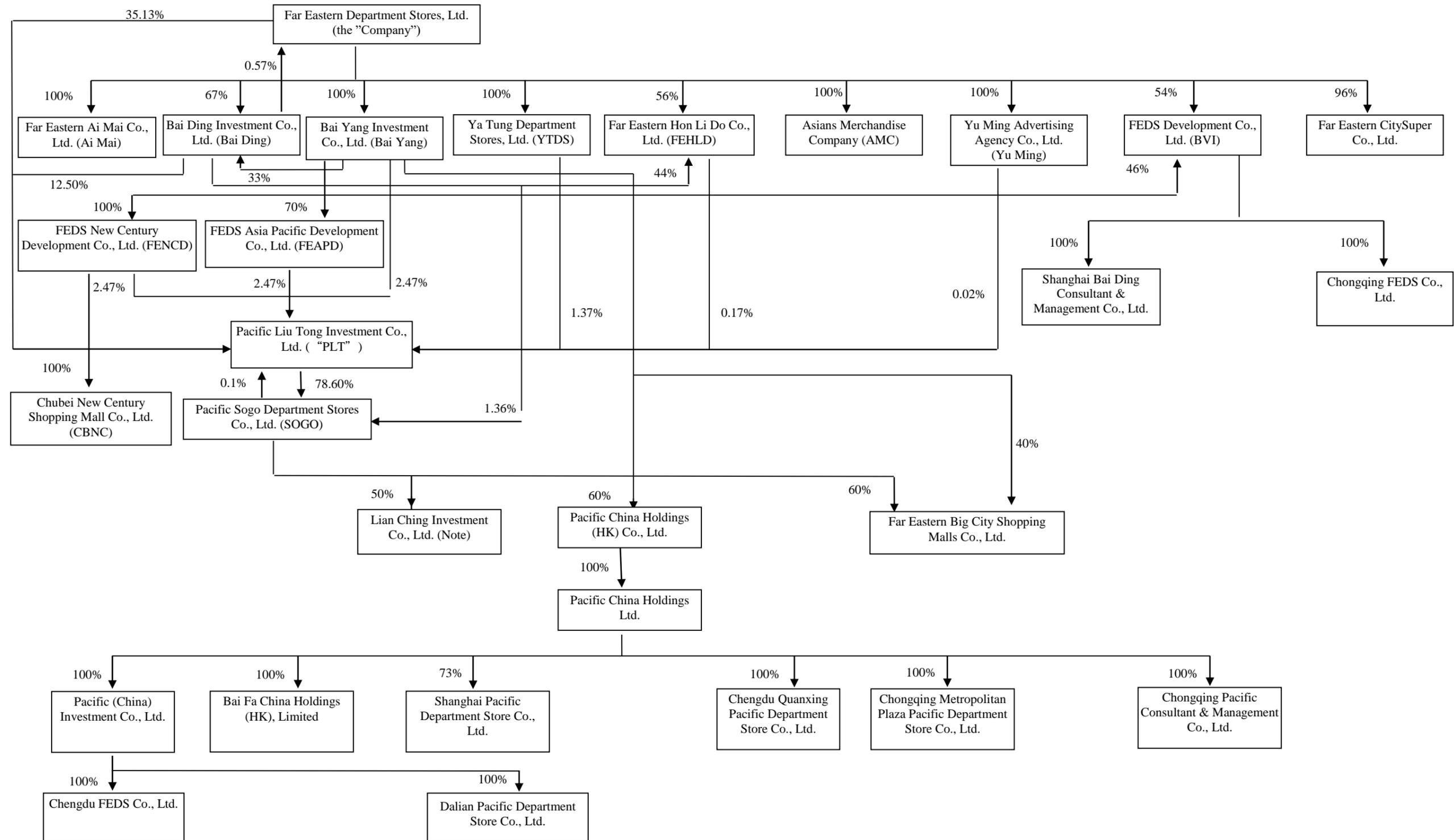
Noncurrent assets do not include available-for-sale noncurrent assets, financial instruments, deferred income tax assets, and net defined benefit assets.

e. Information on major customers

There was no revenue from any single customer comprising 10% or more of the Group's gross revenue for 2021 and 2020.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

**DIAGRAM OF INTERCOMPANY RELATIONSHIPS
DECEMBER 31, 2021**



Note: The amount of Lian Ching Investment Co., Ltd. has been written off to zero, no liabilities were undertaken by the Group and the accounts are not disclosed in the consolidated financial statement.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Lender | Borrower | Financial Statement Account | Related Parties | Highest Balance for the Period | Ending Balance | Actual Borrowing Amount | Interest Rate | Nature of Financing | Business Transaction Amounts | Reason for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower | Aggregate Financing Limits |
|-----|---|---|-----------------------------|-----------------|----------------------------------|----------------------------------|--------------------------------|----------------------|---------------------|------------------------------|---------------------------------|-------------------------------|------------|-------|-----------------------------------|----------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | Pacific Sogo Department Stores Co., Ltd. | Pacific China Holding Ltd. | Other receivables | Y | \$ 2,000,000 | \$ 2,000,000 | \$ - | - | (Note A) | \$ - | Transaction | \$ - | - | \$ - | \$ 4,811,027 (Note B) | \$ 4,811,027 (Note B) |
| | | Pacific (China) Investment Co., Ltd. | Other receivables | Y | 614,496 (US\$ 22,200 thousand) | 614,496 (US\$ 22,200 thousand) | - | - | (Note A) | - | Transaction | - | - | - | 4,811,027 (Note B) | 4,811,027 (Note B) |
| 2 | Chongqing FEDS Co., Ltd. | Chongqing Pacific Consultant and Management Co., Ltd. | Other receivables | Y | 739,007 (RMB 170,000 thousand) | 739,007 (RMB 170,000 thousand) | 657,282 (RMB 151,200 thousand) | 1.504523% (Note F) | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| | | Dalian Pacific Department Store Co., Ltd. | Other receivables | Y | 217,355 (RMB 50,000 thousand) | 130,413 (RMB 30,000 thousand) | - | 1.504523% (Note G) | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| | | Chengdu Quaxing Building Pacific Department Store Co., Ltd. | Other receivables | Y | 217,355 (RMB 50,000 thousand) | 50,000 (RMB 50,000 thousand) | 15,711 (RMB 3,614 thousand) | 1.504523% (Note H) | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| | | Shanghai Bai Ding Consultant & Management Co., Ltd. | Other receivables | Y | 43,471 (RMB 10,000 thousand) | 43,471 (RMB 10,000 thousand) | - | - | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| | | Chengdu FEDS Co., Ltd. | Other receivables | Y | 652,065 (RMB 150,000 thousand) | 434,710 (RMB 100,000 thousand) | 173,884 (RMB 40,000 thousand) | 1.504523% (Note I) | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| | | Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | Other receivables | Y | 434,710 (RMB 100,000 thousand) | 434,710 (RMB 100,000 thousand) | 282,562 (RMB 65,000 thousand) | 1.504523% (Note J) | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| 3 | Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | Chongqing FEDS Co., Ltd. | Other receivables | Y | 304,297 (RMB 70,000 thousand) | 304,297 (RMB 70,000 thousand) | - | - | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| 4 | Pacific China Holdings (HK) Co., Ltd. | Pacific China Holding Ltd. | Other receivables | Y | 276,800 (US\$ 10,000 thousand) | 276,800 (US\$ 10,000 thousand) | 99,648 (US\$ 3,600 thousand) | 1.55%-1.81% (Note K) | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| 5 | Pacific (China) Investment Co., Ltd. | Chongqing FEDS Co., Ltd. | Other receivables | Y | 43,471 (RMB 10,000 thousand) | 43,471 (RMB 10,000 thousand) | - | - | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| | | Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | Other receivables | Y | 1,024,160 (US\$ 37,000 thousand) | 1,024,160 (US\$ 37,000 thousand) | - | - | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| 6 | Shanghai Pacific Department Store Co., Ltd. | Shanghai Xujiahui Centre Group Co., Ltd. | Other receivables | Y | 186,491 (RMB 42,900 thousand) | - | - | 1.35% | (Note A) | - | Transaction | - | - | - | 306,658 (Note B) | 306,658 (Note B) |
| 7 | Bai Yang Investment Co., Ltd. | Pacific (China) Investment Co., Ltd. | Other receivables | Y | 409,664 (US\$ 14,800 thousand) | 409,664 (US\$ 14,800 thousand) | - | - | (Note A) | - | Transaction | - | - | - | 6,209,726 (Note C) | 12,419,452 (Note D) |

Note A: Short-term financing.

Note B: 40% of the financing company's net assets.

Note C: The amount of the collateral/guarantees is based on 20% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd per its latest financial statements.

Note D: The amount of the collateral/guarantees is based on 40% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd per its latest financial statements.

Note E: As the amount of the investee, Lian Ching Investment Co., Ltd. has been written off to zero and the Company has not undertaken any liabilities, no disclosure pertaining to the investee is made.

Note F: The interest for the period amounted to RMB2,351 thousand.

Note G: The interest for the period amounted to RMB5 thousand.

Note H: The interest for the period amounted to RMB55 thousand.

Note I: The interest for the period amounted to RMB645 thousand.

Note J: The interest for the period amounted to RMB255 thousand.

Note K: The interest for the period amounted to US\$57 thousand.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Maximum Endorsement/ Guarantee Amounts Allowable | Endorsement/ Guarantee Provided by Parent Company | Endorsement/ Guarantee Provided by A Subsidiary | Endorsement/ Guarantee Provided to Mainland China |
|-----|---|---|---------------------------------|---|--|--|-----------------------------------|--|---|---|--|--|--|
| | | Name | Nature of Relationship (Note F) | | | | | | | | | | |
| 0 | Far Eastern Department Stores, Ltd. | Bai Ding Investment Co., Ltd. (Bai Ding) | 2 | \$ 18,629,178 (Note A) | \$ 1,400,000 | \$ 900,000 | \$ 627,000 | \$ - | 3 | \$ 31,048,630 (Note B) | Y | - | - |
| | | Chubei New Century Shopping Mall Co., Ltd. | 2 | 18,629,178 (Note A) | 3,700,000 | 3,700,000 | 1,960,000 | - | 12 | 31,048,630 (Note B) | Y | - | - |
| | | FEDS Development Ltd. | 2 | 18,629,178 (Note A) | 553,600 (US\$ 20,000 thousand) | 276,800 (US\$ 10,000 thousand) | - | - | 1 | 31,048,630 (Note B) | Y | - | - |
| | | Far Eastern CitySuper Co., Ltd. | 2 | 18,629,178 (Note A) | 130,000 | 130,000 | 1,000 | - | - | 31,048,630 (Note B) | Y | - | - |
| | | Pacific Sogo Department Stores Co., Ltd. | 2 | 18,629,178 (Note A) | 5,756,029 | 5,756,029 | 5,756,029 | - | 19 | 31,048,630 (Note B) | Y | - | - |
| 1 | Pacific Sogo Department Stores Co., Ltd. | Far Eastern Department Stores, Ltd. | 3 | 18,629,178 (Note C) | 3,985,454 | 3,985,454 | 3,985,454 | - | 13 | 31,048,630 (Note D) | - | Y | - |
| | | Pacific China Holding Ltd. | 2 | 18,629,178 (Note C) | 9,988,998 (US\$ 318,000 thousand) | 9,213,958 (US\$ 290,000 thousand) | 3,655,911 (US\$ 841,000 thousand) | - | 30 | 31,048,630 (Note D) | - | - | - |
| | | Dalian Pacific Department Store Co., Ltd. | 2 | 18,629,178 (Note C) | 339,074 (RMB 78,000 thousand) | 65,207 (RMB 15,000 thousand) | 43,471 (RMB 10,000 thousand) | - | - | 31,048,630 (Note D) | - | - | Y |
| | | Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | 2 | 18,629,178 (Note C) | 640,542 (US\$ 20,000 thousand) | 363,742 (US\$ 10,000 thousand) | 363,742 (US\$ 10,000 thousand) | - | 1 | 31,048,630 (Note D) | - | - | Y |
| 2 | Far Eastern Big City Shopping Malls Co., Ltd. | Pacific Sogo Department Stores Co., Ltd. | 3 | 408,109 (Note A) | 153,202 | 153,202 | 153,202 | - | - | 680,182 (Note B) | - | - | - |

Note A: The amount is 60% of net assets based on the latest financial statements of the endorser/guarantor.

Note B: The amount is 100% of net assets based on the latest financial statements of the endorser/guarantor.

Note C: The amount of the collateral/guarantees is based on 60% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd per its latest financial statements.

Note D: The amount of the collateral/guarantees is based on 100% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd per its latest financial statements.

(Continued)

Note E: As the amount of the investee, Lian Ching Investment Co., Ltd. has been written off to zero and the Company has not undertaken any liabilities, no disclosure pertaining to the investee is made.

Note F: Relationships between the endorsement/guarantee provider and the guaranteed party:

1. Trading partner.
2. The direct and indirect shareholding of the Company amounts to more than 50%.
3. The companies that directly and indirectly hold more than 50% of the Company's voting rights.
4. The Company that directly and indirectly holds more than 90% of the voting shares.
5. Guaranteed by the Company according to the construction contract.
6. An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.
7. Companies in the same industry provide among themselves joint and several securities for as performance guarantees of sales contracts for pre-construction homes pursuant to the Consumer Protection Act.

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Holding Company | Type and Name of Marketable Securities | Relationship with Issuer of Securities | Financial Statement Account | December 31, 2021 | | | | Note |
|-------------------------------------|--|--|---|-----------------------|-----------------|-----------------------------|--------------|--|
| | | | | Shares (In Thousands) | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Far Eastern Department Stores, Ltd. | <u>Shares</u> Asia Cement Corporation | 4 | Financial assets at fair value through other comprehensive income - non-current | 50,000 | \$ 2,215,022 | 1 | \$ 2,215,022 | 35,000 thousand shares of Asia Cement Corporation pledged for loans and commercial papers issued of the investor company |
| | Far Eastern New Century Corporation | 3 | Financial assets at fair value through other comprehensive income - non-current | 19,964 | 584,956 | - | 584,956 | |
| | Kaohsiung Rapid Transit Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 6,286 | 31,682 | 2 | 31,682 | |
| | Yuan Ding Leasing Corp. | - | Financial assets at fair value through other comprehensive income - non-current | 7,309 | 71,694 | 9 | 71,694 | |
| | Yuan Ding Co., Ltd | 4 | Financial assets at fair value through other comprehensive income - non-current | 3 | 10 | - | 10 | |
| | Yuan Shi Digital Technology Co., Ltd. | 4 | Financial assets at fair value through other comprehensive income - non-current | 312 | 571 | - | 571 | |
| Bai Ding Investment Co., Ltd. | <u>Shares</u> Far Eastern Department Stores, Ltd. | 2 | Financial assets at fair value through other comprehensive income - current | 8,207 | 176,040 | 1 | 176,040 | 5,200 thousand shares of Asia Cement Corporation pledged for commercial papers issued of the investor company 15,000 thousand shares of Far Eastern New Century Corporation pledged for loans of the investor company |
| | Asia Cement Corporation | 7 | Financial assets at fair value through other comprehensive income - non-current | 14,814 | 656,278 | - | 656,278 | |
| | Far Eastern New Century Corporation | 6 | Financial assets at fair value through other comprehensive income - non-current | 15,812 | 463,278 | - | 463,278 | |
| | Chung-Nan Textile Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 2,984 | 123,492 | 5 | 123,492 | |
| | Ding Ding Management Consultants Co., Ltd. | 8 | Financial assets at fair value through other comprehensive income - non-current | 647 | 10,825 | 5 | 10,825 | |
| | Yue Ding Industry Co., Ltd. | 7 | Financial assets at fair value through other comprehensive income - non-current | 2,854 | 47,535 | 2 | 47,535 | |
| | Oriental Securities Investment Advisory Co., Ltd. | 8 | Financial assets at fair value through other comprehensive income - non-current | 1 | 10 | - | 10 | |
| | Ding Sheng Investment Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 40,329 | 344,508 | 18 | 344,508 | |
| Bai Yang Investment Co., Ltd. | <u>Shares</u> Far Eastern International Bank Ltd. | 8 | Financial assets at fair value through other comprehensive income - current | 23,757 | 255,390 | 1 | 255,390 | |
| | Asia Cement Corporation | 7 | Financial assets at fair value through other comprehensive income - non-current | 3,849 | 170,531 | - | 170,531 | |
| | U-Ming Marine Transport Corporation | 8 | Financial assets at fair value through other comprehensive income - non-current | 200 | 12,080 | - | 12,080 | |
| | Oriental Securities Investment Advisory Co., Ltd. | 8 | Financial assets at fair value through other comprehensive income - non-current | 1 | 10 | - | 10 | |

(Continued)

| Holding Company | Type and Name of Marketable Securities | Relationship with Issuer of Securities | Financial Statement Account | December 31, 2021 | | | | Note |
|---|--|--|---|-----------------------|-----------------|-----------------------------|------------|------|
| | | | | Shares (In Thousands) | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Yu Ming Advertising Agency Co., Ltd. | <u>Beneficiary certificate</u> DWS Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,663 | \$ 43,295 | - | \$ 43,295 | |
| | <u>Shares</u> Asia Cement Corporation | 7 | Financial assets at fair value through other comprehensive income - non-current | 1,506 | 66,697 | - | 66,697 | |
| FEDS New Century Development Co., Ltd. | <u>Beneficiary certificate</u> DWS Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 8,503 | 100,499 | - | 100,499 | |
| FEDS Development Ltd. | <u>Shares</u> Kowloon Cement Corp., Ltd. | 7 | Financial assets at fair value through other comprehensive income - non-current | 46 | 16,416 | - | 16,416 | |
| Pacific Sogo Department Stores Co., Ltd. | <u>Shares</u> CMC Magnetics Corp. | - | Financial assets at fair value through profit or loss - current | 200 | 2,287 | - | 2,287 | |
| | Quanta Computer Inc. | - | Financial assets at fair value through profit or loss - current | 1 | 68 | - | 68 | |
| | Pacific Construction Co., Ltd. | - | Financial assets at fair value through profit or loss - current | 7,931 | 77,247 | 2 | 77,247 | |
| | Oriental Union Chemical Corp. | 8 | Financial assets at fair value through other comprehensive income - current | 136 | 3,046 | - | 3,046 | |
| | Pacific Liu Tong Investment Co., Ltd. | 1 | Financial assets at fair value through other comprehensive income - non-current | 800 | 4,019 | - | 4,019 | |
| | Asia Cement Corporation | 7 | Financial assets at fair value through other comprehensive income - current | 70 | 3,101 | - | 3,101 | |
| | Far Eastern New Century Corporation | 3 | Financial assets at fair value through other comprehensive income - current | 40 | 1,172 | - | 1,172 | |
| | E-Shou Hi-tech Co., Ltd. | - | Financial assets at fair value through profit or loss - non-current | 18,300 | - | 15 | - | |
| | Tian Yuan Investment Co., Ltd. | - | Financial assets at fair value through profit or loss - non-current | 98,000 | - | 20 | - | |
| | PURETEK Corp. | - | Financial assets at fair value through profit or loss - non-current | 119 | - | - | - | |
| | Pacific 88 Co., Ltd. | - | Financial assets at fair value through profit or loss - non-current | 16 | - | 1 | - | |
| | Yuan Shi Digital Technology Co., Ltd. | 7 | Financial assets at fair value through profit or loss - non-current | 312 | - | - | - | |
| Pacific Liu Tong Investment Co., Ltd. | <u>Beneficiary certificate</u> DWS Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 17,273 | 204,166 | - | 204,166 | |
| Far Eastern Big City Shopping Malls Co., Ltd. | <u>Shares</u> Asia Cement Corporation | 7 | Financial assets at fair value through profit or loss - current | 160 | 7,088 | - | 7,088 | |
| Pacific China Holding Ltd. | <u>Shares</u> Overseas Development Corp. | - | Financial assets at fair value through profit or loss - non-current | 2,250 | - | 15 | - | |
| | Taiwan Ocean Farming Corp. | - | Financial assets at fair value through profit or loss - non-current | 2,250 | - | 15 | - | |

(Continued)

- Note A:
1. Subsidiary of FEDS.
 2. Parent company.
 3. Investor with significant influence over the Company.
 4. Associate of investor with significant influence over the Company.
 5. Other related party.
 6. Investor with significant influence over FEDS.
 7. Associate of investor with significant influence over FEDS.
 8. Other related party of FEDS.

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

**CUMULATIVE PURCHASE OR SALE OF ONE SECURITY FOR AN AMOUNT EXCEEDING NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

| Selling and Buying Company | Type and Name of Marketable Securities | Financial Statement Account | Transacting Company | Relationship | January 1, 2021 | | Buy | | Sell | | | | Adjustments (Note B) | December 31, 2021 | |
|-------------------------------------|---|---|---------------------|--------------|-----------------------|--------------|-----------------------|-----------------------|-----------------------|---------------|-------------|-----------------|----------------------|-----------------------|---------------|
| | | | | | Shares (In Thousands) | Amount | Shares (In Thousands) | Amount | Shares (In Thousands) | Selling price | Booked cost | Disposal profit | | Shares (In Thousands) | Amount |
| Far Eastern Department Stores, Ltd. | Shares Bai Yang Investment Co., Ltd. | Investments accounted for using the equity method | - | Subsidiary | 924,991 | \$ 9,108,584 | 150,000 | \$ 1,500,000 (Note A) | - | \$ - | \$ - | \$ - | \$ 202,477 | 1,074,991 | \$ 10,811,061 |
| Bai Yang Investment Co., Ltd. | Shares Far Eastern New Century Corporation | Investments accounted for using the equity method | - | Subsidiary | 232,000 | 2,403,784 | 150,000 | 1,500,000 (Note A) | - | - | - | - | (26,497) | 382,000 | 3,877,287 |
| Far Eastern New Century Corporation | Shares Chubei New Century Shopping Mall Co., Ltd. (CBNC) | Investments accounted for using the equity method | - | Subsidiary | 200,000 | 1,991,269 | 150,000 | 1,500,000 (Note A) | - | - | - | - | (31,741) | 350,000 | 3,459,528 |

Note A: It is a cash capital increase.

Note B: It is the comprehensive profit and loss amount recognized in accordance with the equity method.

FAR EASTERN DEPARTMENT STORE CO., LTD. AND THE SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

| Company Name | Related Party | Relationship | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Impairment Loss |
|--|---|------------------------------|---------------------|---------------|------------|----------------------|---------------------------------------|-------------------------------|
| | | | | | Amount | Actions Taken | | |
| Pacific Sogo Department Stores Co., Ltd. | Sogo Department Store Co., Ltd. | Associate | \$ 119,483 | - | \$ 119,483 | Collection expedited | \$ 84 | \$ 119,483 |
| Pacific China Holdings (HK) Limited and Pacific China Holding Ltd. | Pacific China Holdings (B.V.I) Limited and Pacific China Holding Ltd. | Subsidiary | 100,058 (Note A) | - | - | - | - | - |
| Chongqing FEDS Co., Ltd. | Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | Same ultimate parent company | 282,879 (Note A) | - | - | - | - | - |
| | Chongqing Pacific Consultant and Management Co., Ltd. | Same ultimate parent company | 658,133 (Note A) | - | - | - | - | - |
| | Chengdu FEDS Co., Ltd. | Same ultimate parent company | 174,109 (Note A) | - | - | - | - | - |

Note A: This balance refers to fund lending.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

| Number | Transacting Company | Counter party | Flow of Transaction (Note A) | Status | | | |
|--------|---|---|------------------------------|------------------------------|-----------------|---|--|
| | | | | Account | Amount (Note C) | Condition | Ratio to Consolidated Operating Revenue or Assets (Note B) |
| 0 | Pacific Sogo Department Stores Co., Ltd. | Far Eastern Big City Shopping Malls Co., Ltd. | 3 | Operating revenue | \$ (316,630) | Rent was based on market rates and collected monthly. | 1 |
| 1 | Far Eastern Big City Shopping Malls Co., Ltd. | Pacific Sogo Department Stores Co., Ltd. | 3 | Operating costs and expenses | 316,630 | Rent was based on market rates and paid monthly. | 1 |

Note A: Flow of transaction:

1. From the Company to the subsidiary.
2. From the subsidiary to the Company.
3. Between subsidiaries.

Note B: If the account of the intercompany transaction is shown in the balance sheet, the ratio is the percentage of the year-end account balance to the total consolidated assets; if the account of the intercompany transaction is shown in the statement of comprehensive income, the ratio is the percentage of the accumulated amount during the year to the total consolidated operating revenue.

Note C: Only an intercompany transaction amounting to more than 1% of total consolidated operating revenue or total consolidated assets is disclosed in this table.

