

**Far Eastern Department Stores, Ltd.**

**Financial Statements for the  
Years Ended December 31, 2021 and 2020 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of Far Eastern Department Stores, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Company's financial statements for the year ended December 31, 2021 is stated as follows:

Impairment of goodwill from the investment in subsidiaries

As of December 31, 2021, the investment accounted for using the equity method of the Company amounted to NT\$21,058,586 thousand, representing 27%, of the total assets, which was significant to the Company's financial statements. The important component of goodwill originated from the merger contract signed between FAR EASTERN AI MAI CO., LTD. (AI MAI), a subsidiary of the Company under the equity method, and GEANT Group (France) in 2000. Each party obtained 50%-50% ownership with FAR EASTERN AI MAI CO., LTD. as the surviving entity at the time. The Company acquired the other 50% ownership in 2006 due to the consideration of the retail business strategy, and goodwill was generated. However, due to the impact of the COVID-19 pandemic in 2021 and the changes in retail business, the Company has considered whether the carrying amount of the goodwill from the time the retail business was acquired exceeds the recoverable amount. Since management's subjective judgment on the recoverable amount involves significant uncertainties, the carrying amount of goodwill may be overestimated; Thus, we considered the evaluation of impairment loss of goodwill as a key audit matter. For the accounting policy related to impairment loss of the goodwill, refer to Notes 4 (f), 5 and 11 to the accompanying financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 4, 2022

Notice to Readers

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

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

# FAR EASTERN DEPARTMENT STORES, LTD.

## BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 965,361	1	\$ 812,706	1
Financial assets at amortized cost - current (Notes 8 and 30)	25,508	-	25,424	-
Trade receivables (Note 9)	556,103	1	246,868	-
Trade receivables from related parties (Notes 9 and 29)	91,986	-	75,243	-
Other receivables (Notes 9 and 29)	280,143	-	255,872	1
Inventories (Note 10)	406,593	1	353,129	1
Prepayments (Note 29)	236,804	-	247,525	-
Other current assets (Note 16)	8,686	-	60,981	-
Total current assets	<u>2,571,184</u>	<u>3</u>	<u>2,077,748</u>	<u>3</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 7 and 30)	2,903,935	4	2,845,620	4
Investments accounted for using the equity method (Notes 11 and 30)	21,086,222	27	20,054,557	26
Property, plant and equipment (Notes 12, 30 and 31)	17,627,670	22	18,176,915	23
Right-of-use assets (Note 13 and 29)	23,901,501	31	24,929,817	32
Investment properties (Notes 14 and 30)	9,067,580	12	9,023,303	11
Intangible assets (Note 15)	59,660	-	69,628	-
Deferred tax assets (Note 23)	80,496	-	80,218	-
Net defined benefit assets (Note 19)	196,701	-	205,863	-
Other non-current assets (Notes 16 and 29)	514,881	1	562,571	1
Total non-current assets	<u>75,438,646</u>	<u>97</u>	<u>75,948,492</u>	<u>97</u>
<b>TOTAL</b>	<u>\$ 78,009,830</u>	<u>100</u>	<u>\$ 78,026,240</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 17 and 30)	\$ 4,800,000	6	\$ 4,650,000	6
Short-term bills payable (Note 17)	1,549,515	2	2,449,280	3
Contract liabilities - current (Note 21)	3,938,860	5	3,202,942	4
Trade payables	4,237,424	6	3,822,290	5
Trade payables to related parties (Note 29)	50,629	-	49,983	-
Other payables (Notes 18 and 29)	1,664,367	2	1,827,132	3
Current tax liabilities (Note 23)	101,329	-	111,095	-
Lease liabilities - current (Notes 13 and 29)	945,167	1	941,237	1
Advance receipts (Note 29)	202,282	1	243,905	-
Current portion of long-term borrowings (Notes 17 and 30)	-	-	299,933	1
Other current liabilities (Notes 18 and 29)	160,013	-	128,603	-
Total current liabilities	<u>17,649,586</u>	<u>23</u>	<u>17,726,400</u>	<u>23</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 17 and 30)	13,949,720	18	12,999,828	16
Deferred tax liabilities (Note 23)	2,132,730	2	2,183,467	3
Lease liabilities - non-current (Notes 13 and 29)	13,145,744	17	13,844,089	18
Other non-current liabilities (Notes 18 and 29)	83,420	-	78,536	-
Total non-current liabilities	<u>29,311,614</u>	<u>37</u>	<u>29,105,920</u>	<u>37</u>
Total liabilities	<u>46,961,200</u>	<u>60</u>	<u>46,832,320</u>	<u>60</u>
<b>EQUITY</b>				
Share capital				
Ordinary shares	14,169,406	18	14,169,406	18
Capital surplus	3,340,982	4	3,338,791	4
Retained earnings				
Legal reserve	3,611,319	5	3,424,615	4
Special reserve	2,619,569	3	2,709,263	4
Unappropriated earnings	2,216,433	3	2,695,084	3
Total retained earnings	8,447,321	11	8,828,962	11
Other equity	5,188,031	7	4,953,871	7
Treasury shares	(97,110)	-	(97,110)	-
Total equity	<u>31,048,630</u>	<u>40</u>	<u>31,193,920</u>	<u>40</u>
<b>TOTAL</b>	<u>\$ 78,009,830</u>	<u>100</u>	<u>\$ 78,026,240</u>	<u>100</u>

