



2023

HANDBOOK FOR 2023
ANNUAL SHAREHOLDERS' MEETING

JUNE 21, 2023

STOCK CODE : 2903

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



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

Far Eastern Department Stores LTD.

I. Shareholders Meeting

1. Holding means :
Hybird shareholders meeting
2. Shareholders meeting date : 2023/06/21 9:00AM
3. Shareholders meeting location :
Auditorium in The Taipei Hero house,
No. 20, Sec. 1, Changsha St., Zhongzheng District,
Taipei City
4. Webinar platform :
TDCC (<https://www.stockvote.com.tw>)

physical shareholders' meetings with assistance of video conferencing

Far Eastern Department Stores LTD.

II. Meeting Agenda

Call Meeting to Order

Chairman Remarks

Reported Matters

Acknowledged Matters

Extemporaneous Motion

Adjournment

III. Reported Matters

1. 2022 Business Report

Preface

During the past year, the world economic environment was dynamic. The outbreak of Ukrainian-Russia War resulted in price hiking of global energy, food, and raw materials, leading into the impact of worldwide inflation, turbulent financial market, the weakening of post pandemic recovery, and disrupting the anticipated continuous recovery. According to IMF statistics, world economic growth in 2022 was 3.4%, dropped 2.6% as compared to that of the previous year. In line with continuous developments of world economy, coupled with interactions of geopolitics, climate change, supply chain restructuring, and China-U.S. technology war, major international forecast institutions predict this year's global economic and trade growth projections will slow down, and economic projections continue to be revised downwards.

Despite facing Ukrainian-Russia War, rising interest rate, inflation, and global economic changes, Taiwan's economy registered 2.4% growth in 2022, maintaining a positive but lower than expected growth. While export scale of Taiwan in 2022 reached all-time high, performance in the traditional high season was not satisfactory, and export momentum was declining per season. So last year's economic growth, mainly contributed by constantly increasing private investments, stood at 6.3% per annum, as well as the private consumption growth in the second half year due to easing pandemic at 3.5% per annum. Being small open economy, Taiwan's growth momentum was under strong impact by the international situation. To tackle global economic challenges, the government has initiated to draw up various programs to enhance economic resilience to drive for steady economic growth in Taiwan.

According to statistics of the Ministry of Economic Affairs, as people's lives had gradually returned to normal, department stores business has also regained growth from the pandemic. In 2022, Taiwan's consolidated department stores revenues were NT\$394.6 billion, which grew 15.2% year on year, not only marking historical high in both revenues and annual growth, but also exceeded convenience stores, supermarkets, and hyper markets and became again the largest compound merchandise retail channel in scale. Thanks to dynamic market, successful expansion, and strong growth of existing stores, Far Eastern Department Stores (FEDS) with continuous elevating profit delivered remarkable performances in 2022 to register sales at NT\$57 billion, exceeding NT\$50 billion

level, and operating profit at NT\$2.43 billion, both marking historical highs.

Given dynamic changing operating environment, enterprises must draw up objective and vision and find direction for moving forward to go further. FEDS responds to market changes, advances with time, enabling operations to be flexible, and continues to enhance its commitment to ESG, and implement sustainable business model. In future, the Company will continue to focus on “Innovation” and “Sustainability” to accomplish a better operating model, and create win-win for the industry and the society.

Operating Report of 2022

Under the effort of the Board of Directors and the management team, the Company continued to deliver an outstanding performance in 2022 and recorded consolidated sales of NT\$126 billion (according to IFRS, consolidated revenues were NT\$35.86 billion). Consolidated net profit was NT\$2.71 billion, over 40% of growth year on year, among which company alone net profit was NT\$1.93 billion, and earnings per share were NT\$1.37. According to the 7th Board Meeting of the 19th Board of Directors of FEDS, total cash dividend payment was NT\$1.1. Operating result of the Far Eastern Retail Group in 2022 is summarized as follows:

(1) Far Eastern Department Stores

1. Operating efficiency: With strong operating momentum and continuous elevation of profit, sales were NT\$57 billion in 2022, operating profit was NT\$2.43 billion, both marking historical highs, and pretax net profit was NT\$2.24 billion, over 60% growth year on year.
2. Sales space safety: No slack in epidemic prevention, continuous execution of relevant epidemic prevention policies. In addition to staff voluntarily wearing masks, body temperature management, and health tracking, also conduct periodic sanitization of sales space and remind customers to line up and keep safe distance, dedicate to building safe shopping environment for customers.
3. International exhibitions: After two years of absence, the popular “Cultural and Produce Festival of Hirosaki-shi, Aomori Ken, Japan” had its grand opening to tour throughout the Company’s island-wide branch stores, inviting 50 plus Japanese vendors to join, allowing consumers to enjoy one-stop purchase of authentic local products, bring crowd, and boost revenues.
4. Digital management: Management continues to promote various digital projects, totally 82 working process digital execution items are

underway, and already completed 97 digital management systems to elevate retail logistic management efficiency and build up a paperless office environment.

5. Commitment to philanthropy: Each branch store continues to promote “Connected by Love” philanthropic activities, has sponsored 783 CSR campaigns to aid the underprivileged, caring for women and children, environmental protection, and local developments, helping people in need, and being a good corporate citizen.
6. Corporate sustainability: ESG endeavors were well recognized, Taiwan’s first department store awarded by the Intercontinental Group of Department Stores (IGDS) among top 10 department stores of the World’s Best Sustainability/CSR Campaign by a Department Store, ranked among global Top 10 sustainable department stores.

(2) Far Eastern SOGO Department Stores

1. Operating efficiency in 2022: Sales were NT\$45 billion, operating income was 2.34 billion, and pretax income grew over 20% year on year to stand at NT\$1.82 billion.
2. Under the impact of travel restriction and brands’ continuous increase in sales prices, sales performance of international boutique brands grew 18%. With the lifting of anti-pandemic regulations, restaurants and wedding banquet businesses also present high growth, food and beverage sales revenues grew over 20%.
3. In the post-pandemic era, social, outdoor, and travel activities have returned to normal frequency. Cosmetics, men’s and women’s apparels, sportswear, etc. are focus of consumption. Will continue to improve sales space environment, strengthen merchandise to become growth momentum and boost revenues.
4. With the ebbing of the pandemic and normal supply of men’s and women’s apparels, manufacturers’ productions and orders have increased, revenues of men’s and women’s apparels grew substantially at 12% and 6%, respectively.
5. Under the impact of lockdown and suspension of businesses in China, Chongqing FEDS Metropolitan Plaza Store ceased operation on May 31, 2022 completing its lease period. Yet Chongqing Far Eastern City is scheduled to open in December 2023 as a new lifestyle shopping mall to contribute to future expansion and growth in China.

(3) Far Eastern Ai-Mai

1. Continue to strengthen the development of online shopping and create more convenient service model for customers. Sales were NT\$13.24

- billion in 2022.
2. Cross-industry collaboration, introduce new customers: Collaborated with TESLA to establish supercharger (total 40 supercharger stations island-wide.)
 3. Pandemic has changed shopping behaviors, intensify deliver services:
 - a. Digital commerce: Revenues of online shopping were NT\$1.42 billion in 2022, grew 37% year on year.
 - b. Fast digital commerce: 30-minute delivery by foodpanda.
 4. Automatic ordering system to replace manual one at branch store:
 - a. Elevate accuracy of ordering.
 - b. Save operating time of store ordering.
 - c. Streamline store's organizational levels and enhance HR efficiency.
 5. Category management--simple focusing on:
 - a. Strictly control the number of merchandises, expedite to eliminate low turnover merchandise.
 - b. Continue to review major items and develop new merchandises to satisfy customer needs.