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2021 | | | Net Income (Loss) of the Investee | Share of (Loss) Profit | Note A |
|---|--|---------------------------------------|--|----------------------------|-------------------|---------------------------------|-----------------------------|-----------------|-----------------------------------|------------------------|------------|
| | | | | December 31, 2021 | December 31, 2020 | Shares (In Thousands) | Percentage of Ownership (%) | Carrying Amount | | | |
| Far Eastern Department Stores Co., Ltd. | Bai Yang Investment Co., Ltd. | Taiwan | Investment | \$ 10,422,181 | \$ 8,922,181 | 1,074,991 | 100 | \$ 10,811,061 | \$ 149,527 | \$ 149,558 | Subsidiary |
| | Oriental Securities Corporation | Taiwan | Securities investment | 143,652 | 143,652 | 141,980 | 20 | 2,099,293 | 294,417 | 52,191 | Associate |
| | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 1,764,210 | 1,764,210 | 281,734 | 35 | 4,092,548 | 904,270 | 317,662 | Subsidiary |
| | Bai Ding Investment Co., Ltd. | Taiwan | Investment | 33,357 | 33,357 | 119,981 | 67 | 2,419,156 | 247,589 | 165,255 | Subsidiary |
| | Far Eastern Ai Mai Co., Ltd. | Taiwan | Retail | 1,535,538 | 1,535,538 | 87,744 | 100 | 338,333 | (439,701) | (439,701) | Subsidiary |
| | FEDS Development Ltd. | British Virgin Island | Investment | 125,058 | 125,058 | 218 | 54 | 1,338,430 | (163,485) | (87,019) | Subsidiary |
| | Yu Ming Advertising Agency Co., Ltd. | Taiwan | Advertising and import agent | 33,000 | 33,000 | 3,500 | 100 | 120,180 | 12,805 | 12,805 | Subsidiary |
| | Ya Tung Department Stores, Ltd. | Taiwan | Department store | 919,292 | 919,292 | 41,000 | 100 | 84,113 | (1,967) | (1,967) | Subsidiary |
| | Ding Ding Integrated Marketing Service Co., Ltd. | Taiwan | Marketing | 64,500 | 64,500 | 3,631 | 10 | 24,616 | (12,938) | (1,561) | Associate |
| | Asians Merchandise Company | US | Trading | 5,316 | 5,316 | 950 | 100 | 4,338 | 95 | 95 | Subsidiary |
| | Far Eastern Hon Li Do Co., Ltd. | Taiwan | Building leasing | 40,278 | 40,278 | 1,571 | 56 | 13,597 | 1,496 | 948 | Subsidiary |
| | Far Eastern CitySuper Co., Ltd. | Taiwan | Retail | 478,269 | 478,269 | 47,827 | 96 | 119,606 | 53,846 | 51,509 | Subsidiary |
| | Yuan Hsin Digital Payment Co., Ltd. | Taiwan | E-ticket | 238,292 | 238,292 | 6,171 | 9 | 47,055 | (161,865) | (16,409) | Associate |
| | Bai Ding Investment Co., Ltd. | Oriental Securities Corporation | Taiwan | Securities investment | 163,563 | 163,563 | 98,281 | 14 | 1,453,273 | 294,417 | |
| Pacific Liu Tong Investment Co., Ltd. | | Taiwan | Investment | 658,129 | 658,129 | 100,250 | 13 | 1,469,952 | 904,270 | | Subsidiary |
| Far Eastern International Leasing Corporation | | Taiwan | Leasing | 301,125 | 301,125 | 22,203 | 5 | 327,682 | 155,262 | | Associate |
| Pacific Sogo Department Stores Co., Ltd. | | Taiwan | Department store | 33,490 | 33,490 | 11,254 | 1 | 163,575 | 1,160,502 | | Subsidiary |
| Yue Ming Trading Co., Ltd. | | Taiwan | Import and export trading and distribution | 21,291 | 21,291 | 4,901 | 47 | 65,651 | 5,026 | | Associate |
| Far Eastern Hon Li Do Co., Ltd. | | Taiwan | Building leasing | 28,672 | 28,672 | 1,259 | 44 | 14,029 | 1,496 | | Subsidiary |
| Far Eastern CitySuper Co., Ltd. | | Taiwan | Retail | - | - | 2 | - | 1 | 53,846 | | Subsidiary |
| Yuan Hsin Digital Payment Co., Ltd. | | Taiwan | E-ticket | 21,179 | - | 2,118 | 3 | 16,148 | (161,865) | | Associate |
| FEDS Asia Pacific Development Co., Ltd. | | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 99,000 | 99,000 | 19,800 | 2 | 307,541 | 904,270 | |
| FEDS New Century Development Co., Ltd. | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 99,000 | 99,000 | 19,800 | 2 | 307,541 | 904,270 | | Subsidiary |
| | Chubei New Century Shopping Mall Co., Ltd. | Taiwan | Department store | 3,500,000 | 2,000,000 | 350,000 | 100 | 3,459,528 | (31,741) | | Subsidiary |
| Bai Yang Investment Co., Ltd. | FEDS Asia Pacific Development Co., Ltd. | Taiwan | Shopping mall | 1,522,761 | 1,522,761 | 149,100 | 70 | 1,795,700 | 73,257 | | Subsidiary |
| | Far Eastern International Leasing Corporation | Taiwan | Leasing | 1,555,590 | 1,555,590 | 132,388 | 30 | 1,690,105 | 155,262 | | Associate |
| | Bai Ding Investment Co., Ltd. | Taiwan | Investment | 577,457 | 577,457 | 60,019 | 33 | 1,225,578 | 247,589 | | Subsidiary |
| | FEDS New Century Development Co., Ltd. | Taiwan | Shopping mall | 3,745,272 | 2,245,272 | 382,000 | 100 | 3,877,287 | (9,876) | | Subsidiary |
| | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 99,000 | 99,000 | 19,800 | 2 | 307,541 | 904,270 | | Subsidiary |
| | FEDS Development Ltd. | British Virgin Island | Investment | 723,946 | 723,946 | 185 | 46 | 1,139,683 | (163,485) | | Subsidiary |
| | Pacific China Holdings (HK) Limited | Hong Kong | Investment | 3,853,976 | 3,853,976 | 44,080 | 40 | (1,204,971) | (191,476) | | Subsidiary |
| | Far Eastern Big City Shopping Malls Co., Ltd. | Taiwan | Department store | 200,000 | 200,000 | 20,000 | 40 | 300,051 | 159,675 | | Subsidiary |
| Ya Tung Department Stores, Ltd. | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 55,000 | 55,000 | 11,000 | 1 | 170,596 | 904,270 | | Subsidiary |
| Yu Ming Advertising Agency Co., Ltd. | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 1,200 | 1,200 | 200 | - | 2,908 | 904,270 | | Subsidiary |
| Far Eastern Hon Li Do Co., Ltd. | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 8,400 | 8,400 | 1,400 | - | 19,702 | 904,270 | | Subsidiary |
| Pacific Liu Tong Investment Co., Ltd. | Pacific Sogo Department Stores Co., Ltd. | Taiwan | Department store | 4,469,904 | 4,469,904 | 650,817 | 79 | 11,045,776 | 1,160,502 | | Subsidiary |
| | Pacific Department Store Co., Ltd. | Taiwan | Department store | 62,480 | 62,480 | 6,840 | 3 | 142,362 | 112,607 | | Associate |
| Pacific Sogo Department Stores Co., Ltd. | Pacific China Holdings (HK) Limited | Hong Kong | Investment | 6,117,447 | 6,117,447 | 66,120 | 60 | (1,807,457) | (191,476) | | Subsidiary |
| | Pacific Department Store Co., Ltd. | Taiwan | Department store | 599,000 | 599,000 | 60,296 | 29 | 1,045,316 | 112,607 | | Associate |
| | Lian Ching Investment Co., Ltd. (Note C) | Taiwan | Investment | 270,641 | 270,641 | 26,764 | 50 | - | - | | Subsidiary |
| | Pacific Venture Investment Ltd. | Hong Kong | Investment | 357,050 | 357,050 | 100,000 | 48 | - | - | | Associate |
| | Sogo Department Store Co., Ltd. | Taiwan | Credit card business | 32,984 | 32,984 | 7,120 | 34 | - | - | | Associate |
| | Ding Ding Integrated Marketing Service Co., Ltd. | Taiwan | Marketing | 64,500 | 64,500 | 3,631 | 10 | 24,616 | (12,938) | | Associate |
| | Far Eastern Big City Shopping Malls Co., Ltd. | Taiwan | Department store | 300,000 | 300,000 | 30,000 | 60 | 450,077 | 159,675 | | Subsidiary |
| | Yuan Hsin Digital Payment Co., Ltd. | Taiwan | E-ticket | 358,292 | 238,292 | 8,289 | 12 | 63,202 | (161,865) | | Associate |
| Pacific China Holdings (HK) Limited | Pacific China Holding Ltd. | British Virgin Island | Investment | 4,290,400 | 4,290,400 | 130,200 | 100 | (3,115,022) | (189,888) | | Subsidiary |
| Pacific China Holding Ltd. | Bai Fa China Holdings (HK) Ltd. | Hong Kong | Investment | 46 | 46 | 2 | 100 | 46 | - | | Subsidiary |

(Continued)

Note A: The foreign-currency investments were translated at the rate of US\$1:NT\$27.68 prevailing on December 31, 2021.

Note B: The amount is the investment accounted for using the equity method to \$2,516,266 thousand deduct the parent company shares reclassification to treasury shares of \$97,110 thousand.

Note C: The amount of Lian Ching Investment Co., Ltd. has been written off to zero, no liabilities were undertaken by the Group and the accounts are not disclosed in the financial statement.

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company | Main Businesses and Products | Total Amount of Paid-in Capital (Note A) | Method of Investment (Note F) | Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Note A) | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (Note A) | Net Income (Loss) of the Investee (Note D) | % Ownership of Direct or Indirect Investment | Share of (Loss) Profit (Note D) | Carrying Amount as of December 31, 2021 | Accumulated Repatriation of Investment Income as of December 31, 2021 |
|---|--|--|-------------------------------|--|------------------|--------|--|--|--|---------------------------------|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Shanghai Pacific Department Store Co., Ltd. | Department store | \$ 489,936 | (2) | \$ 355,204 (Note B) | \$ - | \$ - | \$ 355,204 (Note B) | \$ 101,243 | 49 | \$ 35,866 | \$ 158,370 | \$ - |
| Chengdu Quanxing Building Pacific Department Store Co., Ltd. | Department store | 608,683 | (2) | 27,403 (Note B) | - | - | 27,403 (Note B) | (727) | 67 | (488) | (72,845) | - |
| Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | Department store | 83,040 | (2) | 83,040 (Note B) | - | - | 83,040 (Note B) | (64,299) | 67 | (43,182) | (395,308) | - |
| Chongqing Pacific Consultant and Management Co., Ltd. | Consulting services | 2,020,640 | (2) | 5,536 (Note B) | - | - | 5,536 (Note B) | (8,886) | 67 | (5,968) | 748,633 | - |
| Shanghai Pacific Consultant and Management Co., Ltd. | Consulting services | 9,688 | (2) | 4,747 (Note B) | - | - | 4,747 (Note B) | 233 | 33 | 77 | 6,233 | - |
| Shanghai Bai Ding Consultant and Management Co., Ltd. | Consulting services | 2,768 | (2) | - | - | - | - | 10,876 | 100 | 10,876 | 13,801 | - |
| Pacific (China) Investment Co., Ltd. | Investment | 5,978,880 | (2) | - | - | - | - | 9,770 | 67 | 16,726 | (28,979) | - |
| Chongqing FEDS Co., Ltd. | Department store | 77,504 | (2) | - | - | - | - | 12,806 | 100 | 12,806 | 986,708 | - |
| Chengdu Department Emporium Group Co., Ltd. | Department store, logistics and storehouse | 978,107 | (2) | - | - | - | - | 31,229 | 22 | - | 1,143,868 | - |
| Dalian Pacific Department Store Co., Ltd. | Department store | 69,554 | (2) | - | - | - | - | (14,509) | 67 | (9,744) | (5,256) | - |
| Chengdu FEDS Co., Ltd. | Department store | 3,709,120 | (2) | - | - | - | - | 12,157 | 67 | 8,164 | (103,901) | - |
| Yuan Ding Enterprise (Shanghai) Co., Ltd. | Wholesale of equipment and consulting services | 7,665,785 | (2) | - | - | - | - | (181,283) | 20 | (172,834) | 1,369,623 | - |

(Continued)

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|--|---|
| \$ - (Note C) | \$219,032 (US\$7,913 thousand) (Notes A and C) | \$ - (Note E) |

Note A: Translated at the rate of US\$1:NT\$27.68 and RMB1:NT\$4.3471 prevailing on December 31, 2021.

Note B: The payment was made by Pacific Construction Co., Ltd. (the former shareholder).

Note C: The payment made by the Company and the investment amount approved by the Investment Commission, except for the payment made by subsidiary and the subsidiary's investment amount approved by the Investment Commission.

Note D: The financial report was audited by an international accounting firm with a cooperative working relationship.

Note E: There is no upper limit, as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China (No. 11020435420), which was issued by the Industrial Development Bureau, Ministry of Economic Affairs, ROC.

Note F: Three investment types are as follows:

1. The Company made the investment directly.
2. The Company made the investment through companies registered in a third region. The companies registered in a third region were FEDS Development Ltd. and Pacific China Holding Ltd.
3. Others.

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.**INFORMATION OF MAJOR SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2021**

| Major Shareholder | Shareholding | |
|-------------------------------------|---------------------|-------------------|
| | Share | Percentage |
| Far Eastern New Century Corporation | 241,769,702 | 17.06 |
| Yuan Ding Investment Corporation | 139,785,985 | 9.86 |
| Asia Cement Corporation | 80,052,950 | 5.64 |
| Yuan Tone Investment Co., Ltd. | 77,684,530 | 5.48 |

Note: The information on major shareholders above is extracted as of the last business day of the current quarter. The shareholders are holding non-physical ordinary and preference shares (including treasury stocks) of 5% or more. The share capital in the consolidated financial statements of the Company and the actual registration of non-physical shares may differ due to a difference in computation basis.

6.2021 FINANCIAL REPORT (STAND-ALONE)

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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, 2021 is stated as follows:

Impairment of goodwill from the investment in subsidiaries

As of December 31, 2021, the investment accounted for using the equity method of the Company amounted to NT\$21,058,586 thousand, representing 27%, of the total assets, which was significant to the Company's financial statements. The important component of goodwill originated from the merger contract signed between FAR EASTERN AI MAI CO., LTD. (AI MAI), a subsidiary of the Company under the equity method, and GEANT Group (France) in 2000. Each party obtained 50%-50% ownership with FAR EASTERN AI MAI CO., LTD. as the surviving entity at the time. The Company acquired the other 50% ownership in 2006 due to the consideration of the retail business strategy, and goodwill was generated. However, due to the impact of the COVID-19 pandemic in 2021 and the changes in retail business, the Company has considered whether the carrying amount of the goodwill from the time the retail business was acquired exceeds the recoverable amount. Since management's subjective judgment on the recoverable amount involves significant uncertainties, the carrying amount of goodwill may be overestimated; Thus, we considered the evaluation of impairment loss of goodwill as a key audit matter. For the accounting policy related to impairment loss of the goodwill, refer to Notes 4 (f), 5 and 11 to the accompanying financial statements.

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

1. We evaluated the expertise, competency and independence of the independent appraisers contracted by the management to perform an impairment test.
2. We obtained an understanding of the process of management's estimation of the future sales growth rate and the profit margin forecast by the operating segments in Far Eastern Ai Mai Co., Ltd.
3. We confirmed the appropriateness of the discount rate used by management and assessed the impairment of goodwill by using the same evaluation model to calculate the weighted average cost of capital ratio used by management.

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, 2021 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 4, 2022

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

| ASSETS | 2021 | | 2020 | |
|--|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | \$ 965,361 | 1 | \$ 812,706 | 1 |
| Financial assets at amortized cost - current (Notes 8 and 30) | 25,508 | - | 25,424 | - |
| Trade receivables (Note 9) | 556,103 | 1 | 246,868 | - |
| Trade receivables from related parties (Notes 9 and 29) | 91,986 | - | 75,243 | - |
| Other receivables (Notes 9 and 29) | 280,143 | - | 255,872 | 1 |
| Inventories (Note 10) | 406,593 | 1 | 353,129 | 1 |
| Prepayments (Note 29) | 236,804 | - | 247,525 | - |
| Other current assets (Note 16) | 8,686 | - | 60,981 | - |
| Total current assets | <u>2,571,184</u> | <u>3</u> | <u>2,077,748</u> | <u>3</u> |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Notes 7 and 30) | 2,903,935 | 4 | 2,845,620 | 4 |
| Investments accounted for using the equity method (Notes 11 and 30) | 21,086,222 | 27 | 20,054,557 | 26 |
| Property, plant and equipment (Notes 12, 30 and 31) | 17,627,670 | 22 | 18,176,915 | 23 |
| Right-of-use assets (Note 13 and 29) | 23,901,501 | 31 | 24,929,817 | 32 |
| Investment properties (Notes 14 and 30) | 9,067,580 | 12 | 9,023,303 | 11 |
| Intangible assets (Note 15) | 59,660 | - | 69,628 | - |
| Deferred tax assets (Note 23) | 80,496 | - | 80,218 | - |
| Net defined benefit assets (Note 19) | 196,701 | - | 205,863 | - |
| Other non-current assets (Notes 16 and 29) | 514,881 | 1 | 562,571 | 1 |
| Total non-current assets | <u>75,438,646</u> | <u>97</u> | <u>75,948,492</u> | <u>97</u> |
| TOTAL | <u>\$ 78,009,830</u> | <u>100</u> | <u>\$ 78,026,240</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Notes 17 and 30) | \$ 4,800,000 | 6 | \$ 4,650,000 | 6 |
| Short-term bills payable (Note 17) | 1,549,515 | 2 | 2,449,280 | 3 |
| Contract liabilities - current (Note 21) | 3,938,860 | 5 | 3,202,942 | 4 |
| Trade payables | 4,237,424 | 6 | 3,822,290 | 5 |
| Trade payables to related parties (Note 29) | 50,629 | - | 49,983 | - |
| Other payables (Notes 18 and 29) | 1,664,367 | 2 | 1,827,132 | 3 |
| Current tax liabilities (Note 23) | 101,329 | - | 111,095 | - |
| Lease liabilities - current (Notes 13 and 29) | 945,167 | 1 | 941,237 | 1 |
| Advance receipts (Note 29) | 202,282 | 1 | 243,905 | - |
| Current portion of long-term borrowings (Notes 17 and 30) | - | - | 299,933 | 1 |
| Other current liabilities (Notes 18 and 29) | 160,013 | - | 128,603 | - |
| Total current liabilities | <u>17,649,586</u> | <u>23</u> | <u>17,726,400</u> | <u>23</u> |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Notes 17 and 30) | 13,949,720 | 18 | 12,999,828 | 16 |
| Deferred tax liabilities (Note 23) | 2,132,730 | 2 | 2,183,467 | 3 |
| Lease liabilities - non-current (Notes 13 and 29) | 13,145,744 | 17 | 13,844,089 | 18 |
| Other non-current liabilities (Notes 18 and 29) | 83,420 | - | 78,536 | - |
| Total non-current liabilities | <u>29,311,614</u> | <u>37</u> | <u>29,105,920</u> | <u>37</u> |
| Total liabilities | <u>46,961,200</u> | <u>60</u> | <u>46,832,320</u> | <u>60</u> |
| EQUITY | | | | |
| Share capital | | | | |
| Ordinary shares | 14,169,406 | 18 | 14,169,406 | 18 |
| Capital surplus | 3,340,982 | 4 | 3,338,791 | 4 |
| Retained earnings | | | | |
| Legal reserve | 3,611,319 | 5 | 3,424,615 | 4 |
| Special reserve | 2,619,569 | 3 | 2,709,263 | 4 |
| Unappropriated earnings | 2,216,433 | 3 | 2,695,084 | 3 |
| Total retained earnings | 8,447,321 | 11 | 8,828,962 | 11 |
| Other equity | 5,188,031 | 7 | 4,953,871 | 7 |
| Treasury shares | (97,110) | - | (97,110) | - |
| Total equity | <u>31,048,630</u> | <u>40</u> | <u>31,193,920</u> | <u>40</u> |
| TOTAL | <u>\$ 78,009,830</u> | <u>100</u> | <u>\$ 78,026,240</u> | <u>100</u> |

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

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2021 | | 2020 | |
|--|------------------|------------|------------------|-----------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 21 and 29) | \$ 10,013,982 | 100 | \$ 11,037,055 | 100 |
| OPERATING COSTS (Notes 10, 22 and 29) | <u>3,918,627</u> | <u>39</u> | <u>4,405,831</u> | <u>40</u> |
| GROSS PROFIT | <u>6,095,355</u> | <u>61</u> | <u>6,631,224</u> | <u>60</u> |
| OPERATING EXPENSES (Notes 22 and 29) | | | | |
| Selling and marketing expenses | 374,713 | 4 | 355,331 | 3 |
| General and administrative expenses | 3,973,921 | 40 | 4,288,347 | 39 |
| Expected credit loss | <u>2,535</u> | <u>-</u> | <u>801</u> | <u>-</u> |
| Total operating expenses | <u>4,351,169</u> | <u>44</u> | <u>4,644,479</u> | <u>42</u> |
| OPERATING PROFIT | <u>1,744,186</u> | <u>17</u> | <u>1,986,745</u> | <u>18</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Interest income (Note 22) | 130 | - | 933 | - |
| Other income (Note 22) | 201,956 | 2 | 181,578 | 2 |
| Other gains and losses (Notes 22 and 29) | (342,600) | (3) | 65,005 | - |
| Finance costs (Notes 22 and 29) | (438,433) | (4) | (466,377) | (4) |
| Share of profit of subsidiaries and associates accounted for using the equity method | <u>221,348</u> | <u>2</u> | <u>462,395</u> | <u>4</u> |
| Total non-operating income and expenses | <u>(357,599)</u> | <u>(3)</u> | <u>243,534</u> | <u>2</u> |
| PROFIT BEFORE INCOME TAX | 1,386,587 | 14 | 2,230,279 | 20 |
| INCOME TAX EXPENSE (Note 23) | <u>178,487</u> | <u>2</u> | <u>291,140</u> | <u>2</u> |
| NET PROFIT FOR THE YEAR | <u>1,208,100</u> | <u>12</u> | <u>1,939,139</u> | <u>18</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 19, 20 and 23) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans | (30,278) | - | (71,053) | (1) |
| Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income | 58,315 | - | (255,429) | (2) |

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2021 | | 2020 | |
|---|---------------------|-----------|---------------------|------------|
| | Amount | % | Amount | % |
| Share of other comprehensive (loss) income of subsidiaries and associates accounted for using the equity method | \$ 171,943 | 2 | \$ (109,861) | (1) |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | <u>6,055</u> | <u>-</u> | <u>14,211</u> | <u>-</u> |
| | <u>206,035</u> | <u>2</u> | <u>(422,132)</u> | <u>(4)</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>(2,981)</u> | <u>-</u> | <u>8,734</u> | <u>-</u> |
| | <u>(2,981)</u> | <u>-</u> | <u>8,734</u> | <u>-</u> |
| Other comprehensive (loss) income for the year, net of income tax | <u>203,054</u> | <u>2</u> | <u>(413,398)</u> | <u>(4)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 1,411,154</u> | <u>14</u> | <u>\$ 1,525,741</u> | <u>14</u> |
| EARNINGS PER SHARE, NT\$ (Note 24) | | | | |
| Basic | <u>\$ 0.86</u> | | <u>\$ 1.38</u> | |
| Diluted | <u>\$ 0.86</u> | | <u>\$ 1.37</u> | |

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

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

| | Share Capital (Note 20) | Capital Surplus (Note 20) | Retained Earnings (Notes 19, 20 and 23) | | | Other Equity (Note 20) | | | | Total Equity |
|--|----------------------------|------------------------------|---|-----------------|-------------------------|--|---|------------------------------|---------------------------|---------------|
| | | | Legal Reserve | Special Reserve | Unappropriated 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 (Note 20) | |
| BALANCE AT JANUARY 1, 2020 | \$ 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 |
| Appropriation of 2020 earnings | | | | | | | | | | |
| Legal reserve | - | - | 186,704 | - | (186,704) | - | - | - | - | - |
| Special reverse | - | - | - | (89,694) | 89,694 | - | - | - | - | - |
| Cash dividends | - | - | - | - | (1,558,635) | - | - | - | - | (1,558,635) |
| | - | - | 186,704 | (89,694) | (1,655,645) | - | - | - | - | (1,558,635) |
| Net profit for the year ended December 31, 2021 | - | - | - | - | 1,208,110 | - | - | - | - | 1,208,100 |
| Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax | - | - | - | - | (27,314) | (2,615) | 226,789 | 6,194 | - | 203,054 |
| Total comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | 1,180,786 | (2,615) | 226,789 | 6,194 | - | 1,411,154 |
| Adjustments resulting from investments in associates accounted for using the equity method | - | 2,191 | - | - | - | - | - | - | - | 2,191 |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income by subsidiary | - | - | - | - | (3,792) | - | 3,792 | - | - | - |
| BALANCE AT DECEMBER 31, 2021 | \$ 14,169,406 | \$ 3,340,982 | \$ 3,611,319 | \$ 2,619,569 | \$ 2,216,433 | \$ 65,935 | \$ 2,944,932 | \$ 2,177,164 | \$ (97,110) | \$ 31,048,630 |

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

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

| | 2021 | 2020 |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | \$ 1,386,587 | \$ 2,230,279 |
| Adjustments for: | | |
| Depreciation expense | 1,972,608 | 2,034,760 |
| Amortization expense | 42,530 | 50,182 |
| Expected credit loss recognized on receivables | 2,535 | 801 |
| Amortization of prepayments | 1,721 | 1,576 |
| Finance costs | 438,433 | 466,377 |
| Share of profit of subsidiaries and associates accounted for using the equity method | (221,348) | (462,395) |
| Interest income | (130) | (933) |
| Dividend income | (201,956) | (181,578) |
| Loss on disposal of property, plant and equipment | 2,199 | 5,157 |
| Loss on disposal of investment properties | 335 | 116 |
| Impairment loss of non-financial assets | 437,462 | 6,307 |
| Gain on changes in fair value of investment properties | (42,435) | (19,544) |
| Concession on lease liabilities | (170,191) | (113,828) |
| Net changes in operating assets and liabilities | | |
| Notes receivable | - | 3 |
| Trade receivables | (311,850) | 98,078 |
| Trade receivables from related parties | (16,743) | 4,291 |
| Other receivables | (24,191) | 23,407 |
| Inventories | (53,464) | 159,847 |
| Prepayments | 10,721 | (31,839) |
| Other current assets | 52,295 | 3,826 |
| Contract liabilities | 735,918 | 178,416 |
| Notes payable and trade payables | 415,134 | 210,254 |
| Trade payables from related parties | 646 | (6,960) |
| Other payables | 22,485 | 31,563 |
| Advance receipts | 29,475 | 145,551 |
| Other current liabilities | 31,410 | (25,885) |
| Net defined benefit liabilities | (21,116) | (42,881) |
| Cash generated from operations | 4,519,070 | 4,764,948 |
| Interest paid | (411,284) | (445,758) |
| Interest received | 130 | 933 |
| Dividends received | 625,330 | 321,015 |
| Income tax paid | (233,213) | (296,462) |
| Net cash generated from operating activities | <u>4,500,033</u> | <u>4,344,676</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at amortized cost | (25,508) | (25,424) |
| Proceeds from sale of financial assets at amortized cost | 25,424 | 25,271 |
| Acquisition of investments accounted for using the equity method | (1,500,000) | - |
| Payments for property, plant and equipment | (572,647) | (760,367) |

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

| | 2021 | 2020 |
|---|--------------------|--------------------|
| Proceeds from disposal of property, plant and equipment | \$ 89 | \$ 484 |
| Payments for investment properties | (2,177) | (6,819) |
| Increase in other non-current assets | 46,642 | (55,669) |
| Acquisition of right-of-use assets | (117,836) | (97,504) |
| Payments for intangible assets | <u>(22,465)</u> | <u>(27,035)</u> |
| Net cash used in investing activities | <u>(2,168,478)</u> | <u>(947,063)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 58,270,000 | 73,550,000 |
| Repayments of short-term borrowings | (58,120,000) | (73,900,000) |
| Proceeds from short-term bills payable | 12,916,598 | 26,283,806 |
| Repayments of short-term bills payable | (13,816,363) | (26,333,838) |
| Proceeds from long-term borrowings | 133,249,959 | 111,250,004 |
| Repayments of long-term borrowings | (132,600,000) | (112,250,000) |
| Repayment of the principal portion of lease liabilities | (527,684) | (570,201) |
| Increase (decrease) in other non-current liabilities | 4,884 | (21,978) |
| Dividends paid | <u>(1,556,294)</u> | <u>(1,131,061)</u> |
| Net cash used in financing activities | <u>(2,178,900)</u> | <u>(3,123,268)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 152,655 | 274,345 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR | <u>812,706</u> | <u>538,361</u> |
| CASH AND CASH EQUIVALENTS, END OF THE YEAR | <u>\$ 965,361</u> | <u>\$ 812,706</u> |

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

FAR EASTERN DEPARTMENT STORES, LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Far Eastern Department Stores, Ltd. (the “Company” or “FEDS”) was incorporated in the Republic of China (ROC) in August 31, 1967 and operates a nationwide chain of department stores. The Company’s shares have been listed on the Taiwan Stock Exchange since October 11, 1978.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 4, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies:

Amendment to IFRS 16 “Covid-19 - Related Rent Concessions beyond 30 June 2021”

The Company elected to apply the amendment that extends the availability of the practical expedient to lease payments due on or before June 30, 2022. Refer to Note 4 for the relevant accounting policies of the practical expedient.

The Company applies the amendment from January 1, 2021

- b. The IFRSs endorsed by the FSC for application starting from 2022

| <u>New IFRSs</u> | <u>Effective Date Announced by IASB</u> |
|---|---|
| “Annual Improvements to IFRS Standards 2018-2020” | January 1, 2022 (Note 1) |
| Amendments to IFRS 3 “Reference to the Conceptual Framework” | January 1, 2022 (Note 2) |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 (Note 3) |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract” | January 1, 2022 (Note 4) |

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company’s financial position and financial performance.

- c. IFRSs that have been issued by the International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|--|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined by IASB |
| IFRS 17 “Insurance Contracts” | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information” | January 1, 2023 |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2023 |
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 (Note 2) |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 (Note 3) |
| Amendments to IAS 12 “Deferred income tax related to assets and liabilities arising from one single transaction” | January 1, 2023 (Note 4) |

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

1) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms would not affect the classification of the liability.

2) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed.
- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information related to material transactions, other events or conditions are themselves material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Company chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

3) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

4) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Company will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and recognize the cumulative effect of initial application in retained earnings at that date. The Company will apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”).

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments and investment properties which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of the plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing the Company's financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between the parent company only basis and consolidated basis were made to investments accounted for using the equity method, share of profit or loss of subsidiaries and associates accounted for using the equity method, share of other comprehensive income of subsidiaries and associates accounted for using the equity method and related equity items, as appropriate, in the Company's financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting the Company's financial statements, the assets and liabilities of the Company's foreign operations (including the subsidiaries and associates in other countries or subsidiaries which use currencies that are different from the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

e. Inventories

Inventories are stated at the lower cost or net realizable value, using the retail method. Inventories are recorded at the weighted-average cost on the balance sheet date. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

f. Investments in subsidiaries

The Company uses the equity method of accounting to recognize its investments in subsidiaries. A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and is adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. In addition, the Company recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the Company's interests and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in the subsidiary accounted for using the equity method and long-term interests that, in substance for part of the Company's net investment in the subsidiary), the proportionate share of losses is recognized.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the fair value of the net identifiable assets and liabilities over the cost of the acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full in the Company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Company uses the equity method of accounting to recognize its investments in associates.

Under the equity method, an investment in an associate is initially recognized at cost and is adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates attributable to the Company.