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

## FAR EASTERN DEPARTMENT STORES, LTD.

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 21 and 29)	\$ 10,013,982	100	\$ 11,037,055	100
OPERATING COSTS (Notes 10, 22 and 29)	<u>3,918,627</u>	<u>39</u>	<u>4,405,831</u>	<u>40</u>
GROSS PROFIT	<u>6,095,355</u>	<u>61</u>	<u>6,631,224</u>	<u>60</u>
OPERATING EXPENSES (Notes 22 and 29)				
Selling and marketing expenses	374,713	4	355,331	3
General and administrative expenses	3,973,921	40	4,288,347	39
Expected credit loss	<u>2,535</u>	<u>-</u>	<u>801</u>	<u>-</u>
Total operating expenses	<u>4,351,169</u>	<u>44</u>	<u>4,644,479</u>	<u>42</u>
OPERATING PROFIT	<u>1,744,186</u>	<u>17</u>	<u>1,986,745</u>	<u>18</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 22)	130	-	933	-
Other income (Note 22)	201,956	2	181,578	2
Other gains and losses (Notes 22 and 29)	(342,600)	(3)	65,005	-
Finance costs (Notes 22 and 29)	(438,433)	(4)	(466,377)	(4)
Share of profit of subsidiaries and associates accounted for using the equity method	<u>221,348</u>	<u>2</u>	<u>462,395</u>	<u>4</u>
Total non-operating income and expenses	<u>(357,599)</u>	<u>(3)</u>	<u>243,534</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	1,386,587	14	2,230,279	20
INCOME TAX EXPENSE (Note 23)	<u>178,487</u>	<u>2</u>	<u>291,140</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>1,208,100</u>	<u>12</u>	<u>1,939,139</u>	<u>18</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 19, 20 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(30,278)	-	(71,053)	(1)
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	58,315	-	(255,429)	(2)

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## FAR EASTERN DEPARTMENT STORES, LTD.