Business Plan

The current environment is full of uncertainties including challenges caused by inflation, rising interest, geopolitical tension, consumer behavior changes, as well as long-term trend of climate change and technological innovation. Far Eastern Retail Group adjusts strategy flexibly, sets up target, and gets well prepared in advance to deliver continuous excellent performance. Major operational focus in 2023 is summarized as follows:

(1)Far Eastern Department Stores

1. Seize post-pandemic recovery consumption opportunities, strengthen the analysis of Happy Go membership database, utilize FEDS APP and each branch store's social platform, together with Happy Go Pay, to create comprehensive shopping scenarios, also launch precisely targeted merchandise proposals through segment marketing. Aside from stimulating consumer spending power, but also attract new customer groups who are frequent users of digital tools, and expand customer base.
2. In line with Taiwanese consumers' high interest in exotic merchandise and gourmet cuisine, organize and sponsor exotic cultural, local specialties and artistic creativity fairs etc., with authentic local products, featured shows, and interactive experience to let customers feel directly engaged in local culture.

3. To maintain competitive momentum and create unique features, each branch store continues to conduct various brand adjustments along with market trend, elevate merchandising power, and further boost operating performance.
4. To become people's first choice of shopping space for daily necessities, each branch store during festivals creates corresponding atmosphere, collaborates with public sector and schools to organize various CSR events, craftsman experience and achievement presentation, hopefully that with more interactive atmosphere at sales space, promotion of more featured local products, and more intimate community activities to strengthen consumer stickiness.
5. After the successful opening of Far Eastern New Century Chubei Shopping Mall, renovation of the first generation FEDS Baoqing Store has been launched, inviting world-renowned architect to design and build state-of-the-art new generation green department store, which is expected to renew the landscape of west Taipei City and become the new landmark of Ximending.
6. Focus of management: Continue to promote digitization, control expenses, strengthen data security, respond to the risk of climate change, develop sustainable strategy, and establish sustainability-oriented management model.

(2) Far Eastern SOGO Department Stores

1. Along with the opening of overseas travels, local consumption will decrease. Thus, in operation SOGO will engage in renovating sales space, introducing new merchandise, elevating services, expanding digital marketing, and also aims to elevate operating income, continues to save expenses, and increase operating profit.
2. Establish ten major indexes of operating task, including overall optimizing and elevating of digital marketing, effective turning and enhancing of customer store visits; expanding mobile businesses, SOGO APP segment marketing and reward points economy; establishing membership system for customers, VIP upgrade, enhancing VIP stickiness through Club membership; commitment to ESG, elevating corporate image and voice, etc.
3. Expedite staff cultivation and rotation, elevate operating competitiveness, also seize market changes, develop new merchandise in compliance with readjustment program, and strengthen merchandise power of sales space.
4. Focus of tasks in mainland China:
 - a. Promote the opening of Chongqing Far Eastern City Shopping Mall.

- b. Strategize and intensify promotion campaigns.
- c. Continue to optimize the operation of Chiangbei Store.
- d. Elevate operating efficiency, increase profit.
- e. Optimize talent and establish organization structure of new stores.

(3)Far Eastern Ai-Mai

1. Reform low-cost operating model:
 - a. Optimize ordering and inventory systems.
 - b. Introduce self-checkout system, save manpower, and lower customers' waiting.
2. Promote merchandise upgrade and differentiation:
 - a. ABC analysis to cut down invalid items, simple and focus.
 - b. Introduce popular trendy merchandise, enhance display and exhibition.
 - c. Merge physical and online shopping merchandise.
 - d. Review inventory to strengthen delivery rate, lower out of stock rate.
3. Enhance fast growth of digital commerce:
 - a. Optimize platform, improve graphic interface content, and elevate user experience.
 - b. Utilize resources of existing physical stores to expand online shopping and sales.
 - c. Increase B2B revenues and new platform collaboration.
 - d. Expand unified warehouse efficiency, optimize delivery and shipping performance.
 - e. Online shopping business targeted to maintain 30% growth in 2023
4. Digital marketing and sustainable ESG:
 - a. New APP 2.0 launched online, upgrade marketing and sales function, and strengthen download.
 - b. Continue to strengthen ESG sustainability and carbon reduction, CSR collaboration among group affiliates.
 - c. Leading the industry to be winner of national grade sustainability award "Silver Medal of National Enterprise Environmental Protection Award".
 - d. Implement digitalization to reduce cost, cut down paper DM, and fortify big data targeted marketing.
5. Talent development, enhance industry-academic collaboration:
 - a. Enlarge collaboration between group universities and industries, and find the right people.
 - b. Manage talent with agility, utilize digital tools to simplify operation

and lower cost.

- c. Expedite the promotion of full-time staff under 45 years of age, activate organization and staff turnover.

Future Prospective

The flourishing digital technologies have changed global consumer behaviors, in particular Covid-19 pushed more consumers to engage in online activities, and expedite the growth of digital commerce. The retail industry needs to be more proactive in promoting digital transformation, to break the limit of time and space via the utilization of Metaverse, AR, VR, 5G technologies, elevate shopping experience via virtual and physical integration, and retain customers with rich experiences. With the application of technologies, retailers in the U. S. collect consumer footprints in details, such as their staying time within stores, shopping patterns, etc. By analyzing these shopping records and behavior footprints, the retailers are able to seize consumer preference, based on which to adjust their marketing campaigns and operation content, thus design an offline merge online omni-channel shopping journey.

To alleviate the impact caused by global warming and natural disasters on the environment, international governments, organizations, and enterprises have been proposing strategies and measures to combat against intensified climate changes. Totally 137 nations or regions have pledged to achieve Net-Zero emissions by 2050, and taken initiatives to accomplish the emission-reduction target by 2030. Far Eastern Department Stores being committed to environment sustainability, in response to ISO 14064-1 international standard for quantifying and reporting greenhouse gas emissions, has conducted climate risk evaluation and management mechanism and worked toward low-carbon retail transformation. Furthermore, FEDES has established solar photovoltaic energy facilities, after completion will generate 1.14 million MWh green power, reduce 30% carbon emission in the next 5 years, and move toward the global net zero pledges.

Talent cultivation and development have always been an important topic for business operation and management. Only by finding the “right people” and putting the “right people” on the key positions to do more “right things”, can assist enterprises to effectively solve the problems and challenges brought by the uncertain operating environment. FEDES has established a complete talent cultivation blue print and occupational training mechanism, invested in sufficient training resources, and strengthened collaborations with the Group’s affiliated educational institutions, to reserve talent teams in advance for our future retail deployment, allowing staff and the company to jointly grow and promote an outstanding enterprise.

Given the fast changing business environment, we should not feel too optimistic about the future, but can neither lose confidence. Promote the enterprise to be outstanding is a dynamic ongoing process, not the end of our efforts. Everlasting excellent company must go through unlimited turning points to remain long standing. It is an endless path. Looking into the future, the outstanding management team of FEDS will be insightful, strive to achieve steady growth, and lead the corporation to win over changes. Also to propose future prospects in the new scenario, cultivate adaptability, seek sustainable innovation and growth, ensure lasting excellence, and continue to create maximum value and reward for stockholders.