When the Company subscribes for additional new shares of the associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription of new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment in the associate ceases. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on the disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognize the asset of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss for the year.

i. Investment properties

Investment properties are properties held to earn long-term rental profit and/or capital gain (including properties that are qualified as investment properties and under construction). Investment properties also include land in which the intended use has yet to be determined.

Freehold investment properties are measured initially at cost, including transaction costs. All investment properties are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Investment properties under construction, of which the fair value is not reliably measurable, are measured at cost less accumulated impairment loss until such time as either the fair value becomes reliably measurable or construction is completed (whichever comes earlier).

For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of an item of property for subsequent accounting is its fair value at the commencement at the commencement of owner-occupation.

For a transfer of classification from property, plant and equipment to investment property at the end of owner-occupation, any difference between the fair value of the property at the transfer date and its previous carrying amount is recognized in other comprehensive income.

To derecognize an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss for the year.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis during their expected useful lives. The estimated useful lives, residual values, and amortization method are reviewed at the end of each reporting period with the effect of any changes in estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss for the year.

k. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Company reviews for any indications of impairment loss pertaining to the property, plant and equipment, right-of-use assets and intangible assets. If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. The impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (deducting amortization or depreciation) that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

1. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost (including cash, cash equivalents, accounts receivable at amortized cost and refundable deposits) are measured at the carrying amount determined by the effective interest method less any impairment loss. Any exchange differences are recognized in profit or loss. Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

ii. Investments in equity instruments at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Without taking the collateral held into consideration, pertinent to the objectives of the credit risk management, the Company determines that a default has occurred for a financial asset when internal or external information indicates that the borrower can no longer repay the liability, unless there is reasonable and substantiated information to recognize the default later.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

m. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods are recognized as revenue when the goods are shipped or delivered because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

When the other party participates in providing goods or services to customers, the Company obtains control of the specified goods or services before they are transferred to the customers and, therefore, is acting as a principal in the transaction. On the contrary, the other party is acting as an agent. As the principal, the total amount of the consideration that is expected to be obtained in exchange for the transfer of goods or services is recognized as income. As an agent, the amount of any fees or commissions that the other party expected to obtain in exchange for the provision of goods or services, recognized as income. The charge or commission of the Company may be the net amount of the consideration. The income retained by the Company in exchange for goods or services is the amount retained after payment to the other party.

The Company offers award credits which can be used for future purchases when the customer shops (customer loyalty program). The award credits provide a material right to the customer. The transaction price allocated to the award credits is recognized as a contract liability when collected and will be recognized as revenue when the award credits are redeemed or have expired.

n. Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

The Company and the lessor conducted rent negotiations directly related to COVID-19 and adjusted the rent due before June 30, 2022, resulting in a decrease in rent. These negotiations did not significantly change other lease terms. The Company chooses to adopt a practical and expedient approach to all rent negotiations that meet the aforementioned conditions. It does not assess whether the negotiation is a lease modification, but recognizes a reduction of lease payment in the profit or loss when the concession event or situation occurs (accounted for as a deduction in variable lease payments) and reduces the lease liability accordingly.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Government subsidies

The government subsidies are recognized when there is reasonable assurance that the Group will comply with the conditions attached to the subsidies, and the grants will be received.

If the nature of the government subsidies is to compensate for the expenses incurred by the Group or as a form of financial support to the Group and not related to the related future expenses, the government subsidies shall be recognized in the profit or loss when received.

q. Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit assets are recognized as employee benefits expenses when the plan amendment or curtailment occurs. Rereasurement, comprising actuarial gains and losses (the effect of the changes to the asset ceiling) and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Rereasurement recognized in other comprehensive income (loss) is reflected immediately in retained earnings and will not be reclassified subsequently to profit or loss.

Net defined benefit assets represent the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

The current payable (recoverable) income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Company operates and generates taxable income (loss).

According to the Income Tax Act of the ROC, the recognition of annual undistributed surplus earnings that are taxable, is subject to the resolution passed in the shareholders' meeting.

Adjustments of prior years' tax liabilities are added to or deducted from the current period's income tax expenses.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment properties that are measured using the fair value model, the carrying amounts of such assets are presumed to be recovered entirely through their sale.

3) Current and deferred tax for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred taxes are also recognized in other comprehensive income, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

Impairment of goodwill included in the investments in subsidiaries

Determining whether the goodwill included in the investments in subsidiaries is impaired requires an estimation of the value in use of the cash-generating units which are expected to benefit from the synergies of the related combination and to which the goodwill has been allocated since the acquisition date. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise. Furthermore, the estimated cash flows, growth rate and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on the impact arising from potential disruptions of subsidiary's operations and volatility in financial markets due to the evolution of COVID-19 pandemic.

6. CASH AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|---------------------------------------|--------------------|-------------------|
| | 2021 | 2020 |
| Cash on hand and revolving funds | \$ 36,364 | \$ 36,524 |
| Checking accounts and demand deposits | 906,997 | 762,252 |
| Cash equivalents | | |
| Triple stimulus vouchers | - | 13,930 |
| Quintuple stimulus vouchers | <u>22,000</u> | <u>-</u> |
| | <u>\$ 965,361</u> | <u>\$ 812,706</u> |

The market rate intervals of cash in bank at the end of the reporting period are as follows:

| | <u>December 31</u> | |
|------------------|--------------------|---------------|
| | 2021 | 2020 |
| Deposits in bank | 0.001%-0.050% | 0.001%-0.050% |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | 2021 | 2020 |
| <u>Investments in equity instruments at FVTOCI</u> | | |
| Domestic investments | | |
| Listed shares and emerging market shares | \$ 2,799,978 | \$ 2,737,990 |
| Unlisted shares | <u>103,957</u> | <u>107,630</u> |
| | <u>\$ 2,903,935</u> | <u>\$ 2,845,620</u> |

- a. These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.
- b. Refer to Note 30 for information relating to investments in equity instruments at FVTOCI pledged as security.

8. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

| | <u>December 31</u> | |
|--|--------------------|------------------|
| | <u>2021</u> | <u>2020</u> |
| Time deposits with original maturities of more than 3 months | <u>\$ 25,508</u> | <u>\$ 25,424</u> |
| Gross carrying amount | \$ 25,508 | \$ 25,424 |
| Less: Allowance for impairment loss | <u>-</u> | <u>-</u> |
| Amortized cost | <u>\$ 25,508</u> | <u>\$ 25,424</u> |

- a. The credit risk of financial instruments such as bank deposits is measured and monitored by the accounting department. The counterparties are creditworthy banks and financial institutions with good credit rating.
- b. As of December 31, 2021, and 2020, the interest rates for financial assets at amortized cost were 0.40% and 0.37% as at the end of the reporting period, respectively.
- c. Refer to Note 30 for information relating to financial assets at amortized cost pledged as security.

9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES (INCLUDING RELATED PARTIES)

- a. Notes receivable

| | <u>December 31</u> | |
|-------------------------------------|--------------------|----------------|
| | <u>2021</u> | <u>2020</u> |
| Operating | \$ - | \$ - |
| Non-operating | 1,794 | 1,794 |
| Less: Allowance for impairment loss | <u>(1,794)</u> | <u>(1,794)</u> |
| | <u>\$ -</u> | <u>\$ -</u> |

December 31, 2021

| | Not Past Due | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | Over 90 Days | Total |
|--------------------------------|--------------|----------------------|---------------|---------------|--------------|-------------|
| Expected credit loss rate | 0.00% | 0.00% | 0.00% | 0.00% | 100% | |
| Gross carrying amount | \$ - | \$ - | \$ - | \$ - | \$ 1,794 | \$ 1,794 |
| Loss allowance (Lifetime ECLs) | - | - | - | - | (1,794) | (1,794) |
| Amortized cost | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

December 31, 2020

| | Not Past Due | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | Over 90 Days | Total |
|--------------------------------|--------------|----------------------|---------------|---------------|--------------|-------------|
| Expected credit loss rate | 0.00% | 0.00% | 0.00% | 4.35% | 100% | |
| Gross carrying amount | \$ - | \$ - | \$ - | \$ - | \$ 1,794 | \$ 1,794 |
| Loss allowance (Lifetime ECLs) | - | - | - | - | (1,794) | (1,794) |
| Amortized cost | <u>\$ -</u> | <u>\$ 3</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

b. Trade receivables

| | <u>December 31</u> | |
|-------------------------------------|--------------------|-------------------|
| | 2021 | 2020 |
| At amortized cost | | |
| Trade receivables | \$ 650,767 | \$ 323,449 |
| Less: Allowance for impairment loss | <u>(2,678)</u> | <u>(1,338)</u> |
| | <u>\$ 648,089</u> | <u>\$ 322,111</u> |

The Company's trade receivables pertained to revenue on credit cards and gift certificates. The average credit period for revenue from credit cards and gift certificates was 2 to 3 days and 15 days, respectively.

In determining the recoverability of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowances for impairment loss were recognized against trade receivables based on estimated irrecoverable amounts determined with reference to past default experience of the counterparties and an analysis of their current financial position.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2021

| | Not Past Due | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | Over 90 Days | Total |
|--------------------------------|---------------------|--------------------------|----------------------|----------------------|---------------------|-------------------|
| Expected credit loss rate | 0.00% | 0.00% | 0.00% | 0.00% | 100% | |
| Gross carrying amount | \$ 647,206 | \$ 492 | \$ 391 | \$ - | \$ 2,678 | \$ 650,767 |
| Loss allowance (Lifetime ECLs) | - | - | - | - | (2,678) | (2,678) |
| Amortized cost | <u>\$ 647,206</u> | <u>\$ 492</u> | <u>\$ 391</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 648,089</u> |

December 31, 2020

| | Not Past Due | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | Over 90 Days | Total |
|--------------------------------|---------------------|--------------------------|----------------------|----------------------|---------------------|-------------------|
| Expected credit loss rate | 0.00% | 0.00% | 0.00% | 0.00% | 100% | |
| Gross carrying amount | \$ 320,554 | \$ 1,557 | \$ - | \$ - | \$ 1,338 | \$ 323,449 |
| Loss allowance (Lifetime ECLs) | - | - | - | - | (1,338) | (1,338) |
| Amortized cost | <u>\$ 320,554</u> | <u>\$ 1,557</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 322,111</u> |

The movements of the loss allowance of trade receivables were as follows:

| | For the Year Ended December 31 | |
|--------------------------------------|---------------------------------------|-----------------|
| | 2021 | 2020 |
| Balance at January 1 | \$ 1,338 | \$ 537 |
| Add: Remeasurement of loss allowance | 2,615 | 801 |
| Less: Amounts written off | <u>(1,275)</u> | <u>-</u> |
| Balance at December 31 | <u>\$ 2,678</u> | <u>\$ 1,338</u> |

c. Other receivables

| | December 31 | |
|-------------------------------------|--------------------|-------------------|
| | 2021 | 2020 |
| At amortized cost | | |
| Other receivables | \$ 301,470 | \$ 277,279 |
| Less: Allowance for impairment loss | <u>(21,327)</u> | <u>(21,407)</u> |
| | <u>\$ 280,143</u> | <u>\$ 255,872</u> |

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2021

| | Not Past Due | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | Over 90 Days | Total |
|--------------------------------|-------------------|-------------------|---------------|---------------|--------------|-------------------|
| Expected credit loss rate | 0.00% | 0.00% | 0.00% | 0.00% | 100% | |
| Gross carrying amount | \$ 280,143 | \$ - | \$ - | \$ - | \$ 21,327 | \$ 301,470 |
| Loss allowance (Lifetime ECLs) | - | - | - | - | (21,327) | (21,327) |
| Amortized cost | <u>\$ 280,143</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 280,143</u> |

December 31, 2020

| | Not Past Due | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | Over 90 Days | Total |
|--------------------------------|-------------------|-------------------|---------------|---------------|--------------|-------------------|
| Expected credit loss rate | 0.00% | 0.00% | 0.00% | 0.00% | 100% | |
| Gross carrying amount | \$ 255,872 | \$ - | \$ - | \$ - | \$ 21,407 | \$ 277,279 |
| Loss allowance (Lifetime ECLs) | - | - | - | - | (21,407) | (21,407) |
| Amortized cost | <u>\$ 255,872</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 255,872</u> |

As of December 31, 2021, and 2020, there were no impairment loss on trade receivables; therefore, no loss allowance was recognized by management.

10. INVENTORIES

| | <u>December 31</u> | |
|----------------------------------|---------------------|---------------------|
| | 2021 | 2020 |
| Merchandise | <u>\$ 406,593</u> | <u>\$ 353,129</u> |
| The cost of goods sold includes: | | |
| | 2021 | 2020 |
| Cost of goods sold | <u>\$ 3,699,762</u> | <u>\$ 4,185,447</u> |

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | <u>December 31</u> | |
|-----------------------------|----------------------|----------------------|
| | 2021 | 2020 |
| Investments in subsidiaries | \$ 18,915,258 | \$ 17,950,074 |
| Investments in associates | <u>2,170,964</u> | <u>2,104,483</u> |
| | <u>\$ 21,086,222</u> | <u>\$ 20,054,557</u> |

a. Investments in subsidiaries

| | December 31 | |
|---|----------------------|----------------------|
| | 2021 | 2020 |
| Bai Yang Investment Co., Ltd. (BYIC) | \$ 10,811,061 | \$ 9,108,584 |
| Pacific Liu Tong Investment Co., Ltd. (PLTI) | 4,092,548 | 4,024,497 |
| Bai Ding Investment Co., Ltd. (BDIC) | 2,516,266 | 2,418,928 |
| FEDS Development Ltd. (FEDS Development) | 1,338,430 | 1,427,279 |
| Far Eastern Ai Mai Co., Ltd. (AIMAI) | 338,333 | 1,222,011 |
| Ya Tung Department Stores, Ltd. (YTDS) | 84,113 | 85,689 |
| Yu Ming Advertising Agency Co., Ltd. (YMAC) | 120,180 | 118,535 |
| Far Eastern CitySuper Co., Ltd. (FECS) | 119,606 | 68,097 |
| Far Eastern Hon Li Do Co., Ltd. (FEHLD) | 13,597 | 13,283 |
| Asians Merchandise Company (AMC) | <u>4,338</u> | <u>4,367</u> |
| | 19,438,472 | 18,491,270 |
| Less: Ordinary shares held by subsidiary and reclassified from long-term investments to treasury shares of BDIC | <u>97,110</u> | <u>97,110</u> |
| | 19,341,362 | 18,394,160 |
| Less: The differences of accounting treatments from the consolidated financial statements (Note) | <u>426,104</u> | <u>444,086</u> |
| | <u>\$ 18,915,258</u> | <u>\$ 17,950,074</u> |

Note: Some of the Company's leased assets from subsidiaries or investment properties which were leased to subsidiaries were evaluated under fair value method, but these investment properties were recognized as property, plant and equipment in the consolidated financial statements. In order to agree with the amount of net profit for the year, other comprehensive (loss) income and equity attributable to the owner of the Company in the consolidated financial statements, the difference of the accounting treatment between the Company only basis and the consolidated basis was adjusted under the heading of investments accounted for using the equity method, the share of (loss) profit of subsidiaries and associates was accounted for using the equity method, and the share of other comprehensive (loss) income of subsidiaries and associates was accounted for using the equity method and related equity items.

| | Proportion of Ownership and Voting Rights | |
|------------------|--|-------------|
| | December 31 | |
| | 2021 | 2020 |
| BYIC | 100% | 100% |
| PLTI | 35% | 35% |
| BDIC | 67% | 67% |
| FEDS Development | 54% | 54% |
| AIMAI | 100% | 100% |
| YTDS | 100% | 100% |
| YMAC | 100% | 100% |
| FECS | 96% | 96% |
| FEHLD | 56% | 56% |
| AMC | 100% | 100% |

Refer to Note 33 for the details of the subsidiaries indirectly held by the Company.

The Company has 35% equity interest in PLTI. However, the proportion of the combined equity of PLTI held by the Company and its subsidiaries is 56.6%. The Company thus recognizes this investee as a subsidiary.

Bai Yang Investment Co., Ltd. had had a cash capital increase in August 2021. The Company had subscribed 150,000 thousand shares at \$10 per share for an amount of \$1,500,000 thousand.

The Company had evaluated the recoverable amount of goodwill in 2021 with goodwill impairment related to the Far Eastern Ai Mai Co., Ltd. recognized for an amount of \$437,462 thousand. The root cause of impairments was that the profits generated in Far Eastern Ai Mai Co., Ltd. did not meet the expectation.

The Company had evaluated the recoverable amount of goodwill for any possible impairment at the end of the reporting period and based the calculation of the recoverable amount on the value in use. The value in use is calculated according to the cash flow from each cash-generating unit's financial budget. It was calculated according to the estimated annual discount rate of 9.30% in 2021. The Company after having the recoverable amount of goodwill evaluated had recognized goodwill impairment loss related to the Far Eastern Ai Mai Co., Ltd. for an amount of \$437,462 thousand. The Company did not recognize any goodwill impairment loss in 2020.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 were based on the subsidiaries' financial statements audited for the same years by other auditors.

b. Investments in associates

| | December 31 | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| Associates that are not individually material | <u>\$ 2,170,964</u> | <u>\$ 2,104,483</u> |

Aggregate information of associates that are not individually material are summarized as follows:

| | For the Year Ended December 31 | |
|--------------------------------|---------------------------------------|------------------|
| | 2021 | 2020 |
| The Company's share of | | |
| Net profit (loss) for the year | \$ 34,221 | \$ (10,253) |
| Other comprehensive income | <u>48,363</u> | <u>23,686</u> |
| Total comprehensive income | <u>\$ 82,584</u> | <u>\$ 13,433</u> |

The combined shareholding of the Company and its sub-subsidiary, Bai Ding Investment Co., Ltd., and Pacific Sogo Department Stores Co., Ltd., in Ding Ding Integrated Marketing Service Co., Ltd. and Yuan Hsin Digital Payment Co., Ltd., amounted to 20%. As such, these investments were accounted for using the equity method.

Yuan Hsin Digital Payment Co., Ltd. had a capital decrease arranged in July 2021 and October 2020 to make up for the losses, and the Company had had a decrease of 2,055 thousand shares and 3,425 thousand shares proportionally to the shareholding ratio, respectively. Yuan Hsin Digital Payment Co., Ltd. had a cash capital increase arranged in August 2021 and December 2020. The Company did not subscribe shares according to the shareholding ratio; therefore, the Company's shareholding ratio was down from 11% to 9% and 15% to 11%, respectively.

The annual general shareholders' meeting of Oriental Securities Corporation in 2020 passed a resolution for the capitalization of retained earnings. The Company acquired 1,683 thousand shares according to its existing ownership percentage.

The 2021 "profit and loss" and "other comprehensive profit and loss" of the affiliated companies under the equity method other than Yuan Hsin Digital Payment Co., Ltd. were recognized according to the financial reports of each affiliated company for the same period that were not audited by independent auditors. However, the Company's management believes that the aforementioned financial reports of the invested companies that were not audited by independent auditors have no significant impact. The profit and loss and other comprehensive profit and loss of affiliated companies under the equity method in 2020 were recognized in accordance with the financial reports for the same period of each affiliated company that were audited by independent auditors.

Refer to Note 30 for the information on the carrying amounts of investments in associates accounted for using the equity method that were pledged as security.

12. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Buildings and Facilities | Decorative Facilities | Plant, Transportation and Miscellaneous Equipment | Total |
|--|---------------------|-----------------------|-----------------------------|--------------------------|---|------------------------|
| <u>Cost</u> | | | | | | |
| Balance at January 1, 2021 | \$ 8,038,597 | \$ 9,370,709 | \$ 7,028,293 | \$ 6,757,256 | \$ 751,884 | \$ 31,946,739 |
| Additions | - | - | 171,089 | 113,237 | 36,336 | 320,662 |
| Disposals | - | - | (25,586) | (12,974) | (18,247) | (56,807) |
| Reclassifications | - | - | 15,941 | 4,421 | 6,113 | 26,475 |
| Balance at December 31, 2021 | <u>\$ 8,038,597</u> | <u>\$ 9,370,709</u> | <u>\$ 7,189,737</u> | <u>\$ 6,861,940</u> | <u>\$ 776,086</u> | <u>\$ 32,237,069</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | |
| Balance at January 1, 2021 | \$ - | \$ (2,579,041) | \$ (4,960,380) | \$ (5,669,492) | \$ (560,911) | \$ (13,769,824) |
| Disposals | - | - | 23,921 | 12,603 | 17,995 | 54,519 |
| Depreciation expense | - | (161,338) | (408,794) | (267,208) | (56,754) | (894,094) |
| Balance at December 31, 2021 | <u>\$ -</u> | <u>\$ (2,740,379)</u> | <u>\$ (5,345,253)</u> | <u>\$ (5,924,097)</u> | <u>\$ (599,670)</u> | <u>\$ (14,609,399)</u> |
| Carrying amount at December 31, 2021 | <u>\$ 8,038,597</u> | <u>\$ 6,630,330</u> | <u>\$ 1,844,484</u> | <u>\$ 937,843</u> | <u>\$ 176,416</u> | <u>\$ 17,627,670</u> |
| <u>Cost</u> | | | | | | |
| Balance at January 1, 2020 | \$ 8,038,597 | \$ 9,370,709 | \$ 6,961,248 | \$ 6,519,897 | \$ 718,766 | \$ 31,609,217 |
| Additions | - | - | 74,682 | 302,513 | 45,477 | 422,672 |
| Disposals | - | - | (21,895) | (65,154) | (17,830) | (104,879) |
| Reclassifications | - | - | 14,258 | - | 5,471 | 19,729 |
| Balance at December 31, 2020 | <u>\$ 8,038,597</u> | <u>\$ 9,370,709</u> | <u>\$ 7,028,293</u> | <u>\$ 6,757,256</u> | <u>\$ 751,884</u> | <u>\$ 31,946,739</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | |
| Balance at January 1, 2020 | \$ - | \$ (2,417,703) | \$ (4,541,046) | \$ (5,411,333) | \$ (514,298) | \$ (12,884,380) |
| Disposals | - | - | 20,362 | 61,753 | 16,943 | 99,058 |
| Depreciation expense | - | (161,338) | (439,696) | (319,912) | (63,556) | (984,502) |
| Balance at December 31, 2020 | <u>\$ -</u> | <u>\$ (2,579,041)</u> | <u>\$ (4,960,380)</u> | <u>\$ (5,669,492)</u> | <u>\$ (560,911)</u> | <u>\$ (13,769,824)</u> |
| Carrying amount at December 31, 2020 | <u>\$ 8,038,597</u> | <u>\$ 6,791,668</u> | <u>\$ 2,067,913</u> | <u>\$ 1,087,764</u> | <u>\$ 190,973</u> | <u>\$ 18,176,915</u> |

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

| | |
|--|------------|
| Buildings | 55 years |
| Buildings and facilities | 8-15 years |
| Decorative facilities | 6 years |
| Plant, transportation, and miscellaneous equipment | 5-8 years |

Refer to Note 30 for the information on the carrying amounts of property, plant and equipment that were pledged as security.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

| | <u>December 31</u> | |
|--|---------------------------------------|----------------------|
| | 2021 | 2020 |
| <u>Carrying amount</u> | | |
| Land | \$ 7,590,605 | \$ 7,866,434 |
| Buildings | 16,303,699 | 17,058,198 |
| Plant, transportation, and miscellaneous equipment | <u>7,197</u> | <u>5,185</u> |
| | <u>\$ 23,901,501</u> | <u>\$ 24,929,817</u> |
| | <u>For the Year Ended December 31</u> | |
| | 2021 | 2020 |
| Additions to right-of-use assets | <u>\$ 121,766</u> | <u>\$ 239,070</u> |
| Depreciation charge for right-of-use assets | | |
| Land | \$ 275,829 | \$ 275,545 |
| Buildings | 872,335 | 869,492 |
| Plant, transportation, and miscellaneous equipment | <u>1,448</u> | <u>421</u> |
| | <u>\$ 1,149,612</u> | <u>\$ 1,145,458</u> |

b. Lease liabilities

| | <u>December 31</u> | |
|------------------------|----------------------|----------------------|
| | 2021 | 2020 |
| <u>Carrying amount</u> | | |
| Current | <u>\$ 945,167</u> | <u>\$ 941,237</u> |
| Non-current | <u>\$ 13,145,744</u> | <u>\$ 13,844,089</u> |

Range of discount rates for lease liabilities was as follows:

| | <u>December 31</u> | |
|--|--------------------|-------------|
| | 2021 | 2020 |
| Land | 0.88%-1.72% | 0.88%-1.72% |
| Buildings | 0.86%-1.72% | 0.86%-1.72% |
| Plant, transportation, and miscellaneous equipment | 0.86%-0.92% | 0.88%-0.92% |

c. Material lease-in activities and terms

The Company operates a retail business of leasing property and equipment for its operating activities with lease term of 3 to 50 years. In addition to fixed payments, some lease contracts also indicate variable lease payments with different conditions. Some stores are leased by acquiring land use rights to build buildings and transfer buildings to lessor unconditionally at the end of the lease term.

In 2021 and 2020, due to the COVID-19 pandemic that severely affected the global market economy, the Company entered into lease negotiations with some of the lessors. The lessors agreed to reduce the rents from January 1 to December 31, 2021 and 2020. The Company recognized the aforementioned rent reductions of \$170,191 and \$113,828 thousand (as a deduction in operating expenses).

d. Other lease information

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2021 | 2020 |
| Expenses relating to short-term leases | <u>\$ 4,902</u> | <u>\$ 4,233</u> |
| Expenses relating to low-value asset leases | <u>\$ 3,174</u> | <u>\$ 2,428</u> |
| Expenses relating to variable lease payments not included in the measurement of lease liabilities | <u>\$ (162,639)</u> | <u>\$ (98,714)</u> |
| Total cash outflow for leases | <u>\$ (794,144)</u> | <u>\$ (850,006)</u> |

The Company has elected to apply the recognition exemption for short-term leases and low-value assets leases and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. INVESTMENT PROPERTIES

| | Land | Buildings and Facilities | Investment Properties under Construction | Total |
|--|---------------------|-------------------------------------|---|---------------------|
| Balance at January 1, 2021 | \$ 6,250,031 | \$ 2,759,018 | \$ 14,254 | \$ 9,023,303 |
| Disposals | - | (335) | - | (335) |
| Additions | - | 2,177 | - | 2,177 |
| Gain (loss) on fair value changes of investment properties | <u>(632,247)</u> | <u>674,682</u> | <u>-</u> | <u>42,435</u> |
| Balance at December 31, 2021 | <u>\$ 5,617,784</u> | <u>\$ 3,435,542</u> | <u>\$ 14,254</u> | <u>\$ 9,067,580</u> |
| Balance at January 1, 2020 | \$ 6,216,334 | \$ 2,770,598 | \$ 10,124 | \$ 8,997,056 |
| Disposals | - | (116) | - | (116) |
| Additions | - | 2,689 | 4,130 | 6,819 |
| Gain (loss) on fair value changes of investment properties | <u>33,697</u> | <u>(14,153)</u> | <u>-</u> | <u>19,544</u> |
| Balance at December 31, 2020 | <u>\$ 6,250,031</u> | <u>\$ 2,759,018</u> | <u>\$ 14,254</u> | <u>\$ 9,023,303</u> |

Some of the Company's investment properties have been leased out under operating leases with lease term of 2-20 years, and the lease contracts include lessee's buy-back agreement.

Except for minimum lease payments, some of the Company's lease contracts stipulate that the Company should adjust rentals on the basis of the consumer price index per annum.

The Company agreed to have a rent concession for the period from January 1 to December 31, 2021 and 2020 due to the severe impact of the COVID-19 pandemic on the economy in 2021 and 2020.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2021 is as follows:

| | December 31 | |
|----------------|---------------------|---------------------|
| | 2021 | 2020 |
| Year 1 | \$ 800,592 | \$ 731,686 |
| Year 2 | 699,263 | 680,939 |
| Year 3 | 588,071 | 619,301 |
| Year 4 | 568,711 | 564,989 |
| Year 5 | 518,564 | 549,951 |
| Year 6 onwards | <u>3,621,663</u> | <u>4,157,164</u> |
| | <u>\$ 6,796,864</u> | <u>\$ 7,304,030</u> |

The fair values of the investment properties as of December 31, 2021 and 2020 were based on the valuations carried out at those dates, on a recurring basis by independent qualified professional valuers, Hong-Kai Chang, Yi-Chih Chang, Yu-Fen Yeh and Kuang-Ping Tai from Savills Real Estate Appraiser Office, a member of certified ROC real estate appraisers.