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

	2021		2020	
	Amount	%	Amount	%
Share of other comprehensive (loss) income of subsidiaries and associates accounted for using the equity method	\$ 171,943	2	\$ (109,861)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>6,055</u>	<u>-</u>	<u>14,211</u>	<u>-</u>
	<u>206,035</u>	<u>2</u>	<u>(422,132)</u>	<u>(4)</u>
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	<u>(2,981)</u>	<u>-</u>	<u>8,734</u>	<u>-</u>
	<u>(2,981)</u>	<u>-</u>	<u>8,734</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>203,054</u>	<u>2</u>	<u>(413,398)</u>	<u>(4)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 1,411,154</u>	<u>14</u>	<u>\$ 1,525,741</u>	<u>14</u>
<b>EARNINGS PER SHARE, NT\$ (Note 24)</b>				
Basic	<u>\$ 0.86</u>		<u>\$ 1.38</u>	
Diluted	<u>\$ 0.86</u>		<u>\$ 1.37</u>	

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

(Concluded)



**FAR EASTERN DEPARTMENT STORES, LTD.**

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

	Share Capital (Note 20)	Capital Surplus (Note 20)	Retained Earnings (Notes 19, 20 and 23)			Other Equity (Note 20)				Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain on Property Revaluation	Treasury Shares (Note 20)	
BALANCE AT JANUARY 1, 2020	\$ 14,169,406	\$ 3,327,466	\$ 3,298,695	\$ 2,865,351	\$ 1,931,429	\$ 65,325	\$ 3,058,874	\$ 2,170,970	\$ (97,110)	\$ 30,790,406
Appropriation of 2019 earnings										
Legal reserve	-	-	125,920	-	(125,920)	-	-	-	-	-
Special reserve	-	-	-	(156,088)	156,088	-	-	-	-	-
Cash dividends	-	-	-	-	(1,133,552)	-	-	-	-	(1,133,552)
	-	-	125,920	(156,088)	(1,103,384)	-	-	-	-	(1,133,552)
Net profit for the year ended December 31, 2020	-	-	-	-	1,939,139	-	-	-	-	1,939,139
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(71,064)	3,225	(345,559)	-	-	(413,398)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,868,075	3,225	(345,559)	-	-	1,525,741
Adjustments resulting from investments in associates accounted for using the equity method	-	11,325	-	-	-	-	-	-	-	11,325
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	(1,036)	-	1,036	-	-	-
BALANCE AT DECEMBER 31, 2020	14,169,406	3,338,791	3,424,615	2,709,263	2,695,084	68,550	2,714,351	2,170,970	(97,110)	31,193,920
Appropriation of 2020 earnings										
Legal reserve	-	-	186,704	-	(186,704)	-	-	-	-	-
Special reverse	-	-	-	(89,694)	89,694	-	-	-	-	-
Cash dividends	-	-	-	-	(1,558,635)	-	-	-	-	(1,558,635)
	-	-	186,704	(89,694)	(1,655,645)	-	-	-	-	(1,558,635)
Net profit for the year ended December 31, 2021	-	-	-	-	1,208,110	-	-	-	-	1,208,100
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(27,314)	(2,615)	226,789	6,194	-	203,054
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,180,786	(2,615)	226,789	6,194	-	1,411,154
Adjustments resulting from investments in associates accounted for using the equity method	-	2,191	-	-	-	-	-	-	-	2,191
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by subsidiary	-	-	-	-	(3,792)	-	3,792	-	-	-
BALANCE AT DECEMBER 31, 2021	\$ 14,169,406	\$ 3,340,982	\$ 3,611,319	\$ 2,619,569	\$ 2,216,433	\$ 65,935	\$ 2,944,932	\$ 2,177,164	\$ (97,110)	\$ 31,048,630