2. Financial report of 2022.

Explanation:

The 2022 Financial Statements are on page 12-32.

- (1) Consolidated balance sheets (December 31, 2022)
- (2) Consolidated statement of comprehensive income (January 1, 2022~ December 31, 2022)
- (3) Consolidated statements of changes in equity (January 1, 2022 ~December 31, 2022)
- (4) Consolidated statements of cash flows (January 1, 2022~ December 31, 2022)
- (5) Balance sheets (December 31, 2022)
- (6) Statement of comprehensive income (January 1, 2022~ December 31, 2022)
- (7) Statements of changes in equity (January 1, 2022~ December 31, 2022)
- (8) Statements of cash flows (January 1, 2022~ December 31, 2022)

Independent auditor's reports by Deloitte & Touche are on page 12-15 and page 23-26.

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, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of 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, 2022. 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, 2022 is stated as follows:

Assessment of impairment of property, plant and equipment and right-of-use

assets

The department store and hypermarket industries in which the Group is engaged in are highly competitive, and in recent years, the public tends to spend on e-commerce platforms or nearby retail channels to instantly address their needs. Due to the rising threat from external competition, some of our cash-generating units have been in the red in recent years. Management estimates and makes judgments about the expected future economic benefits and recoverable amounts of the assets of the cash-generating units in accordance with IAS 36, "Impairment of Assets," in order to assess whether they are impaired. The assessment of impairment of the Group's property, plant and equipment and right-of-use assets is considered to be a key audit matter for the current year because of the high percentage of property, plant and equipment and right-of-use assets in the total assets of the cash-generating units, which is material to the consolidated financial statements as a whole. Please refer to Notes 4 (m), 5, 14, and 15 to the consolidated financial statements for the accounting policies and important descriptions of impairment of property, plant and equipment.

The key audit procedures that we performed in respect of the impairment loss of property, plant and equipment and right-of-use assets are as follows:

1. We obtained an assessment of impairment of assets for each cash-generating unit as assessed by management.
2. We assessed the reasonableness of the assumptions and methods used in the valuation.

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, 2022 and 2021 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 Standards on Auditing of 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 Standards on Auditing of 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, 2022 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 2, 2023

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, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 17,254,680	14	\$ 19,532,090	15
Financial assets at fair value through profit or loss - current	284,762	-	434,650	-
Financial assets at fair value through other comprehensive income - current	840,485	1	262,709	-
Financial assets at amortized cost - current	2,210,526	2	1,184,222	1
Notes receivable	471	-	671	-
Trade receivables	1,162,412	1	1,178,651	1
Trade receivables from related parties	152,611	-	169,643	-
Other receivables	703,143	-	904,572	1
Current tax assets	2,746	-	991	-
Inventories	2,372,926	2	2,441,255	2
Prepayments	267,762	-	265,776	-
Other current assets	56,533	-	60,485	-
Total current assets	<u>25,309,057</u>	<u>20</u>	<u>26,435,715</u>	<u>20</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current	4,627,437	4	4,815,595	4
Financial assets at amortized cost - non-current	123,200	-	123,000	-
Investments accounted for using the equity method	9,749,294	8	10,151,421	8
Property, plant and equipment	33,279,076	26	33,782,868	26
Right-of-use assets	39,630,425	31	39,551,296	30
Investment properties	8,971,146	7	8,978,133	7
Intangible assets	2,413,602	2	2,428,534	2
Deferred tax assets	542,784	-	597,004	1
Net defined benefit assets	285,329	-	196,769	-
Long-term prepayments for lease	-	-	1,844,391	1
Other non-current assets	1,970,204	2	1,822,585	1
Total non-current assets	<u>101,592,497</u>	<u>80</u>	<u>104,291,596</u>	<u>80</u>
TOTAL	<u>\$126,901,554</u>	<u>100</u>	<u>\$130,727,311</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 13,722,144	11	\$ 9,868,799	8
Short-term bills payable	1,590,845	1	3,190,706	3
Contract liabilities - current	10,279,939	8	9,659,984	7
Notes payable	3,500	-	5,830	-
Trade payables	17,050,545	13	16,806,804	13
Trade payables to related parties	116,859	-	96,397	-
Other payables	4,089,361	3	3,768,878	3
Current tax liabilities	626,356	1	470,027	-
Provisions - current	3,000	-	3,000	-
Lease liabilities - current	3,191,599	3	3,189,336	3
Advance receipts	509,317	-	517,771	-
Current portion of long-term borrowings	950,000	1	-	-
Other current liabilities	395,209	-	395,085	-
Total current liabilities	<u>52,528,674</u>	<u>41</u>	<u>47,972,617</u>	<u>37</u>
NON-CURRENT LIABILITIES				
Long-term borrowings	9,900,000	8	17,589,721	13
Provisions - non-current	25,500	-	25,272	-
Deferred tax liabilities	2,308,498	2	2,295,710	2
Lease liabilities - non-current	20,489,572	16	21,763,708	17
Net defined benefit liabilities	581,832	1	718,441	1
Other non-current liabilities	520,214	-	526,684	-
Total non-current liabilities	<u>33,825,616</u>	<u>27</u>	<u>42,919,536</u>	<u>33</u>
Total liabilities	<u>86,354,290</u>	<u>68</u>	<u>90,892,153</u>	<u>70</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Ordinary shares	14,169,406	11	14,169,406	11
Capital surplus	3,341,024	3	3,340,982	3
Retained earnings				
Legal reserve	3,729,018	3	3,611,319	3
Special reserve	2,657,978	2	2,619,569	2
Unappropriated earnings	2,798,561	2	2,216,433	1
Total retained earnings	9,185,557	7	8,447,321	6
Other equity	4,940,666	4	5,188,031	4
Treasury shares	(97,110)	-	(97,110)	-
Total equity attributable to owners of the Company	31,539,543	25	31,048,630	24
NON-CONTROLLING INTERESTS				
	9,007,721	7	8,786,528	6
Total equity	<u>40,547,264</u>	<u>32</u>	<u>39,835,158</u>	<u>30</u>
TOTAL	<u>\$126,901,554</u>	<u>100</u>	<u>\$130,727,311</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, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE	\$35,863,910	100	\$35,308,464	100
OPERATING COSTS	<u>16,544,425</u>	<u>46</u>	<u>17,898,398</u>	<u>51</u>
GROSS PROFIT	<u>19,319,485</u>	<u>54</u>	<u>17,410,066</u>	<u>49</u>
OPERATING EXPENSES				
Selling and marketing expenses	896,918	2	868,950	2
General and administrative expenses	13,977,027	39	12,908,103	37
Expected credit (gain) loss	<u>(826)</u>	<u>-</u>	<u>367</u>	<u>-</u>
Total operating expenses	<u>14,873,119</u>	<u>41</u>	<u>13,777,420</u>	<u>39</u>
OPERATING PROFIT	<u>4,446,366</u>	<u>13</u>	<u>3,632,646</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	92,888	-	57,683	-
Other income	357,816	1	318,847	1
Other losses	(347,821)	(1)	(748,359)	(2)
Finance costs	(869,978)	(2)	(796,860)	(2)
Share of profit of associates accounted for using the equity method	<u>(170,711)</u>	<u>(1)</u>	<u>(27,562)</u>	<u>-</u>
Total non-operating income and expenses	<u>(937,806)</u>	<u>(3)</u>	<u>(1,196,251)</u>	<u>(3)</u>
PROFIT BEFORE INCOME TAX	3,508,560	10	2,436,395	7
INCOME TAX EXPENSE	<u>803,394</u>	<u>3</u>	<u>531,079</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>2,705,166</u>	<u>7</u>	<u>1,905,316</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
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	(105,862)	-	169,399	1
Remeasurement of defined benefit plans	128,947	-	(48,000)	-