Except for undeveloped lands, the fair values of investment properties were measured using the income approach and the significant assumptions used are the increase in the estimated future net cash inflows, or the decrease in discount rates that would result in increases in the fair values.

| | December 31 | |
|-----------------------------------|----------------------|----------------------|
| | 2021 | 2020 |
| Expected future cash inflows | \$ 21,526,409 | \$ 21,079,871 |
| Expected future cash outflows | <u>2,769,040</u> | <u>2,485,443</u> |
| Expected future cash inflows, net | <u>\$ 18,757,369</u> | <u>\$ 18,594,428</u> |
| Discount rate | 4.095% | 4.095% |

The market rentals in the area where the investment properties are located were between \$1 thousand and \$2 thousand per ping (i.e., per 3.3 square meters). The market rentals for comparable properties were between \$1 thousand and \$4 thousand per ping (i.e., per 3.3 square meters).

The expected future cash inflows generated by investment properties referred to rental income, interest income on rental deposits and disposal value. The rental income was extrapolated using the existing lease contracts of the Company and comparative market rentals covering 5-10 years, taking into account the annual rental growth rate. The interest income on rental deposits was extrapolated by the one-year average deposit interest rate, and the disposal value was determined by the direct capitalization method under the income approach. The expected future cash outflows on investment properties included expenditures such as property taxes, insurance premiums, management fees, maintenance costs and replacement allowances. These expenditures were extrapolated on the basis of the current level of expenditures, taking into account the future adjustments to the government-announced land value, the tax rate promulgated under the Construction Cost Index and the House Tax Act and construction costs.

The discount rate was determined with reference to the interest rate for two-year time deposits of Chunghwa Post Co., Ltd. plus 0.75% and the risk premium of investment properties of 2.5%.

Part of the land owned by the Company which is located in the east of Taiwan was not developed yet. The fair value of the undeveloped land area was measured by the land development analysis approach. The increase in the estimated total sales price, the increase in the rate of return, or the decrease in the overall capital interest rate would result in increase in the fair value. The significant assumptions used are as follows:

| | <u>December 31</u> | |
|-------------------------------|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Estimated total sales price | <u>\$ 1,750,756</u> | <u>\$ 1,647,633</u> |
| Rate of return | 17%-20% | 18%-20% |
| Overall capital interest rate | 1.40%-2.68% | 1.34%-2.72% |

The total sales price is estimated on the basis of the most effective use of land or property available for sale after development is completed, taking into account the related regulations, optimism of domestic macroeconomic prospects, local land use, and comparable market prices.

Refer to Note 30 for the information on the carrying amounts of investment properties pledged as collateral for borrowings.

15. INTANGIBLE ASSETS

| | Computer Software |
|--|------------------------------|
| <u>Cost</u> | |
| Balance at January 1, 2021 | \$ 212,526 |
| Additions | 22,465 |
| Reclassifications | <u>10,097</u> |
| Balance at December 31, 2021 | <u>\$ 245,088</u> |
| <u>Accumulated amortization and impairment</u> | |
| Balance at January 1, 2021 | \$ (142,898) |
| Amortization expense | <u>(42,530)</u> |
| Balance at December 31, 2021 | <u>\$ (185,428)</u> |
| Carrying amount at December 31, 2021 | <u>\$ 59,660</u> |
| <u>Cost</u> | |
| Balance at January 1, 2020 | \$ 142,301 |
| Additions | 27,035 |
| Reclassifications | <u>43,190</u> |
| Balance at December 31, 2020 | <u>\$ 212,526</u> |

(Continued)

| | Computer Software |
|--|---------------------------------|
| <u>Accumulated amortization and impairment</u> | |
| Balance at January 1, 2020 | \$ (86,409) |
| Impairment loss | (6,307) |
| Amortization expense | <u>(50,182)</u> |
| Balance at December 31, 2020 | <u>\$ (142,898)</u> |
| Carrying amount at December 31, 2020 | <u>\$ 69,628</u> (Concluded) |

The following intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|-------------------|-----------|
| Computer software | 3-5 years |
|-------------------|-----------|

16. OTHER ASSETS

| | <u>December 31</u> | |
|--------------------------|--------------------|-------------------|
| | 2021 | 2020 |
| Refundable deposits | \$ 83,982 | \$ 160,077 |
| Prepayment for equipment | 40,134 | 39,461 |
| Leases incentives | 385,462 | 356,009 |
| Others | <u>13,989</u> | <u>68,005</u> |
| | <u>\$ 523,567</u> | <u>\$ 623,552</u> |
| Current | \$ 8,686 | \$ 60,981 |
| Non-current | <u>514,881</u> | <u>562,571</u> |
| | <u>\$ 523,567</u> | <u>\$ 623,552</u> |

17. BORROWINGS

a. Short-term borrowings

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | 2021 | 2020 |
| Credit loans | \$ 3,550,000 | \$ 3,950,000 |
| Secured loans (Note 30) | <u>1,250,000</u> | <u>700,000</u> |
| | <u>\$ 4,800,000</u> | <u>\$ 4,650,000</u> |
| Interest rate intervals are as follows | | |
| Credit loans | 0.75%-0.84% | 0.81%-0.87% |
| Secured loans | 0.83%-0.84% | 0.86% |

b. Short-term bills payable

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Commercial papers | \$ 1,550,000 | \$ 2,450,000 |
| Less: Unamortized discount on bills payable | <u>485</u> | <u>720</u> |
| | <u>\$ 1,549,515</u> | <u>\$ 2,449,280</u> |

Outstanding short-term bills payable are as follows:

December 31, 2021

| Promissory Institution | Nominal Amount | Discount Amount | Carrying Amount | Interest Rate | Collateral | Carrying Amount of Collateral |
|----------------------------------|---------------------|-----------------|---------------------|---------------|------------|-------------------------------|
| <u>Commercial papers</u> | | | | | | |
| Mega Bills Finance | \$ 600,000 | \$ 27 | \$ 599,973 | 0.59% | - | \$ - |
| China Bills Finance | 350,000 | 40 | 349,960 | 0.23%-0.30% | - | - |
| Grand Finance | 200,000 | 250 | 199,750 | 0.42% | - | - |
| International Bills Finance | 200,000 | 77 | 199,923 | 0.59% | - | - |
| Taiwan Cooperative Bills Finance | <u>200,000</u> | <u>91</u> | <u>199,909</u> | 0.68% | - | <u>-</u> |
| | <u>\$ 1,550,000</u> | <u>\$ 485</u> | <u>\$ 1,549,515</u> | | | <u>\$ -</u> |

December 31, 2020

| Promissory Institution | Nominal Amount | Discount Amount | Carrying Amount | Interest Rate | Collateral | Carrying Amount of Collateral |
|----------------------------------|---------------------|-----------------|---------------------|---------------|------------|-------------------------------|
| <u>Commercial papers</u> | | | | | | |
| Mega Bills Finance | \$ 500,000 | \$ 207 | \$ 499,793 | 0.62% | - | \$ - |
| Shanghai Bank | 500,000 | 196 | 499,804 | 0.332% | - | - |
| China Bills Finance | 350,000 | 57 | 349,943 | 0.25% | - | - |
| Grand Finance | 300,000 | 35 | 299,965 | 0.65% | - | - |
| International Bills Finance | 200,000 | 65 | 199,935 | 0.51% | - | - |
| Taiwan Cooperative Bills Finance | 200,000 | 14 | 199,986 | 0.70% | - | - |
| Taiwan Bills Finance | 200,000 | 99 | 199,901 | 0.60% | - | - |
| Ta Ching Bill Finance | <u>200,000</u> | <u>47</u> | <u>199,953</u> | 0.61% | - | <u>-</u> |
| | <u>\$ 2,450,000</u> | <u>\$ 720</u> | <u>\$ 2,449,280</u> | | | <u>\$ -</u> |

c. Long-term borrowings

| | <u>December 31</u> | |
|--|----------------------|----------------------|
| | <u>2021</u> | <u>2020</u> |
| Secured loans | \$ 9,500,000 | \$ 10,400,000 |
| Credit loans | 2,950,000 | 2,000,000 |
| Revolving commercial papers | <u>1,499,720</u> | <u>899,761</u> |
| | 13,949,720 | 13,299,761 |
| Less: Listed as part due within 1 year | <u>-</u> | <u>299,933</u> |
| | <u>\$ 13,949,720</u> | <u>\$ 12,999,828</u> |

Interest rate intervals are as follows:

| | | |
|-----------------------------|---------------|---------------|
| Secured loans | 0.840%-0.880% | 0.860%-0.880% |
| Credit loans | 0.830%-0.840% | 0.860% |
| Revolving commercial papers | 0.302% | 0.281%-0.402% |

Outstanding long-term bills payable are as follows:

December 31, 2021

| Promissory Institutions | Nominal Amount | Discount Amount | Carrying Amount | Interest Rate | Collateral | Carrying Amount of Collateral |
|--------------------------|---------------------|-----------------|---------------------|---------------|------------|-------------------------------|
| <u>Commercial papers</u> | | | | | | |
| KGI Commercial Bank | <u>\$ 1,500,000</u> | <u>\$ 280</u> | <u>\$ 1,499,720</u> | 0.302 | - | <u>\$ -</u> |

18. OTHER LIABILITIES

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Other payables | | |
| Payables for purchases of equipment | \$ 447,695 | \$ 636,325 |
| Payables for salaries and bonuses | 343,472 | 328,122 |
| Payables for remuneration of directors | 163,796 | 173,544 |
| Payables for compensation of employees | 48,525 | 77,093 |
| Others | <u>660,879</u> | <u>612,048</u> |
| | <u>\$ 1,664,367</u> | <u>\$ 1,827,132</u> |
| Other liabilities | | |
| Deposits received | \$ 83,420 | \$ 78,536 |
| Others | <u>160,013</u> | <u>128,603</u> |
| | <u>\$ 243,433</u> | <u>\$ 207,139</u> |
| Current | | |
| Other payables | <u>\$ 1,664,367</u> | <u>\$ 1,827,132</u> |
| Other liabilities | <u>\$ 160,013</u> | <u>\$ 128,603</u> |
| Non-current | | |
| Other liabilities | <u>\$ 83,420</u> | <u>\$ 78,536</u> |

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the following year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the following year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plan are as follows:

| | December 31 | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| Present value of the defined benefit obligation | \$ 662,495 | \$ 691,522 |
| Fair value of the plan assets | <u>(859,196)</u> | <u>(897,385)</u> |
| Net defined benefit assets | <u>\$ (196,701)</u> | <u>\$ (205,863)</u> |

Movements in net defined benefit assets are as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities |
|---|--|--|--|
| Balance at January 1, 2021 | <u>\$ 691,522</u> | <u>\$ (897,385)</u> | <u>\$ (205,863)</u> |
| Service cost | | | |
| Current service cost | 4,298 | - | 4,298 |
| Net interest expense (income) | <u>3,458</u> | <u>(4,502)</u> | <u>(1,044)</u> |
| Recognized in profit or loss | <u>7,756</u> | <u>(4,502)</u> | <u>3,254</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | 45,740 | 45,740 |
| Actuarial loss - changes in demographic assumptions | 13,493 | - | 13,493 |
| Actuarial loss - experience adjustments | <u>(28,955)</u> | <u>-</u> | <u>(28,955)</u> |
| Recognized in other comprehensive income | <u>(15,462)</u> | <u>45,740</u> | <u>30,278</u> |
| Contributions from the employer | - | (24,370) | (24,370) |
| Benefits paid | <u>(21,321)</u> | <u>21,321</u> | <u>-</u> |
| Balance at December 31, 2021 | <u>\$ 662,495</u> | <u>\$ (859,196)</u> | <u>\$ (196,701)</u> |

(Continued)

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities |
|---|--|--|--|
| Balance at January 1, 2020 | <u>\$ 690,534</u> | <u>\$ (924,569)</u> | <u>\$ (234,035)</u> |
| Service cost | | | |
| Current service cost | 5,044 | - | 5,044 |
| Net interest expense (income) | <u>5,179</u> | <u>(6,955)</u> | <u>(1,776)</u> |
| Recognized in profit or loss | <u>10,223</u> | <u>(6,955)</u> | <u>3,268</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | 40,112 | 40,112 |
| Actuarial loss - changes in demographic assumptions | 2,462 | - | 2,462 |
| Actuarial loss - changes in financial assumptions | 16,849 | - | 16,849 |
| Actuarial loss - experience adjustments | <u>11,630</u> | <u>-</u> | <u>11,630</u> |
| Recognized in other comprehensive income | <u>30,941</u> | <u>40,112</u> | <u>71,053</u> |
| Contributions from the employer | - | (46,149) | (46,149) |
| Benefits paid | <u>(40,176)</u> | <u>40,176</u> | <u>-</u> |
| Balance at December 31, 2020 | <u>\$ 691,522</u> | <u>\$ (897,385)</u> | <u>\$ (205,863)</u> (Concluded) |

Through the defined benefit plan under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments of the plan assets.
- 3) Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

| | December 31 | |
|-----------------------------------|--------------------|-------------|
| | 2021 | 2020 |
| Discount rates | 0.500% | 0.500% |
| Expected rates of salary increase | 2.000% | 2.000% |

If possible reasonable change in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

| | December 31 | |
|-------------------------------------|--------------------|--------------------|
| | 2021 | 2020 |
| Discount rate(s) | | |
| 0.25% increase | <u>\$ (15,360)</u> | <u>\$ (16,862)</u> |
| 0.25% decrease | <u>\$ 15,906</u> | <u>\$ 17,485</u> |
| Expected rate(s) of salary increase | | |
| 0.25% increase | <u>\$ 15,395</u> | <u>\$ 16,923</u> |
| 0.25% decrease | <u>\$ (14,947)</u> | <u>\$ (16,409)</u> |

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

| | December 31 | |
|--|--------------------|-----------------|
| | 2021 | 2020 |
| The expected contributions to the plan for the next year | <u>\$ 5,109</u> | <u>\$ 5,356</u> |
| The average duration of the defined benefit obligation | 9.4 years | 9.9 years |

20. EQUITY

a. Share capital

Ordinary shares

| | December 31 | |
|---|----------------------|----------------------|
| | 2021 | 2020 |
| Shares authorized (in thousands) | <u>1,750,000</u> | <u>1,750,000</u> |
| Shares authorized | <u>\$ 17,500,000</u> | <u>\$ 17,500,000</u> |
| Shares issued and fully paid (in thousands) | <u>1,416,941</u> | <u>1,416,941</u> |
| Shares issued | <u>\$ 14,169,406</u> | <u>\$ 14,169,406</u> |

Fully paid ordinary shares, which have a par value of \$10, are entitled to one vote and a right to receive dividends per share.

b. Capital surplus

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u> | | |
| Issuance in excess of ordinary shares | \$ 2,142,074 | \$ 2,142,074 |
| Treasury share transactions | 1,173,346 | 1,173,346 |
| <u>May only be used to offset a deficit</u> | | |
| Changes in percentage of ownership interest in subsidiaries and associates | <u>25,562</u> | <u>23,371</u> |
| | <u>\$ 3,340,982</u> | <u>\$ 3,338,791</u> |

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

According to the Articles of Incorporation, where the Company makes profit in a fiscal year, the profit shall be first utilized to make its business income tax payments and offset deficit. From any remaining profit, out of the profit after tax for the current period plus other profit items adjusted to the current year's undistributed earnings other than profit after tax for the period, 10% will be appropriated as a legal reserve. After appropriating to the special reserve as required by government regulations, the remaining amount, along with any prior years' undistributed earnings, may be utilized for earnings distribution in the form of dividend based on shareholding percentage. However, the Company may retain a certain portion depending on the operating needs. In case of a capital increase during the year, dividends appropriated to new shareholders are subject to the resolution passed in the shareholders' meeting. For policies of compensation of employees and remuneration of directors stipulated by the Articles of Incorporation, please see Note 22(i).

The Company's distribution of dividends would be in consideration of economic conditions, tax obligations, and operating requirements for cash. For an orderly system of dividend distribution, the dividends are distributed in accordance with the Articles of Incorporation. In addition, improvements of the financial structure and support for investment, capacity expansion or other major capital expenditures. The cash dividends to be distributed should not be below 50% than the current year's post-tax net profit deduction, offsetting losses of previous years, the statutory surplus reserve and the special surplus reserve, except for the improvement of financial structure and the transfer of funds, capacity expansion or other major capital expenditures. The cash dividends to be distributed should not be below 10% of the total cash and share dividends for the current accounting year.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2020 and 2019, which were approved in the shareholders' meetings on July 27, 2021 and June 24, 2020, respectively, are as follows:

| | For the Year Ended December 31 | |
|---------------------------------|---------------------------------------|--------------|
| | 2020 | 2019 |
| Legal reserve | \$ 186,704 | \$ 125,920 |
| Special reserve | \$ (89,694) | \$ (156,088) |
| Cash dividends | \$ 1,558,635 | \$ 1,133,552 |
| Cash dividends per share (NT\$) | \$ 1.10 | \$ 0.80 |

The appropriation of earnings for 2021 was proposed by the board of directors on March 4, 2022. The appropriations and dividends per share are as follows:

| | For the Year Ended December 31, 2021 |
|---------------------------------|---|
| Legal reserve | \$ 117,699 |
| Special reserve | \$ 38,409 |
| Cash dividends | \$ 1,275,247 |
| Cash dividends per share (NT\$) | \$ 0.9 |

The appropriation of earnings for 2021 is subject to the resolution of the shareholders in their meeting to be held on June 24, 2022.

d. Special reserve

| | For the Year Ended December 31 | |
|---|---------------------------------------|--------------|
| | 2021 | 2020 |
| Beginning at January 1 | \$ 2,709,263 | \$ 2,865,351 |
| Reversals of special reserve | | |
| Reversal of fair value of investment properties | (89,694) | (156,088) |
| Balance at December 31 | \$ 2,619,569 | \$ 2,709,263 |

On the initial application of the fair value model to investment properties and on the initial application of IFRS 16, property leasehold interests which were previously accounted for as operating leases under IAS 17 are recognized as investment properties and measured at fair value, the Company appropriated for a special reserve at the amount that was the same as the net increase arising from fair value measurement and transferred to retained earnings. The additional special reserve should be appropriated for subsequent net increases in fair value. The amount appropriated may be reversed to the extent that the cumulative net increases in fair value decrease or on the disposal of investment properties.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

| | For the Year Ended December 31 | |
|--|---------------------------------------|------------------|
| | 2021 | 2020 |
| Beginning at January 1 | \$ 68,550 | \$ 65,325 |
| Exchange difference of subsidiaries and associates accounted for using the equity method | <u>2,615</u> | <u>3,225</u> |
| Balance at December 31 | <u>\$ 65,935</u> | <u>\$ 68,550</u> |

2) Unrealized gain (loss) on financial assets at FVTOCI

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2021 | 2020 |
| Beginning at January 1 | \$ 2,714,351 | \$ 3,058,874 |
| Recognized for the year | | |
| Unrealized gain (loss) - equity instruments | 58,315 | (255,429) |
| Share from subsidiaries and associates accounted for using the equity method | <u>168,474</u> | <u>(90,130)</u> |
| Other comprehensive income recognized for the year | 2,941,140 | 2,713,315 |
| Reclassification adjustment | | |
| Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal | <u>3,792</u> | <u>1,036</u> |
| Balance at December 31 | <u>\$ 2,944,932</u> | <u>\$ 2,714,351</u> |

f. Treasury shares

The shares that the subsidiaries held were acquired before the Company Act was amended in 2001. The Company's shares held by its subsidiaries at the end of the reporting period are as follows:

December 31, 2021

| Name of Subsidiary | Number of Shares Held (In Thousands of Shares) | Carrying Amount | Market Price |
|-------------------------------|---|------------------|-------------------|
| Bai Ding Investment Co., Ltd. | 8,207 | \$ <u>97,110</u> | \$ <u>176,023</u> |

December 31, 2020

| Name of Subsidiary | Number of Shares Held (In Thousands of Shares) | Carrying Amount | Market Price |
|-------------------------------|---|------------------|-------------------|
| Bai Ding Investment Co., Ltd. | 8,207 | \$ <u>97,110</u> | \$ <u>196,949</u> |

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote. The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuances for cash and to vote.

21. REVENUE

| | For the Year Ended December 31 | |
|---|---------------------------------------|----------------------|
| | 2021 | 2020 |
| Sale of goods (Note) | <u>\$ 4,473,828</u> | <u>\$ 5,061,768</u> |
| Commissions from concessionaires' sales (Note) | <u>3,584,222</u> | <u>3,929,067</u> |
| Maintenance and promotion fee income | <u>665,855</u> | <u>714,932</u> |
| Rental income | | |
| Investment properties (Note 14) | | |
| Variable lease payments that do not depend on an index or a rate and contingent rentals | 18,939 | 20,850 |
| Other lease payments | <u>244,379</u> | <u>217,608</u> |
| | <u>263,318</u> | <u>238,458</u> |
| Other operating leases | | |
| Variable lease payments that do not depend on an index or a rate | 85,677 | 103,295 |
| Other lease payments | <u>555,433</u> | <u>573,746</u> |
| | <u>641,110</u> | <u>677,041</u> |
| | <u>904,428</u> | <u>915,499</u> |
| Others | <u>385,649</u> | <u>415,789</u> |
| | <u>\$ 10,013,982</u> | <u>\$ 11,037,055</u> |

Note: Gross revenue is presented as follows:

| | For the Year Ended December 31 | |
|------------------------|---------------------------------------|----------------------|
| | 2021 | 2020 |
| Concessionaires' sales | \$ 39,859,941 | \$ 39,946,194 |
| Sale of goods | <u>4,702,332</u> | <u>5,311,412</u> |
| | <u>\$ 44,562,273</u> | <u>\$ 45,257,606</u> |

Contract Balances

| | December 31, 2021 | December 31, 2020 | January 1, 2020 |
|--------------------------------|------------------------------|------------------------------|------------------------|
| Notes receivable (Note 9) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3</u> |
| Trade receivable (Note 9) | <u>\$ 648,089</u> | <u>\$ 322,111</u> | <u>\$ 425,281</u> |
| Contract liabilities - current | | | |
| Sale of goods | \$ 3,908,338 | \$ 3,163,634 | \$ 2,991,519 |
| Customer loyalty programs | <u>30,522</u> | <u>39,308</u> | <u>33,007</u> |
| | <u>\$ 3,938,860</u> | <u>\$ 3,202,942</u> | <u>\$ 3,024,526</u> |

The changes in the balance of contract liabilities primarily result from the timing difference between the Company's performance and the respective customer's payment.

Revenue of the reporting period recognized from the beginning contract liabilities which were satisfied in the previous periods is as follows:

| | <u>For the Year Ended December 31</u> | |
|---|--|---------------------|
| | 2021 | 2020 |
| <u>From contract liabilities at the start of the years</u> | | |
| Sale of goods | \$ 1,144,805 | \$ 1,225,774 |
| Customer loyalty programs | <u>39,308</u> | <u>33,007</u> |
| | <u>\$ 1,184,113</u> | <u>\$ 1,258,781</u> |

22. NET PROFIT FOR THE YEAR

Net profit for the year includes the following items:

a. Operating costs

| | <u>For the Year Ended December 31</u> | |
|------------------------|--|---------------------|
| | 2021 | 2020 |
| Operating costs | | |
| Cost of sales | \$ 3,699,762 | \$ 4,185,447 |
| Rental costs | 181,150 | 183,606 |
| Others | <u>37,715</u> | <u>36,778</u> |
| | <u>\$ 3,918,627</u> | <u>\$ 4,405,831</u> |

b. Interest income

| | <u>For the Year Ended December 31</u> | |
|------------------------|--|---------------|
| | 2021 | 2020 |
| Interest income | | |
| Bank deposits | \$ 129 | \$ 933 |
| Others | <u>1</u> | <u>-</u> |
| | <u>\$ 130</u> | <u>\$ 933</u> |

c. Other income

| | <u>For the Year Ended December 31</u> | |
|------------------|--|-------------------|
| | 2021 | 2020 |
| Dividends income | <u>\$ 201,956</u> | <u>\$ 181,578</u> |

d. Other gains and losses

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2021 | 2020 |
| Loss on disposal of investment properties, net | \$ (335) | \$ (116) |
| Foreign exchange loss, net | (322) | (117) |
| Loss on disposal of property, plant and equipment, net | (2,199) | (5,157) |
| Impairment loss of investment under the equity method | (437,462) | - |
| Impairment loss of intangible assets | - | (6,307) |
| Profit from the adjustment of fair value of investment property | 42,435 | 19,544 |
| Other gains | 64,815 | 66,908 |
| Other losses | <u>(9,532)</u> | <u>(9,750)</u> |
| | <u>\$ 342,600</u> | <u>\$ 65,005</u> |

e. Finance costs

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2021 | 2020 |
| Interest on lease liabilities | \$ 243,497 | \$ 254,151 |
| Interest on bank loans | 167,984 | 186,719 |
| Other interest expense | <u>26,952</u> | <u>25,507</u> |
| Total interest expense of financial liabilities not measured at fair value through profit or loss | <u>\$ 438,433</u> | <u>\$ 466,377</u> |

f. Depreciation and amortization

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2021 | 2020 |
| Property, plant and equipment | \$ 894,094 | \$ 984,502 |
| Right-of-use assets | 1,149,612 | 1,145,458 |
| Less: Adjustment to receipts in advance and depreciation | <u>(71,098)</u> | <u>(95,200)</u> |
| | 1,972,608 | 2,034,760 |
| Intangible assets (including amortization expense) | <u>42,530</u> | <u>50,182</u> |
| | <u>\$ 2,015,138</u> | <u>\$ 2,084,942</u> |
| An analysis of deprecation by function | | |
| Operating costs | \$ 87,736 | \$ 90,755 |
| Operating expenses | <u>1,884,872</u> | <u>1,944,005</u> |
| | <u>\$ 1,972,608</u> | <u>\$ 2,034,760</u> |
| An analysis of amortization by function | | |
| Operating expenses | <u>\$ 42,530</u> | <u>\$ 50,182</u> |

g. Operating expenses directly related to investment properties

| | <u>For the Year Ended December 31</u> | |
|---|--|--------------------------|
| | 2021 | 2020 |
| Direct operating expenses from investment properties generating rental income | \$ 80,817 | \$ 83,843 |
| Direct operating expenses from investment properties not generating rental income | <u>31,401</u> | <u>33,313</u> |
| | <u>\$ 112,218</u> | <u>\$ 117,156</u> |

h. Employee benefits expenses

| | <u>For the Year Ended December 31</u> | |
|---|--|----------------------------|
| | 2021 | 2020 |
| Post-employment benefits (Note 19) | | |
| Defined contribution plan | \$ 34,640 | \$ 34,163 |
| Defined benefit plan | <u>3,254</u> | <u>3,268</u> |
| | 37,894 | 37,431 |
| Other employee benefits | <u>1,091,078</u> | <u>1,196,997</u> |
| Total employee benefits expenses | <u>\$ 1,128,972</u> | <u>\$ 1,234,428</u> |
| An analysis of employee benefits expenses by function | | |
| Operating expenses | <u>\$ 1,128,972</u> | <u>\$ 1,234,428</u> |

i. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors at a rate of 2% to 3.5% and no less than 2.5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March 4, 2022 and March 23, 2021, respectively, are as follows:

Accrual rate

| | <u>For the Year Ended December 31</u> | |
|---------------------------|--|-------------|
| | 2021 | 2020 |
| Compensation of employees | 3.2% | 3.2% |
| Remuneration of directors | 2.4% | 2.4% |

Amount

| | <u>For the Year Ended December 31</u> | |
|---------------------------|--|-------------|
| | 2021 | 2020 |
| | Cash | Cash |
| Compensation of employees | \$ 47,003 | \$ 75,603 |
| Remuneration of directors | 35,252 | 56,702 |

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2021 | 2020 |
| Current income tax | | |
| In respect of the current year | \$ 224,418 | \$ 245,710 |
| Adjustments for the prior year | <u>(971)</u> | <u>267</u> |
| | <u>223,447</u> | <u>245,977</u> |
| Deferred income tax | | |
| In respect of the current year | (48,468) | 37,894 |
| Adjustments for the prior year | <u>3,508</u> | <u>7,269</u> |
| | <u>(44,960)</u> | <u>45,163</u> |
| Income tax expense recognized in profit or loss | <u>\$ 178,487</u> | <u>\$ 291,140</u> |

A reconciliation of accounting profit and income tax expenses is as follows:

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2021 | 2020 |
| Profit before income tax from continuing operations | <u>\$ 1,386,587</u> | <u>\$ 2,230,279</u> |
| Income tax expense calculated at the statutory rate | \$ 277,318 | \$ 446,056 |
| Nondeductible expenses in determining taxable income | 9 | 599 |
| Tax-exempt income | (239,357) | (137,407) |
| Unrecognized deductible temporary differences | 132,884 | (22,753) |
| Adjustments for prior years' income tax | (971) | 267 |
| Adjustments for prior years' deferred tax | 3,508 | 7,269 |
| Land value increment tax | <u>5,096</u> | <u>(2,891)</u> |
| Income tax expense recognized in profit or loss | <u>\$ 178,487</u> | <u>\$ 291,140</u> |

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|--|---------------------------------------|------------------|
| | 2021 | 2020 |
| <u>Deferred tax</u> | | |
| In respect of the current year | | |
| Remeasurement on defined benefit plans | <u>\$ 6,055</u> | <u>\$ 14,211</u> |

c. Current tax assets and liabilities

| | December 31 | |
|-------------------------|--------------------|-------------------|
| | 2021 | 2020 |
| Current tax liabilities | | |
| Income tax payable | <u>\$ 101,329</u> | <u>\$ 111,095</u> |

d. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities are as follows:

For the year ended December 31, 2021

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensi ve Income | Closing Balance |
|---|----------------------------|---|--|----------------------------|
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| Investments accounted for using the equity method | \$ 17,628 | \$ (122) | \$ - | \$ 17,506 |
| Promotion expense on gift certificates | 18,471 | 3,341 | - | 21,812 |
| Right-of-use assets | 18,229 | (920) | - | 17,309 |
| Others | <u>25,890</u> | <u>(2,021)</u> | <u>-</u> | <u>23,869</u> |
| | <u>\$ 80,218</u> | <u>\$ 278</u> | <u>\$ -</u> | <u>\$ 80,496</u> |
| <u>Deferred tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Depreciation | \$ 1,075,613 | \$ 27,745 | \$ - | \$ 1,103,358 |
| Reserve for land revaluation increment tax | 388,266 | 5,096 | - | 393,362 |
| Investment properties | 360,774 | (69,978) | - | 290,796 |
| Investments accounted for using the equity method | 244,827 | (17,404) | - | 227,423 |
| Differences of pension in determining taxable income | 41,172 | 4,223 | (6,055) | 39,340 |
| Others | <u>72,815</u> | <u>5,636</u> | <u>-</u> | <u>78,451</u> |
| | <u>\$ 2,183,467</u> | <u>\$ (44,682)</u> | <u>\$ (6,055)</u> | <u>\$ 2,132,730</u> |

For the year ended December 31, 2020

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehen sive Income | Closing Balance |
|--|----------------------------|---|--|----------------------------|
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| Investments accounted for using the equity method | \$ 9,435 | \$ 8,193 | \$ - | \$ 17,628 |
| Promotion expense on gift certificates | 18,488 | (17) | - | 18,471 |
| Right-of-use assets | 20,071 | (1,842) | - | 18,229 |
| Others | <u>22,350</u> | <u>3,540</u> | <u>-</u> | <u>25,890</u> |
| | <u>\$ 70,344</u> | <u>\$ 9,874</u> | <u>\$ -</u> | <u>\$ 80,218</u> |
| <u>Deferred tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Depreciation | \$ 1,031,733 | \$ 43,880 | \$ - | \$ 1,075,613 |
| Reserve for land revaluation increment tax | 391,157 | (2,891) | - | 388,266 |
| Investment properties | 363,604 | (2,830) | - | 360,774 |
| Investments accounted for using the equity method | 245,340 | (513) | - | 244,827 |
| Differences of pension in determining taxable income | 46,807 | 8,576 | (14,211) | 41,172 |
| Others | <u>64,000</u> | <u>8,815</u> | <u>-</u> | <u>72,815</u> |
| | <u>\$ 2,142,641</u> | <u>\$ 55,037</u> | <u>\$ (14,211)</u> | <u>\$ 2,183,467</u> |

- e. Deductible temporary differences for which no deferred tax assets were recognized in the balance sheets

| | <u>December 31</u> | |
|----------------------------------|---------------------|-------------------|
| | <u>2021</u> | <u>2020</u> |
| Deductible temporary differences | <u>\$ 1,486,629</u> | <u>\$ 822,205</u> |

- f. Income tax assessments

The Company's income tax returns through 2019 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

| | Unit: NT\$ Per Share | |
|----------------------------|---------------------------------------|----------------|
| | For the Year Ended December 31 | |
| | <u>2021</u> | <u>2020</u> |
| Basic earnings per share | <u>\$ 0.86</u> | <u>\$ 1.38</u> |
| Diluted earnings per share | <u>\$ 0.86</u> | <u>\$ 1.37</u> |

Earnings and weighted average number of ordinary shares outstanding for the computation of earnings per share are as follows:

Net Profit for the Year

| | For the Year Ended December 31 | |
|--|---------------------------------------|----------------------------|
| | 2021 | 2020 |
| Net profit for the year | \$ 1,208,100 | \$ 1,939,139 |
| Effect of potential dilutive ordinary shares: | | |
| Compensation of employees | <u> -</u> | <u> -</u> |
| Earnings used in the computation of diluted earnings per share | <u>\$ 1,208,100</u> | <u>\$ 1,939,139</u> |

Shares

(In Thousand Shares)

| | For the Year Ended December 31 | |
|--|---------------------------------------|--------------------|
| | 2021 | 2020 |
| Weighted average number of ordinary shares outstanding in computation of basic earnings per share | 1,408,734 | 1,408,734 |
| Effect of potential dilutive ordinary shares: | | |
| Compensation of employees | <u> 3,237</u> | <u> 4,499</u> |
| Weighted average number of ordinary shares outstanding in computation of dilutive earnings per share | <u>1,411,971</u> | <u>1,413,233</u> |

The Company may settle the compensation paid to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in their meeting in the following year.

25. GOVERNMENT SUBSIDIES

The Company received a nonrecurring business allowance for an amount of \$53,600 thousand in accordance with Article 5-1 of the “Financial Relief for Industries and Businesses Affected by the COVID-19 Pandemic by the MOEA” in 2021, which was debited to the “operating expenses.”

26. CASH FLOW INFORMATION

a. Non-cash transactions

For the years ended December 31, 2021 and 2020, the Company engaged in the following non-cash investing activities:

For the years ended December 31, 2021 and 2020, the prepayment for equipment reclassified to property, plant and equipment amounted to \$26,475 thousand and \$19,729 thousand, respectively (please see Note 12).

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2021

| | Opening Balance | Cash Flows | Non-cash Changes | | | Closing Balance |
|-------------------------------|----------------------|---------------------|------------------|-------------------------|---------------------|----------------------|
| | | | New Leases | Change in Exchange Rate | Others | |
| Short-term borrowings | \$ 4,650,000 | \$ 150,000 | \$ - | \$ - | \$ - | \$ 4,800,000 |
| Short-term bills payable | 2,449,280 | (899,765) | - | - | - | 1,549,515 |
| Long-term borrowings | | | | | | |
| (including current portion) | 13,299,761 | 649,959 | - | - | - | 13,949,720 |
| Lease liabilities | 14,785,326 | (527,684) | 3,460 | - | (170,191) | 14,090,911 |
| Other non-current liabilities | <u>78,536</u> | <u>4,884</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>83,420</u> |
| | <u>\$ 35,262,903</u> | <u>\$ (622,606)</u> | <u>\$ 3,460</u> | <u>\$ -</u> | <u>\$ (170,191)</u> | <u>\$ 34,473,566</u> |

For the year ended December 31, 2020

| | Opening Balance | Cash Flows | Non-cash Changes | | | Closing Balance |
|-------------------------------|----------------------|-----------------------|-------------------|-------------------------|---------------------|----------------------|
| | | | New Leases | Change in Exchange Rate | Others | |
| Short-term borrowings | \$ 5,000,000 | \$ (350,000) | \$ - | \$ - | \$ - | \$ 4,650,000 |
| Short-term bills payable | 2,499,312 | (50,032) | - | - | - | 2,449,280 |
| Long-term borrowings | | | | | | |
| (including current portion) | 14,299,757 | (999,996) | - | - | - | 13,299,761 |
| Lease liabilities | 15,327,788 | (570,201) | 141,567 | - | (113,828) | 14,785,326 |
| Other non-current liabilities | <u>100,514</u> | <u>(21,978)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>78,536</u> |
| | <u>\$ 37,227,371</u> | <u>\$ (1,992,207)</u> | <u>\$ 141,567</u> | <u>\$ -</u> | <u>\$ (113,828)</u> | <u>\$ 35,262,903</u> |

27. CAPITAL MANAGEMENT

Under its operating development schemes and related government rules, the Company manages its capital to ensure it can continue to operate as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash) and equity of the Company (comprising share capital, capital surplus, retained earnings and other equity). The Company's capital management concerns its capital expenditures for capital structure and relative risks to ensure the optimal capital structure, and the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued, proceeds from borrowings and repayments of borrowings, in order to balance the overall capital structure.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The financial instruments not measured at fair value are either those with due dates in the near future or those with a future collection value which approximately equals its carrying amount. Thus, the fair value of these financial instruments are estimated at their carrying amounts on the financial reporting date.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|---------------------|----------------|-------------------|---------------------|
| <u>Financial assets at FVTOCI</u> | | | | |
| Equity investments | | | | |
| Domestic listed ordinary shares | \$ 2,799,978 | \$ - | \$ - | \$ 2,799,978 |
| Domestic unlisted ordinary shares | - | - | 103,957 | 103,957 |
| | <u>\$ 2,799,978</u> | <u>\$ -</u> | <u>\$ 103,957</u> | <u>\$ 2,903,935</u> |

December 31, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|---------------------|----------------|-------------------|---------------------|
| <u>Financial assets at FVTOCI</u> | | | | |
| Equity investments | | | | |
| Domestic listed ordinary shares | \$ 2,737,990 | \$ - | \$ - | \$ 2,737,990 |
| Domestic unlisted ordinary shares | - | - | 107,630 | 107,630 |
| | <u>\$ 2,737,990</u> | <u>\$ -</u> | <u>\$ 107,630</u> | <u>\$ 2,845,620</u> |

There were no transfers between Level 1 and 2 in both 2021 and 2020.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2021

| Financial Assets | Investment in Equity Instruments at FVTOCI |
|---|---|
| Balance at January 1, 2021 | \$ 107,630 |
| Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI) | <u>(3,673)</u> |
| Balance at December 31, 2021 | <u>\$ 103,957</u> |

For the year ended December 31, 2020

| Financial Assets | Investment in Equity Instruments at FVTOCI |
|---|---|
| Balance at January 1, 2020 | \$ 107,588 |
| Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI) | <u>42</u> |
| Balance at December 31, 2020 | <u>\$ 107,630</u> |

3) Valuation techniques and inputs applied for Level 3 fair value measurements

| <u>Financial Instruments</u> | <u>Valuation Techniques and Inputs</u> |
|------------------------------|---|
| Domestic unlisted shares | <p>a) Asset-based approach. Valuation based on the fair value of an investee, calculated through each investment of the investee using the income approach, market approach or a combination of the two approaches, while also taking the liquidity premium into consideration.</p> <p>b) Transaction method of market approach. The approach is a valuation strategy based on market ratios of companies with similar profitability at the end of the reporting period, while taking the liquidity premium into consideration.</p> |

c. Categories of financial instruments

| | <u>December 31</u> | |
|--|--------------------|--------------|
| | <u>2021</u> | <u>2020</u> |
| <u>Financial assets</u> | | |
| Financial assets at amortized cost (1) | \$ 2,003,083 | \$ 1,576,190 |
| Equity instruments at FVTOCI | 2,903,935 | 2,845,620 |
| <u>Financial liabilities</u> | | |
| Measured at amortized cost (2) | 26,335,075 | 26,176,982 |

1) The balance amount includes cash and cash equivalents, trade receivable (including related parties), other receivables, refundable deposits, and other financial assets measured at amortized cost.

2) The balances included the carrying amount of short-term borrowings, short-term bills payable, notes payable and trade payables (including related parties), other payables, long-term borrowings including the current portion and deposits received, which are measured at amortized cost.

d. Financial risk management objectives and policies

The Company's main financial instruments include equity instrument investments, accounts receivable, accounts payable, loans, and lease liabilities. The purpose of the Company's financial risk management is to manage market risk (including exchange rate risk, interest rate risk and other price risk), credit risk, liquidity risk, and other financial risks related to operating activities. The Company's Finance Department strives to analyze and evaluate financial risk factors related to the market, and then propose and implement relevant responsive strategies to reduce the impact of risks related to market changes.

The main financial activities of the Company are governed by the Company's internal management and approved by the board of directors. The financial schemes, which include fund raising plans should be carried out in compliance with the Company's policies.

1) Market risk

a) Interest rate risk

The Company was exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period are as follows:

| | December 31 | |
|-------------------------------|--------------------|-------------|
| | 2021 | 2020 |
| Fair value interest rate risk | | |
| Financial assets | \$ 47,508 | \$ 39,354 |
| Financial liabilities | 14,090,911 | 14,785,326 |
| Cash flow interest rate risk | | |
| Financial assets | 105,142 | 88,585 |
| Financial liabilities | 20,299,235 | 20,399,041 |

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for financial assets and financial liabilities at the end of the reporting period. For sensitivity analysis purposes, the sensitivity rate was adjusted as a result of the volatile financial market. The measurement of the increase or decrease in the interest rates is based on 100 basis points, which is reported to the senior management denoting the management's assessment for the reasonableness of the fluctuation of the interest rates.

If interest rates increase/decrease by 100 basis points and all variables remained unchanged, the profit before tax for the years ended December 31, 2021 and 2020 would decrease/increase by \$201,941 thousand and \$203,105 thousand, respectively.

b) Other price risks

The Company was exposed to equity price risks involving equity investments in listed companies and beneficial certificates. The Company's investments in listed companies and beneficial certificates should be in compliance with the rules made by the board of directors in order to achieve the goal of risk management and maximize the returns on investments.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period. For sensitivity analysis purposes, the sensitivity rate was adjusted as a result of the volatile financial market.

If equity prices increase/decrease by 5%, the pre-tax other comprehensive income for the years ended December 31, 2021 and 2020 would increase/decrease by \$145,197 thousand and \$142,281 thousand, respectively, due to the change in fair value of financial assets measured at fair value through other comprehensive income.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the reporting period, the Company's credit risk was mainly contributed from trade receivables in operating activities, bank deposits and financial instruments in financial activities.

To maintain the quality of trade receivables, the Company manages credit risk by assessing customers' credit status in terms of financial status, historical transactions, etc., and obtains an adequate amount of collaterals as guarantees from the customers with high credit risk. In addition, the Company reviews the recoverable amount of each trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. On the credit risk management of bank deposits and other financial instruments, the Company trades with counterparties which comprise banks with good credit ratings.

3) Liquidity risk

Liquidity risk is a risk in which the Company has difficulty in settling its financial liabilities either by cash or other financial assets. The Company manages its liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance its operations and mitigate the effects of fluctuations in cash flows. Further, the management monitors the use of bank borrowings and ensures compliance with loan covenants, to avoid critical damage and mitigate the reputation risk facing the Company.

To cater to the demand of capital payments for a particular purpose, the Company maintains adequate cash by way of long-term financing/borrowings. For the management of cash shortage, the Company monitors cash management and allocates cash appropriately to maintain financial flexibility and ensure the mitigation of liquidity risk.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

December 31, 2021

| | On Demand or Not Later than 1 Year | 1-2 Years | 2-3 Years | 3-4 Years | 4-5 Years | 5+ Years | Total |
|--|--|------------|-----------|-----------|-----------|------------|--------------|
| <u>Non-derivative financial liabilities</u> | | | | | | | |
| Short-term borrowings | \$ 4,800,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,800,000 |
| Short-term bills payable | 1,549,515 | - | - | - | - | - | 1,549,515 |
| Trade payables | 4,237,424 | - | - | - | - | - | 4,237,424 |
| Trade payables to related parties | 50,629 | - | - | - | - | - | 50,629 |
| Other payables | 1,664,367 | - | - | - | - | - | 1,664,367 |
| Lease liabilities | 945,167 | 941,260 | 927,775 | 848,090 | 849,859 | 12,213,035 | 16,725,186 |
| Long-term borrowings (including current portion) | - | 13,949,720 | - | - | - | - | 13,949,720 |
| Deposits received | 54,988 | 4,546 | 5,752 | 18,134 | - | - | 83,420 |

Additional information on the maturity analysis for lease liabilities

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|-------------------|-----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Lease liabilities | <u>\$ 945,167</u> | <u>\$ 3,566,984</u> | <u>\$ 4,274,383</u> | <u>\$ 3,658,039</u> | <u>\$ 2,333,269</u> | <u>\$ 1,947,344</u> |

December 31, 2020

| | On Demand or Not Later than 1 Year | 1-2 Years | 2-3 Years | 3-4 Years | 4-5 Years | 5+ Years | Total |
|--|---|------------------|------------------|------------------|------------------|-----------------|--------------|
| <u>Non-derivative financial liabilities</u> | | | | | | | |
| Short-term borrowings | \$ 4,650,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,650,000 |
| Short-term bills payable | 2,449,280 | - | - | - | - | - | 2,449,280 |
| Trade payables | 3,822,290 | - | - | - | - | - | 3,822,290 |
| Trade payables to related parties | 49,983 | - | - | - | - | - | 49,983 |
| Other payables | 1,827,132 | - | - | - | - | - | 1,827,132 |
| Lease liabilities | 941,237 | 944,462 | 940,553 | 927,068 | 847,382 | 13,062,511 | 17,663,213 |
| Long-term borrowings (including current portion) | 299,933 | 9,599,828 | 3,400,000 | - | - | - | 13,299,761 |
| Deposits received | 44,741 | 6,237 | 4,546 | 5,752 | 16,060 | 1,200 | 78,536 |

Additional information on the maturity analysis for lease liabilities

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|-------------------|-----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Lease liabilities | <u>\$ 941,237</u> | <u>\$ 3,659,465</u> | <u>\$ 4,264,801</u> | <u>\$ 3,865,346</u> | <u>\$ 2,518,365</u> | <u>\$ 2,413,999</u> |

The amounts of variable interest rate instruments for both non-derivative financial liabilities mentioned above are subject to change if the changes in variable interest rates differ from those estimates of interest rates determined at the end of the year.

b) Financing facilities

| | <u>December 31</u> | |
|-------------------------------------|----------------------|----------------------|
| | 2021 | 2020 |
| Unsecured bank overdraft facilities | | |
| Amount used | \$ - | \$ - |
| Amount unused | <u>100,000</u> | <u>100,000</u> |
| | <u>\$ 100,000</u> | <u>\$ 100,000</u> |
| Secured bank loan facilities | | |
| Amount used | \$ 10,750,000 | \$ 11,100,000 |
| Amount unused | <u>6,350,000</u> | <u>4,000,000</u> |
| | <u>\$ 17,100,000</u> | <u>\$ 15,100,000</u> |
| Unsecured bank loan facilities | | |
| Amount used | \$ 9,550,000 | \$ 9,300,000 |
| Amount unused | <u>7,150,000</u> | <u>4,950,000</u> |
| | <u>\$ 16,700,000</u> | <u>\$ 14,250,000</u> |

29. TRANSACTIONS WITH RELATED PARTIES

The transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

a. The Company's related parties and their relationships

| Related Party | Relationship with the Company |
|---|--|
| Far Eastern Ai Mai Co., Ltd. (AIMAI) | Subsidiary |
| Ya Tung Department Stores, Ltd. (YTDS) | Subsidiary |
| Yu Ming Advertising Agency Co., Ltd. (YMAC) | Subsidiary |
| Far Eastern CitySuper Co., Ltd. (FECS) | Subsidiary |
| Bai Ding Investment Co., Ltd. (BDIC) | Subsidiary |
| Bai Yang Investment Co., Ltd. (BYIC) | Subsidiary |
| Far Eastern Hon Li Do Co., Ltd. (FEHLD) | Subsidiary |
| Chubei New Century Shopping Mall Co., Ltd. | Subsidiary |
| FEDS Asia Pacific Development Co., Ltd. | Subsidiary |
| FEDS New Century Development Co., Ltd. | Subsidiary |
| Far Eastern Big City Shopping Malls Co., Ltd. | Subsidiary |
| Pacific Sogo Department Stores Co., Ltd. (SOGO) | Subsidiary |
| Ding Ding Integrated Marketing Service Co., Ltd. (DDIM) | Associate |
| Oriental Securities Corporation (OSC) | Associate |
| Yuan Hsin Digital Payment Co., Ltd. (YHDP) | Associate |
| Far Eastern International Leasing Corporation | Associate |
| Far Eastern New Century Corporation (FENC) | Investor with significant influence over the Company (equity method investor of FEDS) |
| Far EasTone Telecommunications Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| New Century InfoComm Tech Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Far Eastern General Contractor Inc. (FEGC) | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Far Eastern Construction Co., Ltd. (FEC) | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Far Eastern Resources Development Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Ding Ding Hotel Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Far Eastern Electronic Toll Collection Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Far Eastern Apparel Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Yuan Ding Co., Ltd. (YDC) | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| YDT Technology International Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Far Eastern Technical Consultants Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Yuan Cing Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Arcoa Communication Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |

(Continued)

| <u>Related Party</u> | <u>Relationship with the Company</u> |
|--|--|
| Asia Cement Corporation | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Ya Tung Ready Mixed Concrete Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Everest Textile Co., Ltd. | Associate of investor with significant influence over the Group (the subsidiary of FENC) |
| Far Eastern International Bank Ltd. | Other related party (the chairman of Company, also the vice chairman of FEIB) |
| Yuan Bo Asset Management Corporation | Other related party (subsidiary of Far Eastern International Leasing Corporation) |
| Oriental Union Chemical Corporation | Other related party (the same chairman) |
| Yuan Ze University | Other related party (the same chairman) |
| Far Eastern Medical Foundation | Other related party (the same chairman) |
| U-Ming Marine Transport Corporation | Other related party (the same chairman) |
| Mr. Xu Yuanzhi Memorial Foundation | Other related party (related party in substance) |
| Ding & Ding Management Consultants Co., Ltd. | Other related party (related party in substance) |

(Concluded)

b. Operating revenue

| Line Item | Related Party Category/Name | For the Year Ended December 31 | |
|-------------------------|--|---------------------------------------|------------------|
| | | 2021 | 2020 |
| Sales of goods (Note) | Subsidiaries | \$ 35,332 | \$ 35,576 |
| | Associates of investor with significant influence over the Company | 28,078 | 31,087 |
| | Other related parties | <u>1,588</u> | <u>680</u> |
| | | <u>\$ 64,998</u> | <u>\$ 67,343</u> |
| Other operating revenue | Other related parties | \$ 42,641 | \$ 48,520 |
| | Subsidiaries | 22,781 | 25,115 |
| | Associates of investor with significant influence over the Company | 17,452 | 18,467 |
| | Associates | <u>73</u> | <u>1,288</u> |
| | | <u>\$ 82,947</u> | <u>\$ 93,390</u> |

Note: Sales to related parties and unrelated parties were made under normal terms.

c. Purchases

| Line Item | Related Party Category/Name | For the Year Ended December 31 | |
|------------------------|--|---------------------------------------|------------------|
| | | 2021 | 2020 |
| Operating costs (Note) | Associates of investor with significant influence over the Company | \$ 13,258 | \$ 14,083 |
| | Subsidiaries | <u>3,853</u> | <u>3,372</u> |
| | | <u>\$ 17,111</u> | <u>\$ 17,455</u> |

Note: Purchases from related parties and unrelated parties were made under normal terms.

d. Receivables from related parties

| Line Item | Related Party Category/Name | December 31 | |
|-------------------|--|------------------|------------------|
| | | 2021 | 2020 |
| Trade receivable | Other related parties | \$ 57,571 | \$ 28,831 |
| | Associates of investor with significant influence over the company | 28,861 | 29,920 |
| | Subsidiaries | 2,854 | 7,648 |
| | Investor with significant influence over the Company | 2,515 | 7,195 |
| | Associates | <u>185</u> | <u>1,649</u> |
| | | <u>\$ 91,986</u> | <u>\$ 75,243</u> |
| Other receivables | Subsidiaries | \$ 15,900 | \$ 7,754 |
| | Associates of investor with significant influence over the company | 2,752 | 1,511 |
| | Other related parties | <u>60</u> | <u>54</u> |
| | | <u>\$ 18,712</u> | <u>\$ 9,319</u> |

e. Other non-current assets

| Line Item | Related Party Category/Name | December 31 | |
|---------------------|--|------------------|------------------|
| | | 2021 | 2020 |
| Lease incentives | Associates of investor with significant influence over the company | | |
| | Yuan Ding Co., Ltd. | \$ 16,147 | \$ 18,741 |
| | Other related parties | | |
| | Far Eastern International Bank Ltd. | <u>583</u> | <u>863</u> |
| | | <u>\$ 16,730</u> | <u>\$ 19,604</u> |
| Refundable deposits | Associates of investor with significant influence over the company | <u>\$ 7,740</u> | <u>\$ 7,741</u> |

f. Payables to related parties

| Line Item | Related Party Category/Name | December 31 | |
|---------------|--|------------------|------------------|
| | | 2021 | 2020 |
| Trade payable | Associates of investor with significant influence over the company | \$ 28,054 | \$ 26,764 |
| | Subsidiaries | <u>22,575</u> | <u>23,219</u> |
| | | <u>\$ 50,629</u> | <u>\$ 49,983</u> |

(Continued)

| Line Item | Related Party Category/Name | December 31 | |
|----------------|--|-------------------|-------------------|
| | | 2021 | 2020 |
| Other payables | Associates of investor with significant influence over the company | | |
| | Far Eastern General Contractor Inc. (FEG) | \$ 179,798 | \$ 217,682 |
| | Ya Tung Ready-Mixed Concrete Corporation | 76,703 | 78,769 |
| | Others | <u>12,186</u> | <u>18,640</u> |
| | | 268,687 | 315,091 |
| | Subsidiaries | 88,321 | 51,758 |
| | Associates | 58,550 | 60,605 |
| | Investor with significant influence over the Company | 46,042 | 41,866 |
| | Other related parties | <u>8,927</u> | <u>7,563</u> |
| | | <u>\$ 470,527</u> | <u>\$ 476,883</u> |

(Concluded)

g. Other current liabilities

| Line Item | Related Party Category/Name | December 31 | |
|------------------|--|---------------|---------------|
| | | 2021 | 2020 |
| Advance receipts | Associates of investor with significant influence over the company | <u>\$ 180</u> | <u>\$ 844</u> |
| Others | Associates | \$ 147 | \$ 372 |
| | Subsidiaries | 30 | 67 |
| | Associates of investor with significant influence over the company | <u>-</u> | <u>55</u> |
| | | <u>\$ 177</u> | <u>\$ 494</u> |

h. Other non-current liabilities

| Line Item | Related Party Category/Name | December 31 | |
|-----------------------------|--|------------------|-----------|
| | | 2021 | 2020 |
| Guarantee deposits received | Associates of investor with significant influence over the company | | |
| | Yuan Ding Co., Ltd. | \$ 61,166 | \$ 57,880 |
| | Others | <u>87</u> | <u>87</u> |
| | | 61,253 | 57,967 |
| | Other related parties | 1,023 | 1,023 |
| Subsidiaries | <u>881</u> | <u>881</u> | |
| | <u>\$ 63,157</u> | <u>\$ 59,871</u> | |

i. Lease arrangements - the Company as lessee

| Related Party Category/Name | | For the Year Ended December 31 | |
|--|--|---------------------------------------|-------------------|
| | | 2021 | 2020 |
| <u>Acquisition of right-of-use assets</u> | | | |
| Associates of investor with significant influence over the Company | | \$ 212,926 | \$ 111,557 |
| Associates | | <u>3,460</u> | <u>5,337</u> |
| | | <u>\$ 216,386</u> | <u>\$ 116,894</u> |
| Line Item | | December 31 | |
| | | 2021 | 2020 |
| Lease liabilities (Note) | Associates of investor with significant influence over the company | | |
| | Far Eastern Construction Co., Ltd. | \$ 3,504,362 | \$ 3,649,049 |
| | Asia Cement Corporation | 233,097 | 309,379 |
| | Yuan Ding Co., Ltd. | 22,149 | 32,933 |
| | Far Eastern Resources Development Co., Ltd. | <u>6,544</u> | <u>8,685</u> |
| | | 3,766,152 | 4,000,046 |
| | Other related parties | 8,311 | 9,615 |
| Associates | <u>7,274</u> | <u>4,988</u> | |
| | <u>\$ 3,781,737</u> | <u>\$ 4,014,649</u> | |