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

# FAR EASTERN DEPARTMENT STORES, LTD.

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

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,386,587	\$ 2,230,279
Adjustments for:		
Depreciation expense	1,972,608	2,034,760
Amortization expense	42,530	50,182
Expected credit loss recognized on receivables	2,535	801
Amortization of prepayments	1,721	1,576
Finance costs	438,433	466,377
Share of profit of subsidiaries and associates accounted for using the equity method	(221,348)	(462,395)
Interest income	(130)	(933)
Dividend income	(201,956)	(181,578)
Loss on disposal of property, plant and equipment	2,199	5,157
Loss on disposal of investment properties	335	116
Impairment loss of non-financial assets	437,462	6,307
Gain on changes in fair value of investment properties	(42,435)	(19,544)
Concession on lease liabilities	(170,191)	(113,828)
Net changes in operating assets and liabilities		
Notes receivable	-	3
Trade receivables	(311,850)	98,078
Trade receivables from related parties	(16,743)	4,291
Other receivables	(24,191)	23,407
Inventories	(53,464)	159,847
Prepayments	10,721	(31,839)
Other current assets	52,295	3,826
Contract liabilities	735,918	178,416
Notes payable and trade payables	415,134	210,254
Trade payables from related parties	646	(6,960)
Other payables	22,485	31,563
Advance receipts	29,475	145,551
Other current liabilities	31,410	(25,885)
Net defined benefit liabilities	(21,116)	(42,881)
Cash generated from operations	4,519,070	4,764,948
Interest paid	(411,284)	(445,758)
Interest received	130	933
Dividends received	625,330	321,015
Income tax paid	(233,213)	(296,462)
Net cash generated from operating activities	<u>4,500,033</u>	<u>4,344,676</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(25,508)	(25,424)
Proceeds from sale of financial assets at amortized cost	25,424	25,271
Acquisition of investments accounted for using the equity method	(1,500,000)	-
Payments for property, plant and equipment	(572,647)	(760,367)

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## FAR EASTERN DEPARTMENT STORES, LTD.

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

	2021	2020
Proceeds from disposal of property, plant and equipment	\$ 89	\$ 484
Payments for investment properties	(2,177)	(6,819)
Increase in other non-current assets	46,642	(55,669)
Acquisition of right-of-use assets	(117,836)	(97,504)
Payments for intangible assets	<u>(22,465)</u>	<u>(27,035)</u>
Net cash used in investing activities	<u>(2,168,478)</u>	<u>(947,063)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	58,270,000	73,550,000
Repayments of short-term borrowings	(58,120,000)	(73,900,000)
Proceeds from short-term bills payable	12,916,598	26,283,806
Repayments of short-term bills payable	(13,816,363)	(26,333,838)
Proceeds from long-term borrowings	133,249,959	111,250,004
Repayments of long-term borrowings	(132,600,000)	(112,250,000)
Repayment of the principal portion of lease liabilities	(527,684)	(570,201)
Increase (decrease) in other non-current liabilities	4,884	(21,978)
Dividends paid	<u>(1,556,294)</u>	<u>(1,131,061)</u>
Net cash used in financing activities	<u>(2,178,900)</u>	<u>(3,123,268)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	152,655	274,345
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	<u>812,706</u>	<u>538,361</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<u>\$ 965,361</u>	<u>\$ 812,706</u>

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

(Concluded)

# FAR EASTERN DEPARTMENT STORES, LTD.

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

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### 1. GENERAL INFORMATION

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

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

The Company applies the amendment from January 1, 2021

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulations”).

b. Basis of preparation

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

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

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

When preparing the Company's financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between the parent company only basis and consolidated basis were made to investments accounted for using the equity method, share of profit or loss of subsidiaries and associates accounted for using the equity method, share of other comprehensive income of subsidiaries and associates accounted for using the equity method and related equity items, as appropriate, in the Company's financial statements.

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

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



e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method of accounting to recognize its investments in subsidiaries. A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and is adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. In addition, the Company recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the Company's interests and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in the subsidiary accounted for using the equity method and long-term interests that, in substance for part of the Company's net investment in the subsidiary), the proportionate share of losses is recognized.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the fair value of the net identifiable assets and liabilities over the cost of the acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full in the Company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

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

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

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

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

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

The Company discontinues the use of the equity method from the date on which its investment in the associate ceases. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on the disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

h. Property, plant and equipment

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

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

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

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

i. Investment properties

Investment properties are properties held to earn long-term rental profit and/or capital gain (including properties that are qualified as investment properties and under construction). Investment properties also include land in which the intended use has yet to be determined.