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
Share of other comprehensive income of associates accounted for using the equity method	\$ (79,295)	-	\$ 79,079	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(25,499)</u>	<u>-</u>	<u>9,648</u>	<u>-</u>
	<u>(81,709)</u>	<u>-</u>	<u>210,126</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(48,973)	-	4,859	-
Share of other comprehensive (loss) income of associates accounted for using the equity method	<u>(25,615)</u>	<u>-</u>	<u>(6,726)</u>	<u>-</u>
	<u>(74,588)</u>	<u>-</u>	<u>(1,867)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(156,297)</u>	<u>-</u>	<u>208,259</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,548,869</u>	<u>7</u>	<u>\$ 2,113,575</u>	<u>6</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,930,174	5	\$ 1,208,100	3
Non-controlling interests	<u>774,992</u>	<u>2</u>	<u>697,216</u>	<u>2</u>
	<u>\$ 2,705,166</u>	<u>7</u>	<u>\$ 1,905,316</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,766,118	5	\$ 1,411,154	4
Non-controlling interests	<u>782,751</u>	<u>2</u>	<u>702,421</u>	<u>2</u>
	<u>\$ 2,548,869</u>	<u>7</u>	<u>\$ 2,113,575</u>	<u>6</u>
EARNINGS PER SHARE				
Basic	<u>\$1.37</u>		<u>\$0.86</u>	
Diluted	<u>\$1.37</u>		<u>\$0.86</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, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company											
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating the Financial Statements of Foreign Operations	Other Equity			Total	Non-controlling Interests	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			
BALANCE AT JANUARY 1, 2021	\$ 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	-	-	186,704	-	(186,704)	-	-	-	-	-	-	-
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
Appropriation of 2021 earnings	-	-	117,699	-	(117,699)	-	-	-	-	-	-	-
Legal reserve	-	-	117,699	-	(117,699)	-	-	-	-	-	-	-
Special reserve	-	-	-	38,409	(38,409)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,275,247)	-	-	-	-	(1,275,247)	-	(1,275,247)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(561,569)	(561,569)
	-	-	117,699	38,409	(1,431,355)	-	-	-	-	(1,275,247)	(561,569)	(1,836,816)
Net profit for the year ended December 31, 2022	-	-	-	-	1,930,174	-	-	-	-	1,930,174	774,992	2,705,166
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	87,848	(10,169)	(241,735)	-	-	(164,056)	7,759	(156,297)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	2,018,022	(10,169)	(241,735)	-	-	1,766,118	782,751	2,548,869
Adjustments resulting from investments in associates accounted for using the equity method	-	42	-	-	-	-	-	-	-	42	11	53
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	(4,539)	-	4,539	-	-	-	-	-
BALANCE AT DECEMBER 31, 2022	\$ 14,169,406	\$ 3,341,024	\$ 3,729,018	\$ 2,657,978	\$ 2,798,561	\$ 55,766	\$ 2,707,736	\$ 2,177,164	\$ (97,110)	\$ 31,539,543	\$ 9,007,721	\$ 40,547,264

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 3,508,560	\$ 2,436,395
Adjustments for:		
Depreciation expense	5,534,369	5,230,418
Amortization expense	70,246	79,021
Expected credit gain recognized on receivables	212,589	367
Loss on financial assets and liabilities at fair value through profit or loss	8,510	163
Finance costs	869,978	796,860
Interest income	(92,888)	(57,683)
Dividend income	(357,816)	(318,847)
Share of loss of associates accounted for using the equity method	170,711	27,562
Loss on disposal of property, plant and equipment	14,660	5,242
Loss on disposal of intangible assets	1,090	28
Gain on lease modifications	-	(73)
Gain on disposal of investments	(3,266)	(4,330)
Impairment loss recognized on intangible assets	-	437,462
Impairment loss (reversal of impairment loss) on property, plant and equipment	(64,393)	252,499
Impairment loss recognized on right-of-use assets	432,343	231,371
Unrealized gain on physical and slow-moving inventories	(10,271)	(2,463)
Loss on changes in fair value of investment properties	8,083	44,277
Amortization of prepayments	36,100	61,219
Concession on lease liabilities	(149,877)	(227,979)
Recognized (reversal) of unrealized purchase discounts	917	389
Net changes in operating assets and liabilities		
Increase in financial assets mandatorily classified as at fair value through profit or loss	144,644	(18,979)
Notes receivable	200	1,193
Trade receivables	16,261	(581,023)
Trade receivables from related parties	17,999	(42,437)
Other receivables	(14,790)	83,609
Inventories	77,683	(64,722)
Prepayments	(32,298)	(25,076)
Other current assets	3,952	43,402
Contract liabilities - current	619,955	1,538,250
Notes payable	(2,330)	(796)
Trade payables	243,741	962,332
Trade payables to related parties	20,462	28,296
Other payables	89,027	194,707
Advance receipts	167,831	157,659

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Other current liabilities	\$ 124	\$ 15,687
Net defined benefit assets	(88,560)	9,094
Net defined benefit liabilities	<u>(18,158)</u>	<u>(51,700)</u>
Cash generated from operations	11,435,388	11,241,394
Dividends received	508,921	441,004
Interest paid	(772,109)	(746,919)
Interest received	92,081	51,314
Income tax returned	214	287
Income tax paid	<u>(585,121)</u>	<u>(616,711)</u>
Net cash generated from operating activities	<u>10,679,374</u>	<u>10,370,369</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(539,724)	(37,894)
Proceeds from sale of financial assets at fair value through other comprehensive income	45,134	66,595
Purchase of financial assets amortized at cost	(5,580,738)	(3,785,778)
Proceeds from sale of financial assets at amortized cost	4,557,744	3,672,710
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
Payments for property, plant and equipment	(1,480,356)	(2,317,029)
Proceeds from disposal of property, plant and equipment	148	13,793
Payments for intangible assets	(56,385)	(156,329)
Acquisition of right-of-use assets	(383,089)	(152,185)
Acquisition of investment properties	(1,096)	(803)
Increase in other non-current assets	<u>(134,260)</u>	<u>(311,585)</u>
Net cash used in investing activities	<u>(3,572,622)</u>	<u>(3,012,321)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	115,930,553	102,360,062
Repayments of short-term borrowings	(112,170,593)	(101,516,029)
Proceeds from short-term bills payable	19,553,794	22,533,679
Repayments of short-term bills payable	(21,153,655)	(23,071,976)
Proceeds from long-term borrowings	109,760,279	126,399,960
Repayments of long-term borrowings	(116,500,000)	(124,250,000)
Repayment of the principal portion of lease liabilities	(2,969,151)	(2,990,437)
Decrease in other non-current liabilities	(10,364)	(42,940)
Dividends paid to owners of the Company	(1,273,077)	(1,556,294)
Dividends paid to non-controlling interests	<u>(554,934)</u>	<u>(495,016)</u>
Net cash used in financing activities	<u>(9,387,148)</u>	<u>(2,628,991)</u>