Note: The lease payments, payable either monthly or yearly, are made per the agreement between the Company and the related parties.

| Related Party Category/Name | | For the Year Ended December 31 | |
|--|--|---------------------------------------|------------------|
| | | 2021 | 2020 |
| <u>Interest expense</u> | | | |
| Associates of investor with significant influence over the company | | \$ 64,394 | \$ 67,460 |
| Other related parties | | 153 | 175 |
| Associates | | <u>53</u> | <u>15</u> |
| | | <u>\$ 64,600</u> | <u>\$ 67,650</u> |

j. Acquisition of other assets

| Related Party Category/Name | Line Item | Acquisition Price | |
|------------------------------------|-------------------------------|--------------------------|------------------|
| | | 2021 | 2020 |
| Other related parties | Intangible assets | \$ 14,625 | \$ 13,737 |
| Subsidiaries | Property, plant and equipment | <u>11,734</u> | <u>-</u> |
| | | <u>\$ 26,359</u> | <u>\$ 13,737</u> |

k. Construction projects

The construction projects of the Company were as follows:

| | For the Year Ended December 31 | |
|--|---------------------------------------|------------------|
| | 2021 | 2020 |
| Associates of investor with significant influence over the company | <u>\$ 2,023</u> | <u>\$ 10,706</u> |

l. Other related-party transactions

| | | For the Year Ended December 31 | |
|--|--|---------------------------------------|-------------------|
| Line Item | Related Party Category/Name | 2021 | 2020 |
| Operating expenses (Note) | Subsidiaries | \$ 148,285 | \$ 188,339 |
| | Investor with significant influence over the Company | 83,372 | 83,986 |
| | Other related parties | 57,055 | 39,119 |
| | Associates | 41,977 | 47,039 |
| | Associates of investor with significant influence over the company | <u>26,877</u> | <u>46,726</u> |
| | | | <u>\$ 357,566</u> |
| Other gains and losses - gains | Subsidiaries | | |
| | Pacific Sogo Department Stores Co., Ltd. | \$ 20,458 | \$ 18,723 |
| | Others | <u>8,804</u> | <u>3,366</u> |
| | | 29,262 | 22,089 |
| | Other related parties | | |
| | Far Eastern International Bank Ltd. | 17,844 | 19,301 |
| Associates | 46 | 90 | |
| Associates of investor with significant influence over the company | <u>13</u> | <u>15</u> | |
| | | <u>\$ 47,165</u> | <u>\$ 41,495</u> |
| Other gains and losses - losses | Associates | | |
| | Oriental Securities Corporation | \$ 7,029 | \$ 7,054 |
| | Investor with significant influence over the Company | 73 | 6 |
| | Associates of investor with significant influence over the company | <u>-</u> | <u>7</u> |
| | | <u>\$ 7,102</u> | <u>\$ 7,067</u> |
| Finance costs | Subsidiary | | |
| | Pacific Sogo Department Stores Co., Ltd. | <u>\$ 13,686</u> | <u>\$ 12,227</u> |

m. Compensation of key management personnel

| | For the Year Ended December 31 | |
|------------------------------|---------------------------------------|------------------|
| | 2021 | 2020 |
| Short-term employee benefits | \$ 51,426 | \$ 73,686 |
| Post-employment benefits | <u>36</u> | <u>34</u> |
| | <u>\$ 51,462</u> | <u>\$ 73,720</u> |

The remuneration of directors and other key management personnel was determined by the compensation committee of the Company in accordance with the individual performance and the market trends.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and administrative proceedings:

| | December 31 | |
|---|----------------------|----------------------|
| | 2021 | 2020 |
| Financial assets at amortized cost | \$ 25,508 | \$ 25,424 |
| Financial assets at FVTOCI | 1,550,500 | 1,512,000 |
| Investments accounted for using the equity method | 1,230,178 | 1,181,946 |
| Property, plant and equipment | 13,471,223 | 13,616,836 |
| Investment properties | <u>1,291,451</u> | <u>1,309,425</u> |
| | <u>\$ 17,568,860</u> | <u>\$ 17,645,631</u> |

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant unrecognized commitments and contingencies of the Company as of December 31, 2021 and 2020 are as follows:

a. Significant unrecognized commitments

The amounts of unrecognized commitments are as follows:

| | December 31 | |
|--|--------------------|-------------------|
| | 2021 | 2020 |
| Acquisition of property, plant and equipment | <u>\$ 263,078</u> | <u>\$ 431,182</u> |

- b. In April 2021, under a ruling by the MOEA whereby “the terms and conditions of gift certificates for certain goods and for certain services within the retail industry should be documented in a standard contract while others should not”, the Company and SOGO signed an agreement to have mutual performance guarantees on gift certificates bought by customers. The guarantee period was from April 1, 2021 to March 31, 2022. As of December 31, 2021, the Company’s guarantee amount for SOGO was \$5,756,029 thousand and that of SOGO for the Company was \$3,985,454 thousand.

32. OTHER MATTERS

The Company's operating income decreased due to the traffic flow control at the business premises during the outbreak of COVID-19 pandemic. The Company has applied to the government successively for the COVID-19 financial support and rent concession due to the impact of the pandemic. The Company expects to resume regular business operation along with the recession of the pandemic.

33. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. investees:

- 1) Financing provided to others: Table 1.
- 2) Endorsements/guarantees provided: Table 2.
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Table 3.
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
- 9) Trading in derivative instruments: None.

b. Information on investees: Table 6.

c. Information on investments in mainland China:

- 1) Name of the investees in mainland China, main business and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, repatriation of investment income, and the limit of investment in mainland China: Table 7.
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.

- c) The amount of property transactions and the amount of the resultant gains or losses: None.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater, showing the names and the numbers of shares and percentage of ownership of each shareholder, please see Table 8.

FAR EASTERN DEPARTMENT STORES, LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Lender | Borrower | Financial Statement Account | Related Parties | Highest Balance for the Period | Ending Balance | Actual Borrowing Amount | Interest Rate | Nature of Financing | Business Transaction Amounts | Reason for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower | Aggregate Financing Limits |
|-----|---|---|-----------------------------|-----------------|----------------------------------|----------------------------------|--------------------------------|----------------------|---------------------|------------------------------|---------------------------------|-------------------------------|------------|-------|-----------------------------------|----------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | Pacific Sogo Department Stores Co., Ltd. | Pacific China Holding Ltd. | Other receivables | Y | \$ 2,000,000 | \$ 2,000,000 | \$ - | - | (Note A) | \$ - | Transaction | \$ - | - | \$ - | \$ 4,811,027 (Note B) | \$ 4,811,027 (Note B) |
| | | Pacific (China) Investment Co., Ltd. | Other receivables | Y | 614,496 (US\$ 22,200 thousand) | 614,496 (US\$ 22,200 thousand) | - | - | (Note A) | - | Transaction | - | - | - | 4,811,027 (Note B) | 4,811,027 (Note B) |
| 2 | Chongqing FEDS Co., Ltd. | Chongqing Pacific Consultant and Management Co., Ltd. | Other receivables | Y | 739,007 (RMB 170,000 thousand) | 739,007 (RMB 170,000 thousand) | 657,282 (RMB 151,200 thousand) | 1.504523% (Note F) | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| | | Dalian Pacific Department Store Co., Ltd. | Other receivables | Y | 217,355 (RMB 50,000 thousand) | 130,413 (RMB 30,000 thousand) | - | 1.504523% (Note G) | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| | | Chengdu Quaxing Building Pacific Department Store Co., Ltd. | Other receivables | Y | 217,355 (RMB 50,000 thousand) | 217,355 (RMB 50,000 thousand) | 15,711 (RMB 3,614 thousand) | 1.504523% (Note H) | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| | | Shanghai Bai Ding Consultant & Management Co., Ltd. | Other receivables | Y | 43,471 (RMB 10,000 thousand) | 43,471 (RMB 10,000 thousand) | - | - | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| | | Chengdu FEDS Co., Ltd. | Other receivables | Y | 652,065 (RMB 150,000 thousand) | 434,710 (RMB 100,000 thousand) | 173,884 (RMB 40,000 thousand) | 1.504523% (Note I) | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| | | Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | Other receivables | Y | 434,710 (RMB 100,000 thousand) | 434,710 (RMB 100,000 thousand) | 282,562 (RMB 65,000 thousand) | 1.504523% (Note J) | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| 3 | Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | Chongqing FEDS Co., Ltd. | Other receivables | Y | 304,297 (RMB 70,000 thousand) | 304,297 (RMB 70,000 thousand) | - | - | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| 4 | Pacific China Holdings (HK) Co., Ltd. | Pacific China Holding Ltd. | Other receivables | Y | 276,800 (US\$ 10,000 thousand) | 276,800 (US\$ 10,000 thousand) | 99,648 (US\$ 3,600 thousand) | 1.55%-1.81% (Note K) | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| 5 | Pacific (China) Investment Co., Ltd. | Chongqing FEDS Co., Ltd. | Other receivables | Y | 43,471 (RMB 10,000 thousand) | 43,471 (RMB 10,000 thousand) | - | - | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| | | Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | Other receivables | Y | 1,024,160 (US\$ 37,000 thousand) | 1,024,160 (US\$ 37,000 thousand) | - | - | (Note A) | - | Transaction | - | - | - | 12,419,452 (Note D) | 12,419,452 (Note D) |
| 6 | Shanghai Pacific Department Store Co., Ltd. | Shanghai Xujiahui Centre Group Co., Ltd. | Other receivables | Y | 186,491 (RMB 42,900 thousand) | - | - | 1.35% | (Note A) | - | Transaction | - | - | - | 306,658 (Note B) | 306,658 (Note B) |
| 7 | Bai Yang Investment Co., Ltd. | Pacific (China) Investment Co., Ltd. | Other receivables | Y | 409,664 (US\$ 14,800 thousand) | 409,664 (US\$ 14,800 thousand) | - | - | (Note A) | - | Transaction | - | - | - | 6,209,726 (Note C) | 12,419,452 (Note D) |

Note A: Short-term financing.

Note B: 40% of the financing company's net assets.

Note C: The amount of the collateral/guarantees is based on 20% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd. per its latest financial statements.

Note D: The amount of the collateral/guarantees is based on 40% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd. per its latest financial statements.

Note E: As the amount of the investee, Lian Ching Investment Co., Ltd. has been written off to zero and the Company has not undertaken any liabilities, no disclosure pertaining to the investee is made.

Note F: The interest for the period amounted to RMB2,351 thousand.

Note G: The interest for the period amounted to RMB5 thousand.

Note H: The interest for the period amounted to RMB55 thousand.

Note I: The interest for the period amounted to RMB645 thousand.

Note J: The interest for the period amounted to RMB255 thousand.

Note K: The interest for the period amounted to US\$57 thousand.

FAR EASTERN DEPARTMENT STORES, LTD.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Maximum Endorsement/ Guarantee Amounts Allowable | Endorsement/ Guarantee Provided by Parent Company | Endorsement/ Guarantee Provided by A Subsidiary | Endorsement/ Guarantee Provided to Mainland China |
|-----|--|---|---------------------------------------|---|--|--|--|---|---|---|---|--|---|
| | | Name | Nature of Relationship (Note F) | | | | | | | | | | |
| 0 | Far Eastern Department Stores, Ltd. | Bai Ding Investment Co., Ltd. (Bai Ding) | 2 | \$ 18,629,178 (Note A) | \$ 1,400,000 | \$ 900,000 | \$ 627,000 | \$ - | 3 | \$ 31,048,630 (Note B) | Y | - | - |
| | | Chubei New Century Shopping Mall Co., Ltd. | 2 | 18,629,178 (Note A) | 3,700,000 | 3,700,000 | 1,960,000 | - | 12 | 31,048,630 (Note B) | Y | - | - |
| | | FEDS Development Ltd. | 2 | 18,629,178 (Note A) | 553,600 (US\$ 20,000 thousand) | 276,800 (US\$ 10,000 thousand) | - | - | 1 | 31,048,630 (Note B) | Y | - | - |
| | | Far Eastern CitySuper Co., Ltd. | 2 | 18,629,178 (Note A) | 130,000 | 130,000 | 1,000 | - | - | 31,048,630 (Note B) | Y | - | - |
| | | Pacific Sogo Department Stores Co., Ltd. | 2 | 18,629,178 (Note A) | 5,756,029 | 5,756,029 | 5,756,029 | - | 19 | 31,048,630 (Note B) | Y | - | - |
| 1 | Pacific Sogo Department Stores Co., Ltd. | Far Eastern Department Stores, Ltd. | 3 | 18,629,178 (Note C) | 3,985,454 | 3,985,454 | 3,985,454 | - | 13 | 31,048,630 (Note D) | - | Y | - |
| | | Pacific China Holding Ltd. | 2 | 18,629,178 (Note C) | 9,988,998 (US\$ 318,000 thousand) | 9,213,958 (US\$ 290,000 thousand) | 3,655,911 (RMB 841,000 thousand) | - | 30 | 31,048,630 (Note D) | - | - | - |
| | | Dalian Pacific Department Store Co., Ltd. | 2 | 18,629,178 (Note C) | 339,074 (RMB 78,000 thousand) | 65,207 (RMB 15,000 thousand) | 43,471 (RMB 10,000 thousand) | - | - | 31,048,630 (Note D) | - | - | Y |
| | | Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | 2 | 18,629,178 (Note C) | 640,542 (US\$ 20,000 thousand) | 363,742 (US\$ 10,000 thousand) | 363,742 (US\$ 10,000 thousand) | - | 1 | 31,048,630 (Note D) | - | - | Y |
| 2 | Far Eastern Big City Shopping Malls Co., Ltd. | Pacific Sogo Department Stores Co., Ltd. | 3 | 408,109 (Note A) | 153,202 | 153,202 | 153,202 | - | - | 680,182 (Note B) | - | - | - |

Note A: The amount is 60% of net assets based on the latest financial statements of the endorser/guarantor.

Note B: The amount is 100% of net assets based on the latest financial statements of the endorser/guarantor.

Note C: The amount of the collateral/guarantees is based on 60% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd. per its latest financial statements.

Note D: The amount of the collateral/guarantees is based on 100% of the net value of the ultimate parent company, Far Eastern Department Stores Co., Ltd. per its latest financial statements.

Note E: As the amount of the investee, Lian Ching Investment Co., Ltd. has been written off to zero and the Company has not undertaken any liabilities, no disclosure pertaining to the investee is made.

(Continued)

Note F: Relationships between the endorsement/guarantee provider and the guaranteed party:

1. Trading partner.
2. The direct and indirect shareholding of the Company amounts to more than 50%.
3. The companies that directly and indirectly hold more than 50% of the Company's voting rights.
4. The Company that directly and indirectly holds more than 90% of the voting shares.
5. Guaranteed by the Company according to the construction contract.
6. An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.
7. Companies in the same industry provide among themselves joint and several securities for as performance guarantees of sales contracts for pre-construction homes pursuant to the Consumer Protection Act.

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Holding Company | Type and Name of Marketable Securities | Relationship with Issuer of Securities | Financial Statement Account | December 31, 2021 | | | | Note |
|--------------------------------------|--|--|---|-----------------------|-----------------|-----------------------------|--------------|--|
| | | | | Shares (In Thousands) | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Far Eastern Department Stores, Ltd. | <u>Shares</u> Asia Cement Corporation | 4 | Financial assets at fair value through other comprehensive income - non-current | 50,000 | \$ 2,215,022 | 1 | \$ 2,215,022 | 35,000 thousand shares of Asia Cement Corporation pledged for loans and commercial papers issued of the investor company |
| | Far Eastern New Century Corporation | 3 | Financial assets at fair value through other comprehensive income - non-current | 19,964 | 584,956 | - | 584,956 | |
| | Kaohsiung Rapid Transit Corporation | - | Financial assets at fair value through other comprehensive income - non-current | 6,286 | 31,682 | 2 | 31,682 | |
| | Yuan Ding Leasing Corp. | - | Financial assets at fair value through other comprehensive income - non-current | 7,309 | 71,694 | 9 | 71,694 | |
| | Yuan Ding Co., Ltd. | 4 | Financial assets at fair value through other comprehensive income - non-current | 3 | 10 | - | 10 | |
| | Yuan Shi Digital Technology Co., Ltd. | 4 | Financial assets at fair value through other comprehensive income - non-current | 312 | 571 | - | 571 | |
| Bai Ding Investment Co., Ltd. | <u>Shares</u> Far Eastern Department Stores, Ltd. | 2 | Financial assets at fair value through other comprehensive income - current | 8,207 | 176,040 | 1 | 176,040 | 5,200 thousand shares of Asia Cement Corporation pledged for commercial papers issued of the investor company 15,000 thousand shares of Far Eastern New Century Corporation pledged for loans of the investor company |
| | Asia Cement Corporation | 7 | Financial assets at fair value through other comprehensive income - non-current | 14,814 | 656,278 | - | 656,278 | |
| | Far Eastern New Century Corporation | 6 | Financial assets at fair value through other comprehensive income - non-current | 15,812 | 463,278 | - | 463,278 | |
| | Chung-Nan Textile Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 2,984 | 123,492 | 5 | 123,492 | |
| | Ding Ding Management Consultants Co., Ltd. | 8 | Financial assets at fair value through other comprehensive income - non-current | 647 | 10,825 | 5 | 10,825 | |
| | Yue Ding Industry Co., Ltd. | 7 | Financial assets at fair value through other comprehensive income - non-current | 2,854 | 47,535 | 2 | 47,535 | |
| | Oriental Securities Investment Advisory Co., Ltd. | 8 | Financial assets at fair value through other comprehensive income - non-current | 1 | 10 | - | 10 | |
| | Ding Sheng Investment Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 40,329 | 344,508 | 18 | 344,508 | |
| Bai Yang Investment Co., Ltd. | <u>Shares</u> Far Eastern International Bank Ltd. | 8 | Financial assets at fair value through other comprehensive income - current | 23,757 | 255,390 | 1 | 255,390 | |
| | Asia Cement Corporation | 7 | Financial assets at fair value through other comprehensive income - non-current | 3,849 | 170,531 | - | 170,531 | |
| | U-Ming Marine Transport Corporation | 8 | Financial assets at fair value through other comprehensive income - non-current | 200 | 12,080 | - | 12,080 | |
| | Oriental Securities Investment Advisory Co., Ltd. | 8 | Financial assets at fair value through other comprehensive income - non-current | 1 | 10 | - | 10 | |
| Yu Ming Advertising Agency Co., Ltd. | <u>Beneficiary certificate</u> DWS Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 3,663 | 43,295 | - | 43,295 | |

(Continued)

| Holding Company | Type and Name of Marketable Securities | Relationship with Issuer of Securities | Financial Statement Account | December 31, 2021 | | | | Note |
|---|--|--|---|-----------------------|-----------------|-----------------------------|------------|------|
| | | | | Shares (In Thousands) | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| | <u>Shares</u> Asia Cement Corporation | 7 | Financial assets at fair value through other comprehensive income - non-current | 1,506 | \$ 66,697 | - | \$ 66,697 | |
| FEDS New Century Development Co., Ltd. | <u>Beneficiary certificate</u> DWS Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 8,503 | 100,499 | - | 100,499 | |
| FEDS Development Ltd. | <u>Shares</u> Kowloon Cement Corp., Ltd. | 7 | Financial assets at fair value through other comprehensive income - non-current | 46 | 16,416 | - | 16,416 | |
| Pacific Sogo Department Stores Co., Ltd. | <u>Shares</u> CMC Magnetics Corp. | - | Financial assets at fair value through profit or loss - current | 200 | 2,287 | - | 2,287 | |
| | Quanta Computer Inc. | - | Financial assets at fair value through profit or loss - current | 1 | 68 | - | 68 | |
| | Pacific Construction Co., Ltd. | - | Financial assets at fair value through profit or loss - current | 7,931 | 77,247 | 2 | 77,247 | |
| | Oriental Union Chemical Corp. | 8 | Financial assets at fair value through other comprehensive income - current | 136 | 3,046 | - | 3,046 | |
| | Pacific Liu Tong Investment Co., Ltd. | 1 | Financial assets at fair value through other comprehensive income - non-current | 800 | 4,019 | - | 4,019 | |
| | Asia Cement Corporation | 7 | Financial assets at fair value through other comprehensive income - current | 70 | 3,101 | - | 3,101 | |
| | Far Eastern New Century Corporation | 3 | Financial assets at fair value through other comprehensive income - current | 40 | 1,172 | - | 1,172 | |
| | E-Shou Hi-tech Co., Ltd. | - | Financial assets at fair value through profit or loss - non-current | 18,300 | - | 15 | - | |
| | Tian Yuan Investment Co., Ltd. | - | Financial assets at fair value through profit or loss - non-current | 98,000 | - | 20 | - | |
| | PURETEK Corp. | - | Financial assets at fair value through profit or loss - non-current | 119 | - | - | - | |
| | Pacific 88 Co., Ltd. | - | Financial assets at fair value through profit or loss - non-current | 16 | - | 1 | - | |
| | Yuan Shi Digital Technology Co., Ltd. | 7 | Financial assets at fair value through profit or loss - non-current | 312 | - | - | - | |
| Pacific Liu Tong Investment Co., Ltd. | <u>Beneficiary certificate</u> DWS Taiwan Money Market Fund | - | Financial assets at fair value through profit or loss - current | 17,273 | 204,166 | - | 204,166 | |
| Far Eastern Big City Shopping Malls Co., Ltd. | <u>Shares</u> Asia Cement Corporation | 7 | Financial assets at fair value through profit or loss - current | 160 | 7,088 | - | 7,088 | |
| Pacific China Holding Ltd. | <u>Shares</u> Overseas Development Corp. | - | Financial assets at fair value through profit or loss - non-current | 2,250 | - | 15 | - | |
| | Taiwan Ocean Farming Corp. | - | Financial assets at fair value through profit or loss - non-current | 2,250 | - | 15 | - | |

- Note A:
1. Subsidiary of FEDS.
 2. Parent company.
 3. Investor with significant influence over the Company.
 4. Associate of investor with significant influence over the Company.
 5. Other related party.
 6. Investor with significant influence over FEDS.
 7. Associate of investor with significant influence over FEDS.
 8. Other related party of FEDS.

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

**CUMULATIVE PURCHASE OR SALE OF ONE SECURITY FOR AN AMOUNT EXCEEDING NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

| Selling and Buying Company | Type and Name of Marketable Securities | Financial Statement Account | Transacting Company | Relationship | January 1, 2021 | | Buy | | Sell | | | Adjustments (Note B) | December 31, 2021 | | |
|-------------------------------------|---|---|---------------------|--------------|-----------------------|--------------|-----------------------|-----------------------|-----------------------|---------------|-------------|----------------------|-------------------|-----------------------|---------------|
| | | | | | Shares (In Thousands) | Amount | Shares (In Thousands) | Amount | Shares (In Thousands) | Selling Price | Booked Cost | | Disposal Profit | Shares (In Thousands) | Amount |
| Far Eastern Department Stores, Ltd. | Shares Bai Yang Investment Co., Ltd. | Investments accounted for using the equity method | - | Subsidiary | 924,991 | \$ 9,108,584 | 150,000 | \$ 1,500,000 (Note A) | - | \$ - | \$ - | \$ - | \$ 202,477 | 1,074,991 | \$ 10,811,061 |
| Bai Yang Investment Co., Ltd. | Shares Far Eastern New Century Corporation | Investments accounted for using the equity method | - | Subsidiary | 232,000 | 2,403,784 | 150,000 | 1,500,000 (Note A) | - | - | - | - | (26,497) | 382,000 | 3,877,287 |
| Far Eastern New Century Corporation | Shares Chubei New Century Shopping Mall Co., Ltd. (CBNC) | Investments accounted for using the equity method | - | Subsidiary | 200,000 | 1,991,269 | 150,000 | 1,500,000 (Note A) | - | - | - | - | (31,741) | 350,000 | 3,459,528 |

Note A: It is a cash capital increase.

Note B: It is the comprehensive profit and loss amount recognized in accordance with the equity method.

FAR EASTERN DEPARTMENT STORES, LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

| Company Name | Related Party | Relationship | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Impairment Loss |
|--|---|------------------------------|-------------------|---------------|------------|----------------------|---------------------------------------|-------------------------------|
| | | | | | Amount | Actions Taken | | |
| Pacific Sogo Department Stores Co., Ltd. | Sogo Department Store Co., Ltd. | Associate | \$ 119,483 | - | \$ 119,483 | Collection expedited | \$ 84 | \$ 119,483 |
| Pacific China Holdings (HK) Limited and Pacific China Holding Ltd. | Pacific China Holdings (B.V.I) Limited and Pacific China Holding Ltd. | Subsidiary | 100,058 (Note) | - | - | - | - | - |
| Chongqing FEDS Co., Ltd. | Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | Same ultimate parent company | 282,879 (Note) | - | - | - | - | - |
| | Chongqing Pacific Consultant and Management Co., Ltd. | Same ultimate parent company | 658,133 (Note) | - | - | - | - | - |
| | Chengdu FEDS Co., Ltd. | Same ultimate parent company | 174,109 (Note) | - | - | - | - | - |

Note: This balance refers to fund lending.