Freehold investment properties are measured initially at cost, including transaction costs. All investment properties are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

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

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

To derecognize an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss for the year.

j. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

k. Impairment of property, plant and equipment, right-of-use assets and intangible assets

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

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

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

## 1. Financial instruments

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

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

### 1) Financial assets

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

#### a) Measurement categories

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

##### i. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost (including cash, cash equivalents, accounts receivable at amortized cost and refundable deposits) are measured at the carrying amount determined by the effective interest method less any impairment loss. Any exchange differences are recognized in profit or loss. Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

ii. Investments in equity instruments at FVTOCI

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

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

b) Impairment of financial assets and contract assets

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

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

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

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

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

c) Derecognition of financial assets

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

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

## 2) Financial liabilities

### a) Subsequent measurement

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

### b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## m. Revenue recognition

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

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

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

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

## n. Leases

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

### 1) The Company as lessor

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

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

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

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

## 2) The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

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

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

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

The Company and the lessor conducted rent negotiations directly related to COVID-19 and adjusted the rent due before June 30, 2022, resulting in a decrease in rent. These negotiations did not significantly change other lease terms. The Company chooses to adopt a practical and expedient approach to all rent negotiations that meet the aforementioned conditions. It does not assess whether the negotiation is a lease modification, but recognizes a reduction of lease payment in the profit or loss when the concession event or situation occurs (accounted for as a deduction in variable lease payments) and reduces the lease liability accordingly.

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

o. Borrowing costs

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

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

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

p. Government subsidies

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

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

q. Retirement benefit costs

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

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

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

r. Taxation

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

1) Current tax

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

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

Adjustments of prior years' tax liabilities are added to or deducted from the current period's income tax expenses.



## 2) Deferred tax

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

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment properties that are measured using the fair value model, the carrying amounts of such assets are presumed to be recovered entirely through their sale.

## 3) Current and deferred tax for the year

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

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

## Key Sources of Estimation Uncertainty

### Impairment of goodwill included in the investments in subsidiaries

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

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Cash on hand and revolving funds	\$ 36,364	\$ 36,524
Checking accounts and demand deposits	906,997	762,252
Cash equivalents		
Triple stimulus vouchers	-	13,930
Quintuple stimulus vouchers	<u>22,000</u>	<u>-</u>
	<u>\$ 965,361</u>	<u>\$ 812,706</u>

The market rate intervals of cash in bank at the end of the reporting period are as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Deposits in bank	0.001%-0.050%	0.001%-0.050%

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Investments in equity instruments at FVTOCI</u>		
Domestic investments		
Listed shares and emerging market shares	\$ 2,799,978	\$ 2,737,990
Unlisted shares	<u>103,957</u>	<u>107,630</u>
	<u>\$ 2,903,935</u>	<u>\$ 2,845,620</u>

- a. These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.
- b. Refer to Note 30 for information relating to investments in equity instruments at FVTOCI pledged as security.

## 8. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Time deposits with original maturities of more than 3 months	<u>\$ 25,508</u>	<u>\$ 25,424</u>
Gross carrying amount	\$ 25,508	\$ 25,424
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 25,508</u>	<u>\$ 25,424</u>

- a. The credit risk of financial instruments such as bank deposits is measured and monitored by the accounting department. The counterparties are creditworthy banks and financial institutions with good credit rating.
- b. As of December 31, 2021, and 2020, the interest rates for financial assets at amortized cost were 0.40% and 0.37% as at the end of the reporting period, respectively.
- c. Refer to Note 30 for information relating to financial assets at amortized cost pledged as security.