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ <u>2,986</u>	\$ <u>11,599</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,277,410)	4,740,656
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>19,532,090</u>	<u>14,791,434</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$17,254,680</u>	<u>\$19,532,090</u>

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Far Eastern Department Stores, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of 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, 2022. 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, 2022 is stated as follows:

Assessment of impairment of property, plant and equipment and right-of-use assets

The department store and hypermarket industries in which the Company is engaged in are highly competitive, and in recent years, the public tends to spend on e-commerce platforms or nearby retail channels to instantly address their needs. Due to the rising threat from external competition, some of our cash-generating units have been in the red in recent years. Management estimates and makes judgments about the expected future economic benefits and recoverable amounts of the assets of the cash-generating units in accordance with IAS 36, "Impairment of Assets," in order to assess whether they are impaired. The assessment of impairment of the Company's property, plant and equipment and right-of-use assets is considered to be a key audit matter for the current year because of the high percentage of property, plant and equipment and right-of-use assets in the total assets of the cash-generating units, which is material to the financial statements as a whole. Thus, we considered the evaluation of impairment loss of property, plant and equipment and right-of-use assets as a key audit matter. For the accounting policy related to the impairment loss of the property, plant and equipment and right-of-use assets, refer to Notes 4 (k), 5, 12, and 13 to the accompanying financial statements.

The key audit procedures that we performed in respect of the impairment loss of property, plant and equipment and right-of-use assets are as follows:

1. We obtained an assessment of impairment of assets for each cash-generating unit as assessed by management.
2. We assessed the reasonableness of the assumptions and methods used in the valuation.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of 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 Standards on Auditing of 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, 2022 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 2, 2023

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 838,566	1	\$ 965,361	1
Financial assets at amortized cost - current	25,600	-	25,508	-
Trade receivables	525,632	1	556,103	1
Trade receivables from related parties	86,973	-	91,986	-
Other receivables	102,064	-	280,143	-
Inventories	353,112	1	406,593	1
Prepayments	262,890	-	236,804	-
Other current assets	8,134	-	8,686	-
Total current assets	<u>2,202,971</u>	<u>3</u>	<u>2,571,184</u>	<u>3</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current	2,793,214	4	2,903,935	4
Financial assets at amortized cost - non-current	200	-	-	-
Investments accounted for using the equity method	22,573,000	29	21,086,222	27
Property, plant and equipment	17,083,127	22	17,627,670	22
Right-of-use assets	22,963,693	29	23,901,501	31
Investment properties	9,018,266	12	9,067,580	12
Intangible assets	60,986	-	59,660	-
Deferred tax assets	87,144	-	80,496	-
Net defined benefit assets	283,748	-	196,701	-
Other non-current assets	562,391	1	514,881	1
Total non-current assets	<u>75,425,769</u>	<u>97</u>	<u>75,438,646</u>	<u>97</u>
TOTAL	<u>\$77,628,740</u>	<u>100</u>	<u>\$78,009,830</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 8,500,000	11	\$ 4,800,000	6
Short-term bills payable	599,932	1	1,549,515	2
Contract liabilities - current	4,076,038	5	3,938,860	5
Trade payables	4,707,626	6	4,237,424	6
Trade payables to related parties	53,419	-	50,629	-
Other payables	1,703,701	2	1,664,367	2
Current tax liabilities	180,160	-	101,329	-
Lease liabilities - current	950,111	1	945,167	1
Advance receipts	265,297	1	202,282	1
Current portion of long-term borrowings	950,000	1	-	-
Other current liabilities	166,546	-	160,013	-
Total current liabilities	<u>22,152,830</u>	<u>28</u>	<u>17,649,586</u>	<u>23</u>
NON-CURRENT LIABILITIES				
Long-term borrowings	9,100,000	12	13,949,720	18
Deferred tax liabilities	2,155,083	3	2,132,730	2
Lease liabilities - non-current	12,595,824	16	13,145,744	17
Other non-current liabilities	85,460	-	83,420	-
Total non-current liabilities	<u>23,936,367</u>	<u>31</u>	<u>29,311,614</u>	<u>37</u>
Total liabilities	<u>46,089,197</u>	<u>59</u>	<u>46,961,200</u>	<u>60</u>
EQUITY				
Share capital				
Ordinary shares	14,169,406	18	14,169,406	18
Capital surplus	3,341,024	4	3,340,982	4
Retained earnings				
Legal reserve	3,729,018	5	3,611,319	5
Special reserve	2,657,978	3	2,619,569	3
Unappropriated earnings	2,798,561	4	2,216,433	3
Total retained earnings	9,185,557	12	8,447,321	11
Other equity	4,940,666	7	5,188,031	7
Treasury shares	(97,110)	-	(97,110)	-
Total equity	<u>31,539,543</u>	<u>41</u>	<u>31,048,630</u>	<u>40</u>
TOTAL	<u>\$77,628,740</u>	<u>100</u>	<u>\$78,009,830</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, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE	\$11,287,323	100	\$10,013,982	100
OPERATING COSTS	<u>3,665,034</u>	<u>32</u>	<u>3,918,627</u>	<u>39</u>
GROSS PROFIT	<u>7,622,289</u>	<u>68</u>	<u>6,095,355</u>	<u>61</u>
OPERATING EXPENSES				
Selling and marketing expenses	398,555	4	374,713	4
General and administrative expenses	4,794,877	42	3,973,921	40
Expected credit loss	<u>-</u>	<u>-</u>	<u>2,535</u>	<u>-</u>
Total operating expenses	<u>5,193,432</u>	<u>46</u>	<u>4,351,169</u>	<u>44</u>
OPERATING PROFIT	<u>2,428,857</u>	<u>22</u>	<u>1,744,186</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	165	-	130	-
Other income	201,628	2	201,956	2
Other gains and losses	(181,610)	(2)	(342,600)	(3)
Finance costs	(473,255)	(4)	(438,433)	(4)
Share of profit of subsidiaries and associates accounted for using the equity method	<u>264,276</u>	<u>2</u>	<u>221,348</u>	<u>2</u>
Total non-operating income and expenses	<u>(188,796)</u>	<u>(2)</u>	<u>(357,599)</u>	<u>(3)</u>
PROFIT BEFORE INCOME TAX	2,240,061	20	1,386,587	14
INCOME TAX EXPENSE	<u>309,887</u>	<u>3</u>	<u>178,487</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,930,174</u>	<u>17</u>	<u>1,208,100</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	45,616	-	(30,278)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(110,721)	(1)	58,315	-