FAR EASTERN DEPARTMENT STORES, LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2021 | | | Net Income (Loss) of the Investee | Share of (Loss) Profit | Note A | |
|--|--|---|--|----------------------------|-------------------|---------------------------------|-----------------------------|-----------------|-----------------------------------|------------------------|------------|------------|
| | | | | December 31, 2021 | December 31, 2020 | Shares (In Thousands) | Percentage of Ownership (%) | Carrying Amount | | | | |
| Far Eastern Department Stores Co., Ltd. | Bai Yang Investment Co., Ltd. | Taiwan | Investment | \$ 10,422,181 | \$ 8,922,181 | 1,074,991 | 100 | \$ 10,811,061 | \$ 149,527 | \$ 149,558 | Subsidiary | |
| | Oriental Securities Corporation | Taiwan | Securities investment | 143,652 | 143,652 | 141,980 | 20 | 2,099,293 | 294,417 | 52,191 | Associate | |
| | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 1,764,210 | 1,764,210 | 281,734 | 35 | 4,092,548 | 904,270 | 317,662 | Subsidiary | |
| | Bai Ding Investment Co., Ltd. | Taiwan | Investment | 33,357 | 33,357 | 119,981 | 67 | 2,419,156 | 247,589 | 165,255 | Subsidiary | |
| | Far Eastern Ai Mai Co., Ltd. | Taiwan | Retail | 1,535,538 | 1,535,538 | 87,744 | 100 | 338,333 | (439,701) | (439,701) | Subsidiary | |
| | FEDS Development Ltd. | British Virgin Island | Investment | 125,058 | 125,058 | 218 | 54 | 1,338,430 | (163,485) | (87,019) | Subsidiary | |
| | Yu Ming Advertising Agency Co., Ltd. | Taiwan | Advertising and import agent | 33,000 | 33,000 | 3,500 | 100 | 120,180 | 12,805 | 12,805 | Subsidiary | |
| | Ya Tung Department Stores, Ltd. | Taiwan | Department store | 919,292 | 919,292 | 41,000 | 100 | 84,113 | (1,967) | (1,967) | Subsidiary | |
| | Ding Ding Integrated Marketing Service Co., Ltd. | Taiwan | Marketing | 64,500 | 64,500 | 3,631 | 10 | 24,616 | (12,938) | (1,561) | Associate | |
| | Asians Merchandise Company | US | Trading | 5,316 | 5,316 | 950 | 100 | 4,338 | 95 | 95 | Subsidiary | |
| | Far Eastern Hon Li Do Co., Ltd. | Taiwan | Building leasing | 40,278 | 40,278 | 1,571 | 56 | 13,597 | 1,496 | 948 | Subsidiary | |
| | Far Eastern CitySuper Co., Ltd. | Taiwan | Retail | 478,269 | 478,269 | 47,827 | 96 | 119,606 | 53,846 | 51,509 | Subsidiary | |
| | Yuan Hsin Digital Payment Co., Ltd. | Taiwan | E-ticket | 238,292 | 238,292 | 6,171 | 9 | 47,055 | (161,865) | (16,409) | Associate | |
| | Bai Ding Investment Co., Ltd. | Oriental Securities Corporation | Taiwan | Securities investment | 163,563 | 163,563 | 98,281 | 14 | 1,453,273 | 294,417 | | Associate |
| | | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 658,129 | 658,129 | 100,250 | 13 | 1,469,952 | 904,270 | | Subsidiary |
| | | Far Eastern International Leasing Corporation | Taiwan | Leasing | 301,125 | 301,125 | 22,203 | 5 | 327,682 | 155,262 | | Associate |
| | | Pacific Sogo Department Stores Co., Ltd. | Taiwan | Department store | 33,490 | 33,490 | 11,254 | 1 | 163,575 | 1,160,502 | | Subsidiary |
| Yue Ming Trading Co., Ltd. | | Taiwan | Import and export trading and distribution | 21,291 | 21,291 | 4,901 | 47 | 65,651 | 5,026 | | Associate | |
| Far Eastern Hon Li Do Co., Ltd. | | Taiwan | Building leasing | 28,672 | 28,672 | 1,259 | 44 | 14,029 | 1,496 | | Subsidiary | |
| Far Eastern CitySuper Co., Ltd. | | Taiwan | Retail | - | - | 2 | - | 1 | 53,846 | | Subsidiary | |
| Yuan Hsin Digital Payment Co., Ltd. | Taiwan | E-ticket | 21,179 | - | 2,118 | 3 | 16,148 | (161,865) | | Associate | | |
| FEDS Asia Pacific Development Co., Ltd. | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 99,000 | 99,000 | 19,800 | 2 | 307,541 | 904,270 | | Subsidiary | |
| FEDS New Century Development Co., Ltd. | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 99,000 | 99,000 | 19,800 | 2 | 307,541 | 904,270 | | Subsidiary | |
| | Chubei New Century Shopping Mall Co., Ltd. | Taiwan | Department store | 3,500,000 | 2,000,000 | 350,000 | 100 | 3,459,528 | (31,741) | | Subsidiary | |
| Bai Yang Investment Co., Ltd. | FEDS Asia Pacific Development Co., Ltd. | Taiwan | Shopping mall | 1,522,761 | 1,522,761 | 149,100 | 70 | 1,795,700 | 73,257 | | Subsidiary | |
| | Far Eastern International Leasing Corporation | Taiwan | Leasing | 1,555,590 | 1,555,590 | 132,388 | 30 | 1,690,105 | 155,262 | | Associate | |
| | Bai Ding Investment Co., Ltd. | Taiwan | Investment | 577,457 | 577,457 | 60,019 | 33 | 1,225,578 | 247,589 | | Subsidiary | |
| | FEDS New Century Development Co., Ltd. | Taiwan | Shopping mall | 3,745,272 | 2,245,272 | 382,000 | 100 | 3,877,287 | (9,876) | | Subsidiary | |
| | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 99,000 | 99,000 | 19,800 | 2 | 307,541 | 904,270 | | Subsidiary | |
| | FEDS Development Ltd. | British Virgin Island | Investment | 723,946 | 723,946 | 185 | 46 | 1,139,683 | (163,485) | | Subsidiary | |
| | Pacific China Holdings (HK) Limited | Hong Kong | Investment | 3,853,976 | 3,853,976 | 44,080 | 40 | (1,204,971) | (191,476) | | Subsidiary | |
| | Far Eastern Big City Shopping Malls Co., Ltd. | Taiwan | Department store | 200,000 | 200,000 | 20,000 | 40 | 300,051 | 159,675 | | Subsidiary | |
| Ya Tung Department Stores, Ltd. | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 55,000 | 55,000 | 11,000 | 1 | 170,596 | 904,270 | | Subsidiary | |
| Yu Ming Advertising Agency Co., Ltd. | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 1,200 | 1,200 | 200 | - | 2,908 | 904,270 | | Subsidiary | |
| Far Eastern Hon Li Do Co., Ltd. | Pacific Liu Tong Investment Co., Ltd. | Taiwan | Investment | 8,400 | 8,400 | 1,400 | - | 19,702 | 904,270 | | Subsidiary | |
| Pacific Liu Tong Investment Co., Ltd. | Pacific Sogo Department Stores Co., Ltd. | Taiwan | Department store | 4,469,904 | 4,469,904 | 650,817 | 79 | 11,045,776 | 1,160,502 | | Subsidiary | |
| | Pacific Department Store Co., Ltd. | Taiwan | Department store | 62,480 | 62,480 | 6,840 | 3 | 142,362 | 112,607 | | Associate | |
| Pacific Sogo Department Stores Co., Ltd. | Pacific China Holdings (HK) Limited | Hong Kong | Investment | 6,117,447 | 6,117,447 | 66,120 | 60 | (1,807,457) | (191,476) | | Subsidiary | |
| | Pacific Department Store Co., Ltd. | Taiwan | Department store | 599,000 | 599,000 | 60,296 | 29 | 1,045,316 | 112,607 | | Associate | |
| | Lian Ching Investment Co., Ltd. (Note C) | Taiwan | Investment | 270,641 | 270,641 | 26,764 | 50 | - | - | | Subsidiary | |
| | Pacific Venture Investment Ltd. | Hong Kong | Investment | 357,050 | 357,050 | 100,000 | 48 | - | - | | Associate | |
| | Sogo Department Store Co., Ltd. | Taiwan | Credit card business | 32,984 | 32,984 | 7,120 | 34 | - | - | | Associate | |
| | Ding Ding Integrated Marketing Service Co., Ltd. | Taiwan | Marketing | 64,500 | 64,500 | 3,631 | 10 | 24,616 | (12,938) | | Associate | |
| | Far Eastern Big City Shopping Malls Co., Ltd. | Taiwan | Department store | 300,000 | 300,000 | 30,000 | 60 | 450,077 | 159,675 | | Subsidiary | |
| | Yuan Hsin Digital Payment Co., Ltd. | Taiwan | E-ticket | 358,292 | 238,292 | 8,289 | 12 | 63,202 | (161,865) | | Associate | |
| Pacific China Holdings (HK) Limited | Pacific China Holding Ltd. | British Virgin Island | Investment | 4,290,400 | 4,290,400 | 130,200 | 100 | (3,115,022) | (189,888) | | Subsidiary | |
| Pacific China Holding Ltd. | Bai Fa China Holdings (HK) Ltd. | Hong Kong | Investment | 46 | 46 | 2 | 100 | 46 | - | | Subsidiary | |

(Continued)

Note A: The foreign-currency investments were translated at the rate of US\$1:NT\$27.68 prevailing on December 31, 2021.

Note B: The amount is the investment accounted for using the equity method to \$2,516,266 thousand deduct the parent company shares reclassification to treasury shares of \$97,110 thousand.

Note C: The amount of Lian Ching Investment Co., Ltd. has been written off to zero, no liabilities were undertaken by the Company and the accounts are not disclosed in the financial statement.

(Concluded)

TABLE 7

FAR EASTERN DEPARTMENT STORES, LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company | Main Businesses and Products | Total Amount of Paid-in Capital (Note A) | Method of Investment (Note F) | Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Note A) | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (Note A) | Net Income (Loss) of the Investee (Note D) | % Ownership of Direct or Indirect Investment | Share of (Loss) Profit (Note D) | Carrying Amount as of December 31, 2021 | Accumulated Repatriation of Investment Income as of December 31, 2021 |
|---|--|--|-------------------------------|--|------------------|--------|--|--|--|---------------------------------|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Shanghai Pacific Department Store Co., Ltd. | Department store | \$ 489,936 | (2) | \$ 355,204 (Note B) | \$ - | \$ - | \$ 355,204 (Note B) | \$ 101,243 | 49 | \$ 35,866 | \$ 158,370 | \$ - |
| Chengdu Quanxing Building Pacific Department Store Co., Ltd. | Department store | 608,683 | (2) | 27,403 (Note B) | - | - | 27,403 (Note B) | (727) | 67 | (488) | (72,845) | - |
| Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | Department store | 83,040 | (2) | 83,040 (Note B) | - | - | 83,040 (Note B) | (64,299) | 67 | (43,182) | (395,308) | - |
| Chongqing Pacific Consultant and Management Co., Ltd. | Consulting services | 2,020,640 | (2) | 5,536 (Note B) | - | - | 5,536 (Note B) | (8,886) | 67 | (5,968) | 748,633 | - |
| Shanghai Pacific Consultant and Management Co., Ltd. | Consulting services | 9,688 | (2) | 4,747 (Note B) | - | - | 4,747 (Note B) | 233 | 33 | 77 | 6,233 | - |
| Shanghai Bai Ding Consultant and Management Co., Ltd. | Consulting services | 2,768 | (2) | - | - | - | - | 10,876 | 100 | 10,876 | 13,801 | - |
| Pacific (China) Investment Co., Ltd. | Investment | 5,978,880 | (2) | - | - | - | - | 9,770 | 67 | 16,726 | (28,979) | - |
| Chongqing FEDS Co., Ltd. | Department store | 77,504 | (2) | - | - | - | - | 12,806 | 100 | 12,806 | 986,708 | - |
| Chengdu Department Emporium Group Co., Ltd. | Department store, logistics and storehouse | 978,107 | (2) | - | - | - | - | 31,229 | 22 | - | 1,143,868 | - |
| Dalian Pacific Department Store Co., Ltd. | Department store | 69,554 | (2) | - | - | - | - | (14,509) | 67 | (9,744) | (5,256) | - |
| Chengdu FEDS Co., Ltd. | Department store | 3,709,120 | (2) | - | - | - | - | 12,157 | 67 | 8,164 | (103,901) | - |
| Yuan Ding Enterprise (Shanghai) Co., Ltd. | Wholesale of equipment and consulting services | 7,665,785 | (2) | - | - | - | - | (181,283) | 20 | (172,834) | 1,369,623 | - |

(Continued)

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|--|---|
| \$ - (Note C) | \$219,032 (US\$7,913 thousand) (Notes A and C) | \$ - (Note E) |

Note A: Translated at the rate of US\$1:NT\$27.68 and RMB1:NT\$4.3471 prevailing on December 31, 2021.

Note B: The payment was made by Pacific Construction Co., Ltd. (the former shareholder).

Note C: The payment made by the Company and the investment amount approved by the Investment Commission, except for the payment made by subsidiary and the subsidiary's investment amount approved by the Investment Commission.

Note D: The financial report was audited by an international accounting firm with a cooperative working relationship.

Note E: There is no upper limit, as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China (No. 11020435420), which was issued by the Industrial Development Bureau, Ministry of Economic Affairs, ROC.

Note F: Three investment types are as follows:

1. The Company made the investment directly.
2. The Company made the investment through companies registered in a third region. The companies registered in a third region were FEDS Development Ltd. and Pacific China Holding Ltd.
3. Others.

(Concluded)

FAR EASTERN DEPARTMENT STORES, LTD.**INFORMATION ON MAJOR SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2021**

| Major Shareholder | Shareholding | |
|-------------------------------------|------------------------------|--------------------------------|
| | Number of Shares Held | Shareholding Percentage |
| Far Eastern New Century Corporation | 241,769,702 | 17.06 |
| Yuan Ding Investment Corporation | 139,785,985 | 9.86 |
| Asia Cement Corporation | 80,052,950 | 5.64 |
| Yuan Tone Investment Co., Ltd. | 77,684,530 | 5.48 |

Note: The information on major shareholders above is extracted as of the last business day of the current quarter. The shareholders are holding non-physical ordinary and preference shares (including treasury shares) of 5% or more. The share capital in the financial statements of the Company and the actual registration of non-physical shares may differ due to a difference in computation basis.

VII. Review and Analysis of the Financial Condition, Performance and Risk Management

1. Analysis of Financial Conditions

Financial Conditions Analysis

Unit: NT\$ thousands

| Item \ Year | 2020 | 2021 | Increase (decrease) amount | Percentage Change(%) |
|--|--------------------|--------------------|----------------------------|----------------------|
| Current assets | 21,116,116 | 26,435,715 | 5,319,599 | 25 |
| Investment using the equity method | 10,164,724 | 10,151,421 | (13,303) | 0 |
| Property, plant and equipment | 33,945,566 | 33,782,868 | (162,698) | 0 |
| Other assets | 63,197,363 | 60,357,307 | (2,840,056) | (4) |
| Total assets | 128,423,769 | 130,727,311 | 2,303,542 | 2 |
| Current liabilities | 45,683,684 | 47,972,617 | 2,288,933 | 5 |
| Non-current liabilities | 42,951,797 | 42,919,536 | (32,261) | 0 |
| Total liabilities | 88,635,481 | 90,892,153 | 2,256,672 | 3 |
| Total equity attributable to owners of the Company | 31,193,920 | 31,048,630 | (145,290) | 0 |
| Common stock | 14,169,406 | 14,169,406 | 0 | 0 |
| Capital surplus | 3,338,791 | 3,340,982 | 2,191 | 0 |
| Retained earnings | 8,828,962 | 8,447,321 | (381,641) | (4) |
| Other equity | 4,953,871 | 5,188,031 | 234,160 | 5 |
| Treasury stocks | (97,110) | (97,110) | 0 | 0 |
| Non-controlling interests | 8,594,368 | 8,786,528 | 192,160 | 2 |
| Total equity | 39,788,288 | 39,835,158 | 46,870 | 0 |
| An analysis of the amount of the change in the amount of 10% and the amount of assets in the current year is more than one percent: Current assets increase in the current period: Mainly attributed to increases in cash and cash equivalents. | | | | |

2. Analysis of Financial Performances

2.1 Comparative Analysis of Financial Performances

Unit: NT\$ thousands

| Item \ Year | 2020 | 2021 | Increase (decrease) amount | Percentage Change(%) |
|--|-------------|-------------|----------------------------|----------------------|
| Operating Revenues | 37,287,949 | 35,308,464 | (1,979,485) | (5) |
| Gross Profit | 18,707,278 | 17,410,066 | (1,297,212) | (7) |
| Operating Profit | 4,084,964 | 3,632,646 | (452,318) | (11) |
| Nonoperating Income (Expenses) | (1,084,193) | (1,196,251) | (112,058) | 10 |
| Income Before Income Tax | 3,000,771 | 2,436,395 | (564,376) | (19) |
| Net Profit For The Year | 2,544,897 | 1,905,316 | (639,581) | (25) |
| <p>1. Analysis and explanation of the increase and decrease ratio: Net operating profit decrease: Mainly due to the decrease in operating profit. Non-operating income and expenses decrease: Mainly due to the increase in impairment loss. Net profit decrease in the current period: Mainly attributed to decrease in operating profit.</p> <p>2. Expected volume of sales and its basis of the future year, and the possible impact on the Company's future financial operations and response plan: Please refer to "Letter to Shareholders"..</p> | | | | |

2.2 Analysis of operating gross profit: Not applicable

3. Analysis of Cash Flow

Unit: NT\$ thousands

| Cash and cash equivalents - Beginning balance in 2021 (1) | Total cash inflows from operating activities (2) | Total cash inflows from investing and financing activities (3) | Cash and cash equivalents – Ending balance (1)+(2)-(3) | Remedy plans for negative balance of cash and cash equivalents | |
|---|--|--|--|--|----------------|
| | | | | Investment plan | Financing plan |
| 14,791,434 | 10,370,369 | 5,629,713 | 19,532,090 | - | - |

1. Analysis of cash flow changes in the current year:
 Net cash inflow from operating activities of NT\$10.4 billion: Mainly attributed to the inflow of cash generated from operating activities.
 Net cash outflow from investing activities of NT\$3 billion: Mainly attributed to the NT\$2.3 billion acquisition of real estate, factories and equipment.
 Net cash outflow from financing activities of NT\$2.6billion: Mainly due to the repayment of lease liabilities.

2. Remedial measures for cash deficit and liquidity analysis: No cash deficit.

3. Cash flow analysis for the coming year:

| Cash and cash equivalents - Beginning balance (1) | Total cash inflows from operating activities (2) | Total cash inflows from investing and financing activities (3) | Cash and cash equivalents – Ending balance (1)+(2)-(3) | Remedy plans for negative balance of cash and cash equivalents | |
|---|--|--|--|--|----------------|
| | | | | Investment plan | Financing plan |
| 19,532,090 | 7,870,370 | 6,535,733 | 20,866,727 | - | - |

1. Analysis of cash flow changes in the current year:
 Net cash inflow from operating activities of NT\$7.9 billion: Mainly attributed to the inflow of cash generated from operating activities.
 Net cash outflow from investing activities of NT\$2.1 billion: Mainly to obtain real estate, factories and equipment..
 Net cash outflow from financing activities of NT\$4.4 billion: Mainly to repay lease liabilities and pay cash dividends.

2. Remedial measures for cash deficit and liquidity analysis: No cash deficit.

4. Impact of major capital expenditures on corporate finances and business in the most recent year:

The main project of major capital expenditures in the recent year is the expansion of FEDS Zhubei Store, which is funded by bank loans and self-owned funds. It is expected to expand the company's business scale and increase its market share.

5. Investment policy, main causes for profits or losses, improvement plans in the most recent year and the investment plans for the coming year

In terms of the overall performance of the consolidated company, the investment income recognized by the equity method comes from the stable profit of the investment company; In addition, the retail group is also continuing to expand and mobilize markets with consumer potential. Adhering to the tradition and spirit of being the first department store in Taiwan, the retail group has been deeply involved in Taiwan, focusing on the mainland, and providing a full range of products and services to satisfy the needs of both sides of the strait. Consumer demand.

With the continuous expansion of the retail business, profits will be expected to inject new growth momentum, and the growth of the overall revenue and profit of the retail group will also be more significant. To this end, the Company and its subsidiaries still adopt a prudent investment evaluation strategy, continue to strengthen the management of reinvestment businesses and improve the synergy of operations in order to achieve successful diversified business goals.

6. Risk analysis and evaluation

6.1. The impact and Response to Interest Rates, Exchange Rates, and Inflation Level on the Company in the Year Preceding Publication of Annual Report

6.1.1. Interest Rate Risk Analyses and Response strategy:

Because the entities in the consolidated company borrow funds at fixed and floating interest rates at the same time, interest rate risk is incurred. The consolidated company manages interest rate risk by maintaining an appropriate combination of fixed and floating interest rates.

The book amounts of financial assets and financial liabilities of the consolidated company exposed to interest rate exposure on the balance sheet date are as follows:

| | <u>2022 Mar. 31</u> | <u>2021 Dec. 31</u> | Unit: NT\$ thousands <u>2021 Mar. 31</u> |
|-------------------------------|---------------------|---------------------|---|
| Fair value interest rate risk | | | |
| - Financial assets | \$ 8,115,065 | \$ 12,864,674 | \$ 7,442,614 |
| - Financial liabilities | 26,577,563 | 26,345,448 | 27,763,642 |
| Cash flow interest rate risk | | | |
| - Financial assets | 3,793,175 | 5,595,167 | 2,021,273 |
| - Financial liabilities | 27,216,150 | 29,464,379 | 26,711,315 |

Sensitivity analysis

The following sensitivity analysis is determined based on the interest rate risks on the balance sheet date, and the risk is measured for financial assets and financial liabilities with floating interest rates. The rate of change used when reporting interest rates within the group to key management is a 100 base points increase/decrease in interest rates, which also represents management's assessment of the reasonably possible range of changes in interest rates.

If interest rates had been 100 basis points higher or lower and all other variables had been held constant, the income before income taxes for the ended March 31, 2022 and 2021 would have decreased/increased by \$58,557 thousand and \$61,725 thousand, respectively.

6.1.2. Exchange Rate Analyses and Response strategy:

The consolidated company holds foreign currency assets and liabilities, so the consolidated company is exposed to risk of exchange rate fluctuations.

The book value of monetary assets and monetary liabilities denominated in non-functional currencies of the consolidated company on the balance sheet date (including monetary items denominated in non-functional currencies that have been offset in the consolidated financial report) are as follows:

| | <u>2022 Mar. 31</u> | <u>2021 Dec. 31</u> | Unit: USD\$ thousands <u>2021 Mar. 31</u> |
|-------------|---------------------|---------------------|--|
| Assets | | | |
| USD | <u>\$64,688</u> | <u>\$21,643</u> | <u>\$5,804</u> |
| Liabilities | | | |
| USD | <u>\$14,023</u> | <u>\$13,999</u> | <u>\$13,816</u> |

Sensitivity analysis

The consolidated company was mainly affected by the floating exchange rates of USD denominated assets and liabilities. The sensitivity analyses below were determined based on the Group's exposure to exchange rates for non-derivative instruments at the end of the reporting period. The change of exchange rates reported to the senior management of the consolidated company was

based on a 1% increase or decrease in exchange rate which also denotes the management's assessment for the reasonableness of the fluctuation of exchange rates.

If exchange rates had been 1% higher or lower and all other variables were held constant, the profit before income tax or equity of the Group for the ended March 31, 2022 and 2021 would increase/decrease by \$14,503 thousand and decrease/ increase \$2,286 thousand, respectively.

6.1.3. Impact of inflation on the Company's profit and loss, and response measures:

Taiwan's 2011 Consumer Price Index (CPI) announced by the government was affected by the low base period of the previous period, and the annual growth rate of CPI in 2011 reached 1.96%. The overall price trend is similar to that of nearby countries with similar economic structures. Overall price trends are similar to those of nearby countries with similar economic structures. In 2011 and up to the date of publication of the annual report, the combined company has not had any immediate significant impact due to inflation. The Company will continue to pay attention to the inflation situation and take corresponding countermeasures in a timely manner.

6.2 Policies for Risky or Highly Leveraged Investments, Lending, Endorsements, Derivative Financial Instruments, and Related Gains or Losses, in the Year Preceding Publication of Annual Report:

1. High-risk, high-leverage investment: The consolidated company did not engage in high-risk, high-leverage investments in 2021 and from January 1 to March 31, 2022.
2. Loaning of capital to others: As of 2021 and from January 1 to March 31, 2022, the balance of funds loaned by our merged companies were NT\$6,672,554 thousand and NT\$7,543,312 thousand, respectively. Loaning of capital to others by merged companies must be implemented in compliance with the "Procedures for Lending of Capital to Others" approved by the Board of Directors and the shareholders' meeting, so as to comply with risk control, and prevent any unfavorable impact arising therefrom on the Company.
3. Endorsements and guarantees: As of 2021 and from January 1 to March 31, 2022, the balance of endorsements and guarantees provided by our merged companies were NT\$24,544,392 thousand and NT\$26,833,969 thousand, respectively. Provision of endorsements and guarantees by our merged companies must be implemented in compliance with the "Procedures For Endorsements and Guarantees" approved by the Board of Directors and the shareholders' meeting, so as to comply with risk control, and prevent any unfavorable impact arising therefrom on the Company.
4. Derivative commodity transactions: The consolidated company did not engage in derivative commodity transactions in 2021 and from January 1 to March 31, 2022.

6.3 R&D Plans and Estimated Expenses in Recent Years and until the Annual Report being Published

Our consolidated companies does not engage in product R&D and manufacturing, so there are no R&D plans or expenses. However, it is evident from the characteristics of the industry that nurturing and developing talents and improving the quality of management personnel are necessary steps for companies to move toward internationalization. With the increasingly intense competition in the global industry, the shopping mall war is no longer just about money, but also a war for talents. Therefore, rapidly enhancing talent competitiveness has become a key factor to ensuring success in store expansion. Our consolidated companies are committed to improving "soft power" and actively promoting corporate culture and brand value. We aim to provide systematic and professional service quality training courses via complete education and training mechanisms to nurture employees' professional, leadership and innovation skills, further improving the competitiveness of our companies in response to the rapid changes in the industry.

6.4. Effects of and Response to Material Changes of Policies and Regulations in Taiwan and Foreign Countries in Year Preceding Publication of Annual Report:

The Company has taken appropriate measures to deal with important domestic and foreign policy and legal changes in the most recent years. In the future, the Company's legal, financial and accounting units will keep abreast of the latest regulatory changes and seek professional opinions from lawyers, accountants, etc. Discuss response measures to important policy and legal changes in order to comply with the law and reduce the impact on the Company's financial business.

6.5. Technology Developments and Impacts on the Company and its subsidiaries from last year up to the Annual Report being published:

The Company attaches great importance to the development of technological trends, continues to actively promote informatization, and effectively uses manpower to achieve the goal of reducing costs and enhancing corporate competitiveness. It is also committed to the application of information technology, continues to develop mobile apps, introduces restaurant waiting lists, membership management and electronic gift certificates to respond to the changes in the retail industry from traditional to smart sales. Due to the rapid development of e-commerce, which has significantly affected the physical department store channels, the Company continues to update and build its official website, pay close attention to and expand online shopping, and is committed to the integration of virtual reality and the development of omnichannel department store retail. It is expected to improve the Company's operating results and increase the equity of all shareholders.

In order to protect the security of consumers' personal data, the Company established an information review committee in October 2012 to coordinate decision-making and implementation of the Company's personal information and privacy protection management business and resource integration with information security. In addition, an information security promotion team was established for information security risk detection and information security insurance to conduct necessary company self-tests before purchasing information security insurance. Management methods for information security-related equipment network AD management, system account life cycle and authority account management, data access records and remote backup, network communication security (antivirus/Email), etc. have been formulated to implement the Company's information security system and policies and through the annual internal audit unit and external accountant supervision to ensure the appropriateness and effectiveness of the rules and procedures.

6.6. Changes of Corporate Image and Impacts on the Company's Crisis Management in the Recent Years: None

6.7. Expected Benefits and Risks from Mergers in Recent Years until the Annual Report being Published:

In 2021 and as of the publication date of the Annual Report, the consolidated company has no plans for mergers and acquisitions. However, if there is a merger plan in the future, the Company will follow the acquired company's acquisition or disposal of assets processing procedures, uphold a cautious assessment attitude, consider whether the merger can bring specific performance to the Company, so as to ensure the Company's interests and shareholders' rights.

6.8. Expected Benefits and Risks from Plant Expansion in Recent Years until the Annual Report being Published:

The consolidated company has detailed evaluation and planning of relevant units for the expansion of business base plans, and fully evaluates the expected benefits and possible risks through a rigorous financial module; After the establishment of the new business location, pay close attention to changes in the industry and business conditions at any time, and propose appropriate countermeasures against

possible risks.

6.9. Risks from Concentration in Supply or Sales in the Recent Year until the Annual Report being Published:

The Company is a department store retail business, and sells diversified products, and does not purchase or sell goods to a single manufacturer or customer. Therefore, there is no risk of purchase or sales concentration.

6.10. Impacts and Risks from Major Shareholding Transfers or Changes of Directors, Supervisors, or Shareholders with More than 10% Shareholding and Subsequent Response Measures in the Recent Year up to the Publication of the Annual Report:

In 2021 and as of the publication date of the Annual Report, our consolidated companies did not have any instance of major shareholding transfers or changes.