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

- a. Notes receivable

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

December 31, 2021

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	100%	
Gross carrying amount	\$ -	\$ -	\$ -	\$ -	\$ 1,794	\$ 1,794
Loss allowance (Lifetime ECLs)	-	-	-	-	(1,794)	(1,794)
Amortized cost	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.00%	0.00%	0.00%	4.35%	100%	
Gross carrying amount	\$ -	\$ -	\$ -	\$ -	\$ 1,794	\$ 1,794
Loss allowance (Lifetime ECLs)	-	-	-	-	(1,794)	(1,794)
Amortized cost	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

b. Trade receivables

	<u>December 31</u>	
	2021	2020
At amortized cost		
Trade receivables	\$ 650,767	\$ 323,449
Less: Allowance for impairment loss	<u>(2,678)</u>	<u>(1,338)</u>
	<u>\$ 648,089</u>	<u>\$ 322,111</u>

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

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

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

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

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

December 31, 2021

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	100%	
Gross carrying amount	\$ 647,206	\$ 492	\$ 391	\$ -	\$ 2,678	\$ 650,767
Loss allowance (Lifetime ECLs)	-	-	-	-	(2,678)	(2,678)
Amortized cost	<u>\$ 647,206</u>	<u>\$ 492</u>	<u>\$ 391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 648,089</u>

December 31, 2020

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	100%	
Gross carrying amount	\$ 320,554	\$ 1,557	\$ -	\$ -	\$ 1,338	\$ 323,449
Loss allowance (Lifetime ECLs)	-	-	-	-	(1,338)	(1,338)
Amortized cost	<u>\$ 320,554</u>	<u>\$ 1,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322,111</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 1,338	\$ 537
Add: Remeasurement of loss allowance	2,615	801
Less: Amounts written off	<u>(1,275)</u>	<u>-</u>
Balance at December 31	<u>\$ 2,678</u>	<u>\$ 1,338</u>

c. Other receivables

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
At amortized cost		
Other receivables	\$ 301,470	\$ 277,279
Less: Allowance for impairment loss	<u>(21,327)</u>	<u>(21,407)</u>
	<u>\$ 280,143</u>	<u>\$ 255,872</u>

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

December 31, 2021

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	100%	
Gross carrying amount	\$ 280,143	\$ -	\$ -	\$ -	\$ 21,327	\$ 301,470
Loss allowance (Lifetime ECLs)	-	-	-	-	(21,327)	(21,327)
Amortized cost	<u>\$ 280,143</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,143</u>

December 31, 2020

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	100%	
Gross carrying amount	\$ 255,872	\$ -	\$ -	\$ -	\$ 21,407	\$ 277,279
Loss allowance (Lifetime ECLs)	-	-	-	-	(21,407)	(21,407)
Amortized cost	<u>\$ 255,872</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,872</u>

As of December 31, 2021, and 2020, there were no impairment loss on trade receivables; therefore, no loss allowance was recognized by management.

**10. INVENTORIES**

	<u>December 31</u>	
	2021	2020
Merchandise	<u>\$ 406,593</u>	<u>\$ 353,129</u>
The cost of goods sold includes:		
	<b>2021</b>	<b>2020</b>
Cost of goods sold	<u>\$ 3,699,762</u>	<u>\$ 4,185,447</u>

**11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

	<u>December 31</u>	
	2021	2020
Investments in subsidiaries	\$ 18,915,258	\$ 17,950,074
Investments in associates	<u>2,170,964</u>	<u>2,104,483</u>
	<u>\$ 21,086,222</u>	<u>\$ 20,054,557</u>