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	\$ (31,751)	-	\$ 171,943	2
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(9,123)</u>	-	<u>6,055</u>	-
	<u>(105,979)</u>	<u>(1)</u>	<u>206,035</u>	<u>2</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>(58,077)</u>	-	<u>(2,981)</u>	-
	<u>(58,077)</u>	-	<u>(2,981)</u>	-
Other comprehensive income (loss) for the year, net of income tax	<u>(164,056)</u>	<u>(1)</u>	<u>203,054</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,766,118</u>	<u>16</u>	<u>\$ 1,411,154</u>	<u>14</u>
EARNINGS PER SHARE, NT\$				
Basic	<u>\$ 1.37</u>		<u>\$ 0.86</u>	
Diluted	<u>\$ 1.37</u>		<u>\$ 0.86</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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Retained Earnings					Exchange Differences on Translating the Financial Statements of Foreign Operations	Other Equity		Treasury Shares	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain on Property Revaluation		
BALANCE AT JANUARY 1, 2021	\$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	-	-	-	-	1,208,100	-	-	-	-	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
Appropriation of 2021 earnings										
Legal reserve	-	-	117,699	-	(117,699)	-	-	-	-	-
Special reserve	-	-	-	38,409	(38,409)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,275,247)	-	-	-	-	(1,275,247)
	-	-	117,699	38,409	(1,431,355)	-	-	-	-	(1,275,247)
Net profit for the year ended December 31, 2022	-	-	-	-	1,930,174	-	-	-	-	1,930,174
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	87,848	(10,169)	(241,735)	-	-	(164,056)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	2,018,022	(10,169)	(241,735)	-	-	1,766,118
Adjustments resulting from investments in associates accounted for using the equity method	-	42	-	-	-	-	-	-	-	42
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by subsidiary	-	-	-	-	(4,539)	-	4,539	-	-	-
BALANCE AT DECEMBER 31, 2022	\$14,169,406	\$ 3,341,024	\$ 3,729,018	\$ 2,657,978	\$ 2,798,561	\$ 55,766	\$ 2,707,736	\$ 2,177,164	(\$ 97,110)	\$31,539,543

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 2,240,061	\$ 1,386,587
Adjustments for:		
Depreciation expense	1,907,923	1,972,608
Amortization expense	30,298	42,530
Expected credit loss recognized on receivables	190,000	2,535
Amortization of prepayments	525	1,721
Finance costs	473,255	438,433
Share of profit of subsidiaries and associates accounted for using the equity method	(264,276)	(221,348)
Interest income	(165)	(130)
Dividend income	(201,628)	(201,956)
Loss on disposal of property, plant and equipment	10,486	2,199
Loss on disposal of investment properties	538	335
Impairment loss of non-financial assets	-	437,462
Loss (Gain) on changes in fair value of investment properties	50,970	(42,435)
Concession on lease liabilities	(54,625)	(170,191)
Net changes in operating assets and liabilities		
Trade receivables	30,471	(311,850)
Trade receivables from related parties	5,013	(16,743)
Other receivables	(11,919)	(24,191)
Inventories	53,481	(53,464)
Prepayments	(26,086)	10,721
Other current assets	552	52,295
Contract liabilities	137,178	735,918
Notes payable and trade payables	470,202	415,134
Trade payables from related parties	2,790	646
Other payables	176,744	22,485
Advance receipts	159,053	29,475
Other current liabilities	6,533	31,410
Net defined benefit liabilities	(41,431)	(21,116)
Cash generated from operations	5,345,943	4,519,070
Interest paid	(438,350)	(411,284)
Interest received	163	130
Dividends received	689,340	625,330
Income tax paid	(224,474)	(233,213)
Net cash generated from operating activities	<u>5,372,622</u>	<u>4,500,033</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(25,800)	(25,508)
Proceeds from sale of financial assets at amortized cost	25,508	25,424
Acquisition of investments accounted for using the equity method	(1,800,000)	(1,500,000)
Payments for property, plant and equipment	(502,424)	(572,647)

(Continued)

FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Proceeds from disposal of property, plant and equipment	\$ 60	\$ 89
Payments for intangible assets	(23,813)	(22,465)
Acquisition of right-of-use assets	(41,681)	(117,836)
Payments for investment properties	(2,194)	(2,177)
(Increase) decrease in other non-current assets	<u>(37,932)</u>	<u>46,642</u>
Net cash used in investing activities	<u>(2,408,276)</u>	<u>(2,168,478)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	63,370,000	58,270,000
Repayments of short-term borrowings	(59,670,000)	(58,120,000)
Proceeds from short-term bills payable	7,546,731	12,916,598
Repayments of short-term bills payable	(8,496,314)	(13,816,363)
Proceeds from long-term borrowings	111,000,280	133,249,959
Repayments of long-term borrowings	(114,900,000)	(132,600,000)
Repayment of the principal portion of lease liabilities	(670,801)	(527,684)
Increase in other non-current liabilities	2,040	4,884
Dividends paid	<u>(1,273,077)</u>	<u>(1,556,294)</u>
Net cash used in financing activities	<u>(3,091,141)</u>	<u>(2,178,900)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(126,795)	152,655
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>965,361</u>	<u>812,706</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 838,566</u>	<u>\$ 965,361</u>

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

(Concluded)

3. Audit Committee's review report for 2022 business report and financial statements.

Audit Committee's Review Report

To the 2023 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 Profit, and Financial Statements which had been certified by Deloitte & Touche, submitted by the Board of Directors for the year ending 2022 and found them in order.

The Convener of the Audit Committee: Edward Yung Do Way

May 10, 2023

4. Report of 2022 employees' compensation and Directors' remuneration

1. Pursuant to the Article 27 of the Company's "Articles of Incorporation", if the Company profits for the year, the Company shall allocate from 2% to 3.5% of it for the employees' compensation, and the maximum of 2.5% of it for Directors' compensation. However, the company's accumulated losses shall reserve the amount of covering in advance. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash. The ratio and amount of actual distribution shall be approved by the board of directors, and in addition thereto a report of such distribution shall be submitted to the shareholders meeting.
2. 2022 employees' compensation and Directors' remuneration were calculated as NT\$75,934,260 and NT\$56,950,695 respectively. The aforesaid items will be paid in cash.
3. The proposal of compensation had been approved by the 7th meeting of the 19th term Board of Directors.

IV. Acknowledge Matters

1. To accept 2022 business report and financial statements.

The Board of Directors proposes and recommends that each shareholder votes for the acceptance of 2022 business report and financial statements.

Explanatory Notes:

1. FEDS's 2022 business report and financial statements (including consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, and balance sheets, statements of comprehensive income, statements of changes in equity, statements of cash flows) have been audited by independent auditors, Shu-Chuan Yeh and Ming-Hsing Cho of Deloitte & Touche (please refer to P.3-P.32) , and have been examined by and determined to be correct and accurate by the Audit Committee of FEDS. We thereby submit this report.
2. Please approve the above-mentioned business report and financial statements.

Resolution:

2. To approve the proposal for the distribution of 2022 profit.

The Board of Directors proposes and recommends that each shareholder votes for the distribution of 2022 profit.

Explanatory Notes:

1. All the closing transactions as of December 31, 2022 have been completely closed, and have been audited by the accounting firm, Deloitte and Touche. We thereby submit the proposal for distribution of 2022 profits:

1.	Unappropriated earnings of January 1, 2022	NT\$ 785,076,829
2.	Net Income for the year ended December 31, 2022	1,930,174,196
3.	The adjustments of retained earnings for by using equity method	(4,539,198)
4.	Recognizing the re-measurements of defined benefit plans in retained earnings	87,848,273
5.	The amount of the sum of the current after-tax net income and other item accounted to undistributed earnings (=2-3+4)	2,013,483,271
6.	10% legal reserve (=5*10%)	(201,348,327)
7.	Reversal special reserve	9,927,412
8.	Distributable net profit(=1+5-6+7)	2,607,139,185
9.	Earnings distribution (NT\$1.1 per share)	(1,558,634,648)
10.	Un-appropriated earnings after distribution(=8-9)	1,048,504,537

2. The distribution of 2022 dividends composes of 2022 surplus earning in priority, and the undistributed profit from 1998 to 2021 in case 2022 surplus earning are insufficient to cover 2022 dividends.
3. After being approved at the annual General Shareholders' meeting (2023), the cash dividends to holders of common share will be distributed on the record date to be determined by Chairman authorized by the Board of Directors. Cash dividends allocated to each shareholder should be calculated to round down to full NT dollar (decimal places should be ignored). The sum of the amount lower than NT\$1 paid to each shareholder should be reclassified to other income. According to Article 28-2 of the ROC Securities and Exchange Law and other relevant regulations, the total numbers of common shares outstanding may change, and the ultimate cash to be distributed to each common share may need to be adjusted accordingly. It is proposed that the Board of Directors of FEDS be authorized to adjust the cash to be distributed to each common share based on the total amount of profits resolved to be distributed, the amount of earnings resolved to be capitalized, and the number of actual common shares outstanding on the record date for distribution.
4. Please approve the above-mentioned proposal for the distribution of 2022 profits.