6.11. Impacts and Risks from Changes of Ownership in the Recent Year until the Annual Report being Published: None

6.12. Litigations or non-Litigations: None.

6.13. Other Major Risks: not applicable

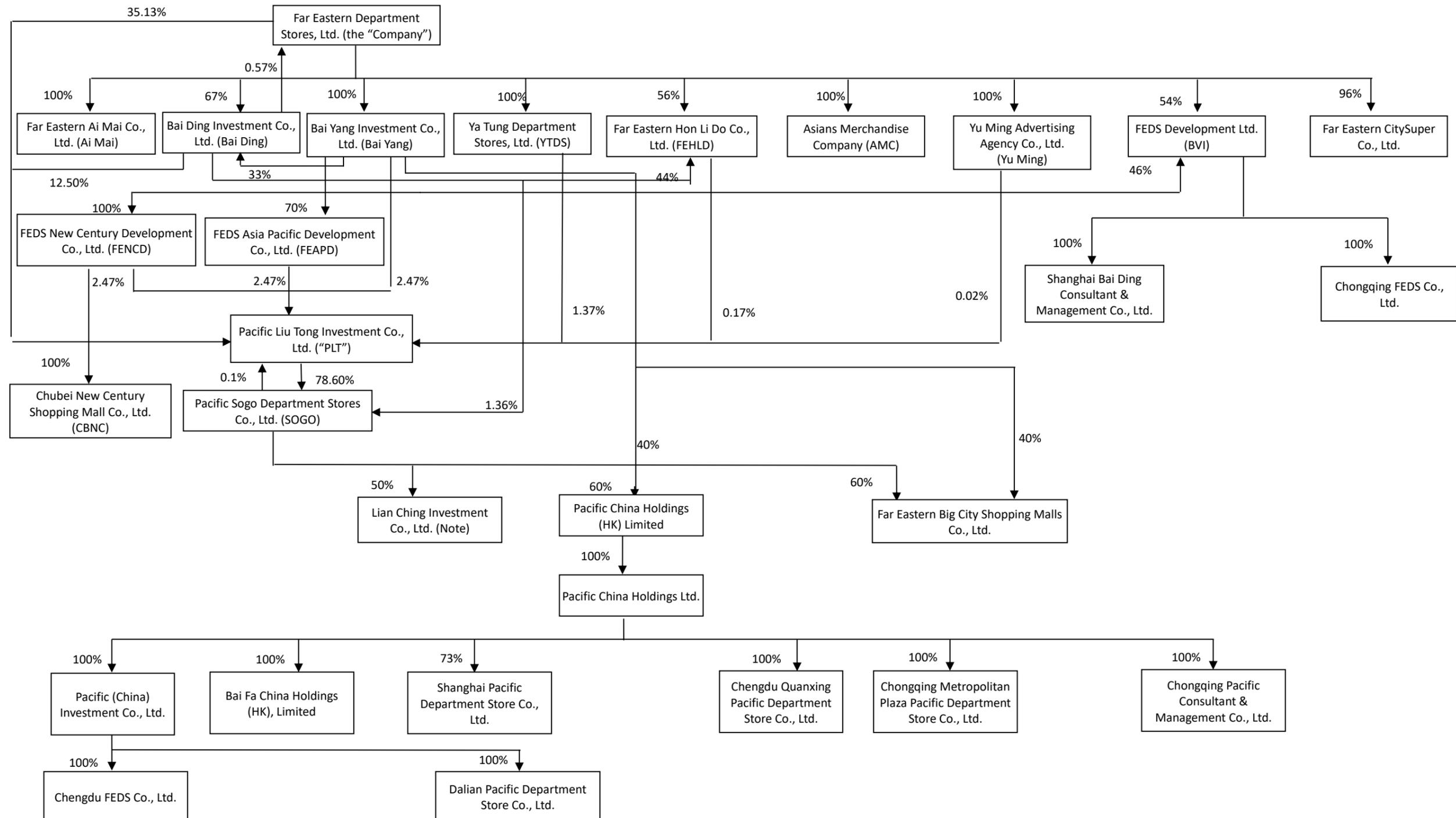
7. Others: None

VIII. Special Disclosure

1. Affiliated Companies

1.1. Subsidiaries and Affiliated Companies in the Consolidated Financial Report

1.1.1. Holding Structure of the Organization



Note: The amount of Lian Ching Investment Co., Ltd. had been written off to zero, no liabilities were be undertaken by the Group and the accounts are not disclosed in the consolidated financial statement.

1.1.2 Profile of affiliates

Unit: NT\$ thousands, unless stated otherwise

| Company | Date of Incorporation | Address | Paid-in Capital | Major Business Activities |
|--|-----------------------|---|-----------------|------------------------------|
| Far Eastern Department Stores, Ltd. | 1967.08.31 | 18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C. | 14,169,406 | Department store |
| Far Eastern Ai Mai Co., Ltd. | 1985.04.24 | No.101, Guixing Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C. | 877,440 | Supermarket |
| Bai Ding Investment Co., Ltd. | 1986.12.10 | 18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C. | 1,800,000 | Investment |
| Bai Yang Investment Co., Ltd. | 1989.07.28 | 18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C. | 10,749,911 | Investment |
| Yu Ming Advertising Agency Co., Ltd. | 1973.06.20 | 18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C. | 35,000 | Advertising and import agent |
| Ya Tung Department Stores, Ltd. | 1972.09.16 | 1F., No.209,and B2-5F,No.203, Sec.2, Tun Hua S. Rd., Taipei , Taiwan, R.O.C. | 410,000 | Department store |
| Far Eastern Hon Li Do Co., Ltd. | 1992.12.11 | 18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C. | 28,300 | Property leasing |
| FEDS Asia Pacific Development Co., Ltd. | 1997.11.11 | 18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C. | 2,130,000 | Major shopping center |
| FEDS New Century Development Co., Ltd. | 1999.11.11 | 18F., No.16, Xinzhan Rd., Banqiao Dist., New Taipei City, Taiwan,R.O.C. | 3,820,000 | Major shopping center |
| Asians Merchandise Company | 1980.04.17 | P.O. BOX 245, LAKE FOREST, CA 92609 | USD 950,000 | Trade |
| FEDS Development Ltd. | 1994.08.15 | Portcullis TrustNet Chambers 4th Floor Ellen Skelton Building 3076 Sir Francis Drake Highway Road Town, Tortola British Virgin Islands VG1110 | USD 4,032,640 | Investment |
| Pacific Liu Tong Investment Co., Ltd. | 1999.06.29 | 7F, No.64, Sec. 4, Ren Ai Rd., Taipei , Taiwan, R.O.C. | 8,020,000 | Investment |
| Pacific Sogo Department Stores Co., Ltd. | 1985.04.16 | B1-B3 and 1F-13F., No.45, Sec. 4, Zhongxiao E. Rd., Taipei , Taiwan, R.O.C | 8,280,000 | Department store |
| Pacific China Holdings (HK) Limited | 2002.06.19 | 2503 Bank of America Tower 12 Harcourt Road, Central Hong Kong | USD110,200,000 | Investment |
| Pacific China Holdings Ltd. | 1996.09.20 | Commence Chambers, P.O. Box 2208, Road Town, Tortola, British Virgin Islands | USD130,200,000 | Investment |
| Bai Fa China Holdings (HK) Ltd. | 2008.12.22 | 11/F, Lippo Leighton Tower, 103 Leighton Road, Causeway bay, Hong Kong | USD1,500 | Investment |
| Shanghai Pacific Department Stores Co., Ltd. | 1993.10.07 | NO.932 HENGSHAN RD Xuhui Dist. SHANGHAI | USD17,700,000 | Department store |

| Company | Date of Incorporation | Address | Paid-in Capital | Major Business Activities |
|---|-----------------------|--|-----------------|----------------------------------|
| Chengdu Quanxing Mansion Pacific Department Store Co., Ltd | 1996.01.12 | NO.68, sec 2. of the people's middle Road, Chengdu, Sichuan | USD21,990,000 | Department store |
| Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | 1997.01.09 | NO.68 Zou Rong Road, Yuzhong District, Chongqing | USD3,000,000 | Department store |
| Chongqing Pacific Consultant & Management Co., Ltd. | 2000.01.27 | NO.68 Zou Rong Road, Yuzhong District, Chongqing | USD73,000,000 | Consultation services |
| Dalian Pacific Department Store Co., Ltd. | 2002.04.09 | No.19, jiefang road, zhongshan district, dalian city | RMB16,000,000 | Department store |
| Shanghai Bai Ding Consultant & Management Co., Ltd. | 2004.08.18 | Area A, 5th Floor, No. 28, Bailianjing Road, Shanghai Pilot Free Trade Zone. | USD100,000 | Consultation services |
| Chongqing FEDS Co., Ltd. | 2004.06.02 | No.10, yanghe road, jiangbei district, chongqing | USD2,800,000 | Department store |
| Far Eastern City Super Co., Ltd. | 2004.09.16 | 7F, No.64, Sec. 4, Ren Ai Rd., Taipei, Taiwan, R.O.C. | 500,000 | Department store and supermarket |
| Pacific (China) Investment Co., Ltd. | 2009.04.16 | Area A, 5th Floor, No. 28, Bailianjing Road, Shanghai Pilot Free Trade Zone. | USD216,000,000 | Investment |
| Chengdu FEDS Co., Ltd | 2010.12.02 | 18 dongyu street, jinjiang district Chengdu | USD134,000,000 | Department store |
| Far Eastern Big City Shopping Malls Co., Ltd. | 2010.12.02 | 7F, No.64, Sec. 4, Ren Ai Rd., Taipei, Taiwan, R.O.C. | 500,000 | Department store |
| Chubei New Century Shopping Mall Co., Ltd. | 2015.06.18 | No. 18, Zhuangjing N. Rd., Zhubei City, Hsinchu County. | 3,500,000 | Department store |

1.1.3 Companies presumed to have a relationship of control and subordination with Far Eastern Department Stores, Ltd.: Not applicable.

1.1.4 Industries covered by the business operated by the affiliates and description of the mutual dealings and division of work among such affiliates: Please refer to 1.1.2.

1.1.5 Directors, supervisors and general managers of affiliates

As of December 31, 2021 Unit: Number of Shares; %

| Company | Title | Name or representative | Registered Shares Owned | |
|--------------------------------------|----------------------|--|-------------------------|--------|
| | | | Shares | Shares |
| Far Eastern Department Stores Ltd. | Director | Douglas Tong Hsu (Chairman) | 1,779,835 | 0.13 |
| | | Ding&Ding Management Consultants Co., Ltd | 73,009 | 0.01 |
| | | Nancy Hsu | — | — |
| | | Far Eastern New Century Corporation | 241,769,702 | 17.06 |
| | | Nicole Hsu | — | — |
| | Independent Director | Yuli Investments Corporation | 1,769,001 | 0.12 |
| | | Philby Lee | — | — |
| | President | Edward Way, Eugene You-Hsin Chien, Dong, Ding Yu | — | — |
| | Nancy Hsu | 1,173,788 | 0.08 | |
| Far Eastern Ai Mai Co., Ltd. | Director | Far Eastern Department Stores, Ltd. | 87,744,000 | 100.00 |
| | | Douglas Tong Hsu (Chairman), Nancy Hsu, Philby Lee, James Tang, Jhuang, Jin-Long, Tony Liu, Chang-Li Lin | — | — |
| | Supervisors | Far Eastern Department Stores, Ltd. | 87,744,000 | 100.00 |
| | | Jia-Cong Wang, Chris Liu | — | — |
| Bai Ding Investment Co., Ltd. | Director | Far Eastern Department Stores, Ltd | 119,980,876 | 66.66 |
| | | Douglas Tong Hsu (Chairman), Nancy Hsu, Shaw-Yi Wang, James Tang, Chris Liu | — | — |
| | Supervisors | Bai Yang Investment Co., Ltd | 60,019,124 | 33.34 |
| | | Shyh-ching Ro, Jia-Cong Wang | — | — |
| President | Douglas Tong Hsu | — | — | |
| Bai Yang Investment Co., Ltd | Director | Far Eastern Department Stores, Ltd | 1,074,991,127 | 100.00 |
| | | Nancy Hsu (Chairman), Douglas Tong Hsu, James Tang | — | — |
| | Supervisors | Far Eastern Department Stores, Ltd | 1,074,991,127 | 100.00 |
| | | Jia-Cong Wang | — | — |
| Yu Ming Advertising Agency Co., Ltd. | Director | Far Eastern Department Stores, Ltd | 3,500,000 | 100.00 |
| | | Nancy Hsu (Chairman), Douglas Tong Hsu, Chang-Li Lin | — | — |
| | Supervisors | Far Eastern Department Stores, Ltd | 3,500,000 | 100.00 |
| | | Jia-Cong Wang | — | — |
| Ya Tung Department Stores, Ltd | Director | Far Eastern Department Stores, Ltd | 41,000,000 | 100.00 |
| | | Nancy Hsu (Chairman), Douglas Tong Hsu, James Tang, Chris Liu, Zong Yuan Jhang | — | — |
| | Supervisors | Far Eastern Department Stores, Ltd | 41,000,000 | 100.00 |
| | | Jia-Cong Wang, Lily Y. T. Liu | — | — |
| Far Eastern Hon Li Do Co., Ltd. | Director | Far Eastern Department Stores, Ltd | 1,570,650 | 55.50 |
| | | Nancy Hsu (Chairman), Douglas Tong Hsu, Jin-Long Jhuang | — | — |
| | Supervisors | Bai Ding Investment Co., Ltd. | 1,259,350 | 44.50 |
| | | Shyh-ching Ro | — | — |

| Company | Title | Name or representative | Registered Shares Owned | |
|--|-------------|--|-------------------------|--------|
| | | | Shares | Shares |
| FEDS Asia Pacific Development Co., Ltd. | Director | Bai Yang Investment Co., Ltd | 149,100,000 | 70.00 |
| | | Douglas Tong Hsu (Chairman), Nancy Hsu, Jia-Cong Wang, James Tang | — | — |
| | Supervisors | Asia Cement Corporation | 53,250,000 | 25.00 |
| | | K.Y. Lee | — | — |
| | | Yuan Ding Co., Ltd | 10,650,000 | 5.00 |
| | | Ling-Ling Wu, Wei-Kun Zhou, Dong-lin Yu | — | — |
| FEDS New Century Development Co., Ltd. | Director | Bai Yang Investment Co., Ltd | 382,000,000 | 100.00 |
| | Supervisors | Douglas Tong Hsu (Chairman), Nancy Hsu, James Tang | — | — |
| | | Bai Yang Investment Co., Ltd | 382,000,000 | 100.00 |
| | | Shaw-Yi Wang | — | — |
| Asians Merchandise Company | Director | Far Eastern Department Stores, Ltd | 950,000 | 100.00 |
| | President | Shyh-ching Ro, Ting-Meng Chen, Rwei- Yuan Chen | — | — |
| | | Shyh-ching Ro | — | — |
| FEDS Development Ltd. | Director | Far Eastern Department Stores, Ltd | 217,800 | 54.01 |
| | | Douglas Tong Hsu, Nancy Hsu, Morton Mate Huang | — | — |
| Pacific Liu Tong Investment Co., Ltd. | Director | Far Eastern Department Stores, Ltd | 281,733,862 | 35.13 |
| | | Douglas Tong Hsu (Chairman) | — | — |
| | | FEDS Asia Pacific Development Co., Ltd. | 19,800,000 | 2.47 |
| | | Morton Mate Huang | — | — |
| | Supervisors | FEDS New Century Development Co., Ltd. | 19,800,000 | 2.47 |
| | | Shyh-ching Ro | — | — |
| | | Da Ju Fiber Co., Ltd | 27,681,274 | 3.45 |
| | | Chin-Sen Tu | — | — |
| Pacific Sogo Department Stores Co., Ltd. | Director | Pacific Liu Tong Investment Co., Ltd. | 650,817,194 | 78.60 |
| | Supervisors | J.W. Huang (Chairman), Douglas Tong Hsu Morton Mate Huang, Chee Ching Shaw-Yi Wang | — | — |
| | | Bai Ding Investment Co., Ltd. | 11,253,943 | 1.36 |
| | | Eli Ching-I Wang | — | — |
| Pacific China Holdings (HK) Limited | Director | Pacific Sogo Department Stores Co., Ltd. | *USD66,120,000 | 60.00 |
| | | J.W. Huang (Chairman), Cheng-Hsien Yang, Shyh-ching Ro | — | — |
| | President | Bai Yang Investment Co., Ltd | *USD44,080,000 | 40.00 |
| | | H.T Peng | — | — |
| | | Shyh-ching Ro | — | — |
| Pacific China Holdings Ltd. | Director | Pacific China Holdings (HK) Limited | *USD130,200,000 | 100.00 |
| | President | J.W. Huang (Chairman), Chin-Sen Tu, R.H. Shao, Cheng-Hsien Yang | — | — |
| | | Shyh-ching Ro | — | — |
| Bai Fa China Holdings (HK) Ltd. | Director | Pacific China Holdings Ltd. | *USD1,500 | 100.00 |
| | President | Nancy Hsu (Chairman), J.W. Huang, Shyh-ching Ro | — | — |
| | | Shyh-ching Ro | — | — |

| Company | Title | Name or representative | Registered Shares Owned | |
|---|---------------------------------|--|-------------------------|--------|
| | | | Shares | Shares |
| Shanghai Pacific Department Stores Co., Ltd. | Director | Shanghai Xujiahui Center(Group) | *USD 4,867,500 | 27.5 |
| | | Bo Wang (Chairman), Cen Yu, Meng-Lu Chen | — | — |
| | | Pacific China Holdings Ltd. | *USD12,832,500 | 72.5 |
| | Supervisors | Chin-Sen Tu (Vise Chairman), Ting-Sung Wang Kuo, Ai-Chia Li, Chung-Hsin Chen, Cheng-Hsien Yang | — | — |
| | | Shanghai Xujiahui Center(Group) | *USD 4,867,500 | 27.5 |
| | | Xuan Liu | — | — |
| President | Pacific China Holdings Ltd. | *USD12,832,500 | 72.5 | |
| | Yong-He Chen | — | — | |
| Chengdu Quanxing Mansion Pacific Department Store Co., Ltd. | Director | Yu-Tsung Tao | — | — |
| | | Pacific China Holdings Ltd. | *USD21,990,000 | 100.00 |
| | | Chin-Sen Tu, Chung-Hsin Chen, Cheng-Hsien Yang, | — | — |
| | Supervisors | China Railway Ruicheng Building | — | — |
| | | Feiyue Shi (Chairman), Haitao Tang | — | — |
| | | Pacific China Holdings Ltd. | *USD21,990,000 | 100.00 |
| President | Ai-Chia Li | — | — | |
| | China Railway Ruicheng Building | — | — | |
| Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | Director | Jie, Tan | — | — |
| | | Chung-Hsin Chen | — | — |
| | Supervisors | Pacific China Holdings Ltd. | * USD3,000,000 | 100.00 |
| Chongqing Pacific Consultant & Management Co., Ltd. | Director | Chin-Sen Tu (Chairman), Chung-Hsin Chen, Ai-Chia Li, shyh-chingRo, Cheng-Hsien Yang, | — | — |
| | | Pacific China Holdings Ltd. | * USD3,000,000 | 100.00 |
| Dalian Pacific Department Store Co., Ltd | Director | Yong-He Chen | — | — |
| | | Pacific China Holdings Ltd. | *USD73,000,000 | 100.00 |
| | Supervisors | Chin-Sen Tu (Chairman), Chao-Yu Wang, Chung-Hsin Chen | — | — |
| Pacific (China) Investment Co., Ltd. | | *RMB16,000,000 | 100.00 | |
| Shanghai Bai Ding Consultant & Management Co., Ltd | Director | Yong-He Chen | — | — |
| | | Chung-Hsin Chen | — | — |
| Shanghai Bai Ding Consultant & Management Co., Ltd | Supervisors | FEDS Development Ltd. | * USD100,000 | 100.00 |
| | | R.H. Shao(Chairman), Lily Y. T. Liu, Chris Liu | — | — |
| | President | FEDS Development Ltd. | * USD100,000 | 100.00 |
| Shanghai Bai Ding Consultant & Management Co., Ltd | Supervisors | Yong-He Chen | — | — |
| | | R.H. Shao | — | — |

| Company | Title | Name or representative | Registered Shares Owned | |
|---|-------------|---|-------------------------|-------------|
| | | | Shares | Shares |
| Chongqing FEDS Co., Ltd. | Director | FEDS Development Ltd. Ding-Sung Wang Kuo (Chairman), Lily Y. T. Liu, Cheng-Hsien Yang, James Tang, Chris Liu, Chung-Hsin Chen | * USD2,800,000 — | 100.00 — |
| | Supervisors | FEDS Development Ltd. Yong-He Chen | * USD2,800,000 — | 100.00 — |
| Far Eastern CitySuper Ltd. | Director | Far Eastern Department Store Ltd. Nancy Hsu (Chairman), Douglas Tong Hsu, Chang-Li Lin, Tony Liu | 47,826,920 — | 95.65 — |
| | | City Super(Labuan)Limited. Jia-Hua Wu | 2,171,400 — | 4.34 — |
| | Supervisors | Bai Ding Investment Co., Ltd. Chris Liu, James Tang | 1,680 — | 0.01 — |
| | | | | |
| Pacific (China) Investment Co., Ltd. | Director | Pacific China Holdings Ltd. Nancy Hsu (Chairman), Douglas Tong Hsu, Chin-Sen Tu, R.H. Shao, J.W. Huang, Chris Liu, Ting-Sung Wang Kuo, Philby Lee, Shyh-ching Ro | *USD216,000,000 — | 100.00 — |
| | Supervisors | Pacific China Holdings Ltd. James Tang, Ting-Meng Chen | *USD216,000,000 — | 100.00 — |
| | President | Shyh-ching Ro | — | — |
| Chengdu FEDS Co., Ltd. | Director | Pacific (China) Investment Co., Ltd. Chin-Sen Tu (Chairman), Ting-Sung Wang Kuo, Chung-Hsin Chen, Cheng-Hsien Yang, Yong-He Chen | *USD134,000,000 — | 100.00 — |
| | Supervisors | Pacific (China) Investment Co., Ltd. Chris Liu | *USD134,000,000 — | 100.00 — |
| | President | Chung-Hsin Chen | — | — |
| Far Eastern Big City Shopping Malls Co., Ltd. | Director | Pacific Sogo Department Stores Co., Ltd. Philby Lee (Chairman), Ting-Sung Wang Kuo, Shyh-ching Ro | 30,000,000 — | 60.00 — |
| | | Bai Yang Investment Co., Ltd James Tang, Chris Liu | 20,000,000 — | 40.00 — |
| | Supervisors | Cheng-Hsien Yang | — | — |
| Chubei New Century Shopping Mall Co., Ltd. | Director | FEDS New Century Development Co., Ltd. Chang-Li Lin (Chairman), Nancy Hsu, James Tang, Philby Lee, Chris Liu | 350,000,000 — | 100.00 — |
| | Supervisors | FEDS New Century Development Co., Ltd. Y.S. Yang | 350,000,000 — | 100.00 — |

Note 1: Mainland companies are not Limited company, so there are no shares, which are listed in US dollars or RMB.

1.1.6. Operation Results of Each Subsidiary and Affiliate

December 31, 2021

Unit: NT\$ for EPS, NT\$ thousands for other

| Name | Paid-in Capital | Total Assets | Total Liabilities | Total Equity | Operating Revenue | Operating Income (loss) | Net Income (After tax) | EPS (after tax) |
|--|-----------------|--------------|-------------------|--------------|-------------------|-------------------------|------------------------|-----------------|
| Far Eastern Department Stores, Ltd | 14,169,406 | 78,009,830 | 46,961,200 | 31,048,630 | 10,013,982 | 1,744,186 | 1,208,100 | 0.86 |
| Far Eastern Ai Mai Co., Ltd. | 877,440 | 9,764,254 | 9,422,471 | 341,783 | 10,423,595 | (191,040) | (439,955) | (5.01) |
| Bai Ding Investment Co., Ltd. | 1,800,000 | 5,455,896 | 1,688,094 | 3,767,802 | 268,491 | 250,178 | 247,841 | 1.38 |
| Bai Yang Investment Co., Ltd | 10,749,911 | 12,031,721 | 91,724 | 11,939,997 | 182,035 | 178,638 | 190,713 | 0.18 |
| Yu Ming Advertising Agency Co., Ltd. | 35,000 | 122,054 | 1,873 | 120,181 | 1,686 | (1,973) | 12,804 | 3.66 |
| Ya Tung Department Stores, Ltd | 410,000 | 273,097 | 188,984 | 84,113 | 67,666 | (13,930) | (1,967) | (0.05) |
| Far Eastern Hon Li Do Co., Ltd. | 28,300 | 31,798 | 272 | 31,526 | 1,616 | 1,496 | 1,496 | 0.53 |
| FEDS Asia Pacific Development Co., Ltd. | 2,130,000 | 3,238,401 | 840,978 | 2,397,423 | 222,909 | 184,277 | 22,559 | 0.11 |
| FEDS Development Ltd. | 126,278 | 2,468,381 | 262,475 | 2,205,906 | (146,784) | (161,117) | (163,485) | (12.95) |
| Asians Merchandise Company | 26,296 | 4,405 | 67 | 4,338 | 1,040 | 37 | 95 | 0.04 |
| FEDS New Century Development Co., Ltd. | 3,820,000 | 3,879,872 | 2,914 | 3,876,958 | (9,157) | (9,876) | (9,876) | (0.03) |
| Chubei New Century Shopping Mall Co., Ltd. | 3,500,000 | 5,699,221 | 2,239,693 | 3,459,528 | 3,123 | (28,484) | (31,741) | (0.09) |
| Pacific Liu Tong Investment Co., Ltd. | 8,020,000 | 11,613,059 | 23,726 | 11,589,333 | 918,727 | 904,588 | 904,270 | 1.13 |
| Pacific Sogo Department Stores Co., Ltd. | 8,280,000 | 41,561,921 | 29,534,354 | 12,027,567 | 10,866,882 | 1,998,231 | 1,160,502 | 1.40 |
| Pacific China Holdings (HK) Limited | 3,406,401 | 102,594 | 3,115,022 | (3,012,428) | 1,610 | (191,476) | (191,476) | (1.74) |
| Pacific China Holdings Ltd. | 3,893,903 | 664,363 | 3,779,354 | (3,114,991) | 7,607 | (189,887) | (189,887) | (1.46) |
| Bai Fa China Holdings (HK) Ltd. | 41 | 42 | 0 | 42 | 0 | 0 | 0 | 0.00 |
| Shanghai Pacific Department Stores Co., Ltd. | 499,218 | 1,189,151 | 415,985 | 773,166 | 1,617,587 | 88,333 | 98,774 | N/A |

| Name | Paid-in Capital | Total Assets | Total Liabilities | Total Equity | Operating Revenue | Operating Income (loss) | Net Income (After tax) | EPS (after tax) |
|---|-----------------|--------------|-------------------|--------------|-------------------|-------------------------|------------------------|-----------------|
| Chengdu Quanxing Mansion Pacific Department Store Co., Ltd. | 678,413 | 263,395 | 119,120 | 144,275 | 0 | (610) | (709) | N/A |
| Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd. | 108,154 | 328,674 | 917,282 | (588,608) | 438,582 | (442,831) | (442,611) | N/A |
| Chongqing Pacific Consultant & Management Co., Ltd. | 2,138,446 | 1,775,005 | 660,301 | 1,114,704 | 1,899 | (8,905) | (8,886) | N/A |
| Dalian Pacific Department Store Co., Ltd. | 69,554 | 61,937 | 69,763 | (7,826) | 51,628 | (16,134) | (14,509) | N/A |
| Far Eastern CitySuper Co., Ltd. | 500,000 | 709,667 | 540,618 | 169,049 | 1,453,392 | 46,878 | 53,851 | 1.08 |
| Shanghai Bai Ding Consultant & Management Co., Ltd | 3,593 | 16,226 | 2,425 | 13,801 | 30,599 | 5,714 | 10,876 | N/A |
| Chongqing FEDS Co., Ltd. | 84,727 | 2,052,333 | 1,068,018 | 984,315 | 725,830 | 19,052 | 12,806 | N/A |
| Pacific (China) Investment Co., Ltd. | 6,203,499 | 126,303 | 161,626 | (35,323) | 40,495 | (22,480) | (22,716) | N/A |
| Chengdu FEDS Co., Ltd. | 3,778,940 | 63,856 | 183,518 | (119,662) | 0 | 12,206 | 12,086 | N/A |
| Far Eastern Big City Shopping Malls Co., Ltd. | 500,000 | 5,657,644 | 4,977,462 | 680,182 | 993,328 | 200,518 | 137,139 | 2.74 |

1.2. Declaration of Consolidation of Financial Statements of Affiliates

REPRESENTATION LETTER

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for 2021 (from January 1 to December 31, 2021) are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies in accordance to IFRS 10. The relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, therefore we have not prepared a separate set of consolidated financial statements for affiliates.

Yours truly,

Far Eastern Department Stores

By

Douglas Tong Hsu

Chairman

March 4, 2022

1.3 Affiliation Report: Not applicable

2. Private Placement Securities in the Latest Year: None

3. The Company's Shares Held or Disposed by Subsidiaries in Recent Years until the Annual Report being Published

Unit: NT\$ thousands; shares; % As of March 31, 2022

| Name | Paid-in Capital | Source of funding | Holdings percentage | Date of acquisition or disposal | Number & amount of shares acquired | Number & amount of shares disposed | Investment income | Number & amount of shares held until the annual report being published | Creation Of pledge | Amount of loans guaranteed by the Company | Amount of loans lent by the Company |
|-------------------------------|-----------------|-------------------|---------------------|---------------------------------|------------------------------------|------------------------------------|-------------------|--|--------------------|---|-------------------------------------|
| Bai Ding Investment Co., Ltd. | 1,800 million | - | 67% | - | - | - | - | 8,207,004 shares 173.988million | - | 900million | - |

4. Other Supplementary Information: None.

5. Pursuant to the Article 36-3-2 of Security Exchange Act, Event Having Material Impact on Shareholders' Equity or Share Price in the Latest Year until the Annual Report being Published: None.



18F, No.16. Xinzhan Rd., Banqiao Dist., New Taipei City 220, Taiwan, R.O.C.
Tel +886 2 7727-8168