Resolution

V. Extemporany Motion

VI. Rules and Regulations

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

The latest amendment on June 24, 2022

Chapter 1 General Provisions

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

Article 2 The Company's businesses are as follows :

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

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

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

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

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

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

Chapter 2 Share Capital

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

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

The Company can issue special shares.

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

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

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

Chapter 3 Shareholders' Meeting

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

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

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

The shareholders' meeting shall be held by video conference or other methods announced by the authority.

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

Article 14 Shareholders may by way of power of attorney appoint proxies to attend the said shareholders' meeting. Except for trust enterprises or share registration agencies approved by the securities management authorities, when one shareholder is entrusted by two or more shareholders, the voting right represented by the said shareholder shall not exceed 3% of the voting rights of total shares issued. Where it has so exceeded, the voting right in excess shall not be included.

Unless otherwise stipulated by the Company Law, attendance of shareholder's proxies shall be in accordance with the provisions of "Regulation Governing the Use of Proxies For Attendance of Shareholders' Meeting of Public Companies".

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

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

Chapter 4 Directors and Managers

Article 17 There shall be 5 to 9 Directors of the Company, who are elected and appointed from the persons with legal capacity at the shareholders' meeting. The total shares number of the registered shares of the Company held by all of the Directors shall be determined according to the provisions of "Rules and Review Procedures for Director and Supervisor Ownership Ratios at Public Companies".

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

In accordance with Article 192-1 of the Company Act, the Company shall adopt a candidate nomination system for election of the directors, and the shareholders shall elect the directors from among the nominees listed in the roster of candidates. Independent and non-independent directors shall be elected at the same time but on separate ballots.

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

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

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

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

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

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

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

- Article 21 (Deleted.)
- Article 22 The compensation of Directors shall be decided by the Shareholders' Meeting.
- Article 23 The Company shall have a General Manager and a number of Vice Presidents, Junior Vice Presidents and Managers. The appointment and dismissal of the above staff shall be by way of a majority at the meetings of the Board of Directors, subject to more than half of the Directors are in attendance of the said meetings.
- Article 24 The Chairman and the General Manager shall handle the daily affairs of the Company in compliance with the resolution of the Board of the Directors.

Chapter 5 Accounting

- Article 25 The Company's fiscal year shall commence on the First of January of each year, and ends on the Thirty-first of December of the same year. The final accounts are settled at the end of the Company's fiscal year.
- Article 26 The Board of Directors shall in accordance with law furnish various documents and statements and their reports shall be submitted for approval at the General Shareholders' Meeting.
- Article 27 If the Company profits for the year, the Company shall allocate from 2% to 3.5% of it for the employees' compensation, and the maximum of 2.5% of it for Directors' compensation. However, the company's accumulated losses shall reserve the amount of covering in advance. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash, and the ratio, amount method and shares of actual distribution; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Article 28 Apart from paying all its income taxes in the case where there are profits at the end of the year, the Company shall make up for accumulated losses in past years. Where there is still balance, 10% of the amount of the sum of the current after-tax net income and other item accounted to undistributed earnings shall be set aside by the Company as legal reserve. Subject to certain business conditions under which the Company may retain a portion, the Company may distribute to the shareholders the bonus which is the remainder based on shareholdings after deducting special reserve as required by law together with undistributed profits from previous years.

The distribution of dividends shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Dividends shall be paid aimed at maintaining the stability of dividend distributions. Save for the purposes of improving the financial structure, reinvestments, production expansion or other capital expenditures in which capital is required, when distributing shareholders' dividend, the dividend payout ratio each fiscal year shall be no less than fifty percent (50%) of the final surplus which is the sum of after-tax profit of the fiscal year to withhold previous loss, if any, legal reserve and special reserve as required by law; the cash dividends shall not be less than 10% of bonus to the shareholders distributed in the same year.

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

Chapter 6 Supplementary Provisions

Article 30 These Articles of Incorporation were drafted on August 2, 1967, and came into effect following its approval by a resolution of the General Shareholders' Meeting and the competent authorities. Amendments shall take effect following their approval at the Shareholders' Meetings

First amendment on December 20, 1967;
Second amendment on October 2, 1968;
Third amendment on July 29, 1969;
Fourth amendment on August 26, 1969;
Fifth amendment on February 19, 1970;
Sixth amendment on June 26, 1970;
Seventh amendment on August 21, 1972;
Eighth amendment on March 30, 1973;
Ninth amendment on May 2, 1974;

Tenth amendment on May 30, 1975;
Eleventh amendment on April 19, 1976;
Twelfth amendment on March 25, 1977;
Thirteenth amendment on March 6, 1978;
Fourteenth amendment on April 6, 1979;
Fifteenth amendment on April 18, 1980;
Sixteenth amendment on April 9, 1981;
Seventeenth amendment on April 15, 1982;
Eighteenth amendment on November 29, 1982;
Nineteenth amendment on May 12, 1983;
Twentieth amendment on May 12, 1984;
Twenty-first amendment on May 6, 1985;
Twenty-second amendment on May 7, 1986;
Twenty-third amendment on April 30, 1987;
Twenty-fourth amendment on April 28, 1988;
Twenty-fifth amendment on April 29, 1989;
Twenty-sixth amendment on April 30, 1990;
Twenty-seventh amendment on May 2, 1991;
Twenty-eighth amendment on April 24, 1992;
Twenty-ninth amendment on April 30, 1993;
Thirtieth amendment on April 7, 1994;
Thirty-first amendment on April 15, 1995;
Thirty-second amendment on May 10, 1996;
Thirty-third amendment on May 9, 1997;
Thirty-fourth amendment on May 18, 1998;
Thirty-fifth amendment on May 12, 1999;
Thirty-sixth amendment on May 10, 2000;
Thirty-seventh amendment on May 9, 2001;
Thirty-eighth amendment on May 31, 2002;
Thirty-ninth amendment on June 10, 2003;
Fortieth amendment on June 2, 2006;
Forty-first amendment of June 9, 2010
Forty-Second amendment of June 23, 2011
Forty-third amendment of June 20, 2013
Forty-fourth amendment of June 20, 2014
Forty-fifth amendment of June 22, 2015
Forty-sixth amendment of June 17, 2016
Forty-seventh amendment of June 21, 2018
Forty-eighth amendment of June 24, 2020
Forty-ninth amendment of June 24, 2022

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

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

The latest amendment on June 24, 2022

Article 1 The stockholders' meeting of the Company shall be held according to the rules herein.

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

Changes to how this Corporation convenes its shareholders meeting shall be resolved by the board of directors, and shall be made no later than mailing of the shareholders meeting notice.

This Corporation shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention. The time during which shareholder attendance registrations will be accepted shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. For virtual shareholders meetings, shareholders may begin to register on the virtual meeting platform 30 minutes before the meeting starts. Shareholders completing registration will be deemed as attend the shareholders meeting in person.

The Company at a stockholders' meeting shall adopt the electronic transmission as one of the methods for exercising the voting power. The method for exercising the voting power shall be described in the shareholders' meeting notice to be given to the shareholders. A shareholder who exercises his/her/its voting power at a shareholders meeting by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person. When shareholders exercise voting rights by correspondence or electronic means, unless they have withdrawn the declaration of intent and attended the shareholders meeting on-site or online, except for extraordinary motions, they will not exercise voting rights on the original proposals or make any amendments to the original proposals or exercise voting rights on amendments to the

original proposal.

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

Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in, and the shares checked in on the virtual meeting platform, plus the number of shares whose voting rights are exercised by correspondence or electronically.

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

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

For a stockholders' meeting convened by the board of directors, the chairman of the board of directors shall preside at the meeting. If the chairman of the board of directors is on leave or unable to exert the rights, the vice-chairman of the board of directors shall preside instead. If the position of vice-chairman is vacant or the vice-chairman is on leave or unable to exert the rights the chairman of the board of directors shall designate a director to preside at the meeting. If no director is so designated, the chairman of the meeting shall be elected by the board of directors from among themselves. When a director serves as chair, the director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair. For a stockholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting; if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.

The complete processes of the meeting shall be recorded by voice and video recorders and all the records shall be kept by

the Company for a minimum period of at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation. Where a shareholders meeting is held online, the Company shall keep records of shareholder registration, sign-in, check-in, questions raised, votes cast and results of votes counted by the Company, and continuously audio and video record, without interruption, the proceedings of the virtual meeting from beginning to end.

Article 3 The chairperson shall announce starting of the meeting when the attending stockholders (or proxies) represent more than half of the total shares issued in public. The chairperson may announce postponement of meeting if the legal quorum is not present after the designated meeting time. Such postponement is limited to two times and the aggregated postponed time shall not exceed one hour. If quorum is still not present after two postponements but the attending stockholders (or proxies) represent more than one third of the total shares issued in public, tentative resolution/s may be passed with respect to ordinary resolution/s by a majority of those present. After proceeding with the aforesaid tentative resolutions, the chairperson may put the tentative resolutions for re-voting over the meeting if and when the shares represented by the attending stockholders (or proxies) reached the legal quorum.

Article 4 If the stockholders' meeting is convened by the board of directors, the agenda shall be designated by the board of directors. The meeting shall proceed in accordance with the designated agenda and shall not be amended without resolutions. If the meeting is convened by person, other than the board of directors, having the convening right, the provision set out in the preceding paragraph shall apply *mutatis mutandis*. Except with stockholders' resolution, the chairperson shall not declare adjournment of the meeting before the first two matters set out in the agendas (including extemporary motions) are concluded. During the meeting, if the chairperson declares adjournment of the meeting in violation of the preceding rule, a new chairperson may be elected by a resolution passed by majority of the attending stockholders to continue the meeting. When the meeting is adjourned by resolution, the stockholders shall not elect another chairperson to continue the meeting at the same location or another venue.

Article 5 The stockholders (or proxies) shall complete statement slip setting out the number of his/her attendance card, name and

statement brief before speaking, and the chairperson will designate the order in which each person is to speak during the session. No statement will be considered to have been made if the stockholders (or proxies) merely complete the statement slip without speaking at the meeting. If there are any discrepancies between the content of the statement slip and the speech made, the statement to be adopted shall be the statement confirmed.

Article 6 Any proposal for the agendas shall be submitted in written form. Except for the proposals set out in the agenda, any proposal by the stockholders (or proxies) to amend, substitute or to initiate extemporary motions with respect to the original proposal shall be seconded by other stockholders (or proxies). The same rule shall apply to any proposal to amend the agenda and motion to adjourn the meeting. The shares represented by the proponents and the seconders shall reach 100,000.

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

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

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

Article 8-1 Where a virtual shareholders meeting is convened, shareholders attending the virtual meeting online may raise questions in writing at the virtual meeting platform from the chair declaring the meeting open until the chair declaring the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words. The regulations in article 5, 7 and 8 do not apply.

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

Article 10 For proposal in which discussion has been concluded or closed, the chairperson shall submit it for voting.

No discussion or voting shall proceed for matters unrelated to the proposals.

The personnel responsible for overseeing and counting of the votes for resolutions shall be appointed by the chairperson. The person responsible for vote overseeing shall be of the stockholder status.

Article 11 When the Company convenes a virtual shareholders meeting, after the chair declares the meeting open, shareholders attending the meeting online shall cast votes on proposals and elections on the virtual meeting platform before the chair announces the voting session ends or will be deemed abstained from voting.

In regards to the resolution of proposals, unless otherwise provided for in the relevant law and regulation or Company's articles of incorporation, resolution shall be passed by a majority of the voting rights represented by the stockholders (or proxies) attending the meeting.

All ballots on proposals and elections shall be voted at once, and shall be counted at once after the chairman announces the voting session ends.

If there are amendments or substitute proposals for the same proposal, the sequence of which to be put to vote shall be decided by the chairperson. If one of the two proposals has been approved, the other proposal shall be deemed rejected without requirement to put it to vote.

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

In the event of a virtual shareholders meeting, the Company shall disclose real-time results of votes and election immediately after the end of the voting session on the virtual meeting platform according to the regulations, and this disclosure shall continue at

least 15 minutes after the chairman has announced the meeting adjourned.

Article 12 During the meeting, the chairperson may at his/her discretion declare time for break.

Article 13 In the event of a virtual shareholders meeting, when declaring the meeting open, the chairman shall also declare, unless under a circumstance where a meeting is not required to be postponed to or resumed at another time if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events before the chair has announced the meeting adjourned, and the obstruction continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date.

When encountering force majeure during the meeting, the chairman may decide to suspend the meeting and announce the time for the continuation of the meeting as appropriate.

Article 14 The chairperson may maintain the meeting order by instructing the security guards. The security guards shall wear the armband for identification when helping maintaining the venue order.

Article 15 The stockholders (or proxies) shall obey the instructions of the chairperson and security guards in terms of maintaining the order. The chairperson or security guards may exclude the persons disturbing the stockholders' meeting from the meeting.

Article 16 For matters not governed by the rules specified herein, shall be governed according to Company Law, Stock Exchange Law and the other related laws and regulations.

Article 17 The rules herein take effect after approval at the stockholders' meeting; the same apply for any amendments.

VII. Appendices

1. Shareholding of Directors.

Book closure date (April 23th, 2023)

Title	Name	Representative	Shareholdings	Ratio of Shareholding (%)
Chairman	Douglas Tong Hsu	-	1,779,835	0.13
Directors	Ding Ding Management Consultant	Nancy Hsu	73,009	0.01
	Far Eastern New Century Corporation	Nicole Hsu	241,769,702	17.06
	U-Li Investment Company	Philby Lee	1,769,001	0.12
Independent Directors	Edward Yung Do Way		-	-
	Chien You Hsin		-	-
	Dong, Ding Yu		-	-
Total shares owned by all Directors			245,391,547	17.32
The total legal registered shares owned by all Directors			34,006,574	2.40

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

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

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

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

Not applicable