a. Investments in subsidiaries

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Bai Yang Investment Co., Ltd. (BYIC)	\$ 10,811,061	\$ 9,108,584
Pacific Liu Tong Investment Co., Ltd. (PLTI)	4,092,548	4,024,497
Bai Ding Investment Co., Ltd. (BDIC)	2,516,266	2,418,928
FEDS Development Ltd. (FEDS Development)	1,338,430	1,427,279
Far Eastern Ai Mai Co., Ltd. (AIMAI)	338,333	1,222,011
Ya Tung Department Stores, Ltd. (YTDS)	84,113	85,689
Yu Ming Advertising Agency Co., Ltd. (YMAC)	120,180	118,535
Far Eastern CitySuper Co., Ltd. (FECS)	119,606	68,097
Far Eastern Hon Li Do Co., Ltd. (FEHLD)	13,597	13,283
Asians Merchandise Company (AMC)	<u>4,338</u>	<u>4,367</u>
	19,438,472	18,491,270
Less: Ordinary shares held by subsidiary and reclassified from long-term investments to treasury shares of BDIC	<u>97,110</u>	<u>97,110</u>
	19,341,362	18,394,160
Less: The differences of accounting treatments from the consolidated financial statements (Note)	<u>426,104</u>	<u>444,086</u>
	<u>\$ 18,915,258</u>	<u>\$ 17,950,074</u>

Note: Some of the Company's leased assets from subsidiaries or investment properties which were leased to subsidiaries were evaluated under fair value method, but these investment properties were recognized as property, plant and equipment in the consolidated financial statements. In order to agree with the amount of net profit for the year, other comprehensive (loss) income and equity attributable to the owner of the Company in the consolidated financial statements, the difference of the accounting treatment between the Company only basis and the consolidated basis was adjusted under the heading of investments accounted for using the equity method, the share of (loss) profit of subsidiaries and associates was accounted for using the equity method, and the share of other comprehensive (loss) income of subsidiaries and associates was accounted for using the equity method and related equity items.

	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
BYIC	100%	100%
PLTI	35%	35%
BDIC	67%	67%
FEDS Development	54%	54%
AIMAI	100%	100%
YTDS	100%	100%
YMAC	100%	100%
FECS	96%	96%
FEHLD	56%	56%
AMC	100%	100%

Refer to Note 33 for the details of the subsidiaries indirectly held by the Company.

The Company has 35% equity interest in PLTI. However, the proportion of the combined equity of PLTI held by the Company and its subsidiaries is 56.6%. The Company thus recognizes this investee as a subsidiary.

Bai Yang Investment Co., Ltd. had had a cash capital increase in August 2021. The Company had subscribed 150,000 thousand shares at \$10 per share for an amount of \$1,500,000 thousand.

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

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

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 were based on the subsidiaries' financial statements audited for the same years by other auditors.

b. Investments in associates

	<u>December 31</u>	
	2021	2020
Associates that are not individually material	<u>\$ 2,170,964</u>	<u>\$ 2,104,483</u>

Aggregate information of associates that are not individually material are summarized as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
The Company's share of		
Net profit (loss) for the year	\$ 34,221	\$ (10,253)
Other comprehensive income	<u>48,363</u>	<u>23,686</u>
Total comprehensive income	<u>\$ 82,584</u>	<u>\$ 13,433</u>

The combined shareholding of the Company and its sub-subsidiary, Bai Ding Investment Co., Ltd., and Pacific Sogo Department Stores Co., Ltd., in Ding Ding Integrated Marketing Service Co., Ltd. and Yuan Hsin Digital Payment Co., Ltd., amounted to 20%. As such, these investments were accounted for using the equity method.

Yuan Hsin Digital Payment Co., Ltd. had a capital decrease arranged in July 2021 and October 2020 to make up for the losses, and the Company had had a decrease of 2,055 thousand shares and 3,425 thousand shares proportionally to the shareholding ratio, respectively. Yuan Hsin Digital Payment Co., Ltd. had a cash capital increase arranged in August 2021 and December 2020. The Company did not subscribe shares according to the shareholding ratio; therefore, the Company's shareholding ratio was down from 11% to 9% and 15% to 11%, respectively.



The annual general shareholders' meeting of Oriental Securities Corporation in 2020 passed a resolution for the capitalization of retained earnings. The Company acquired 1,683 thousand shares according to its existing ownership percentage.

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

Refer to Note 30 for the information on the carrying amounts of investments in associates accounted for using the equity method that were pledged as security.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Buildings and Facilities	Decorative Facilities	Plant, Transportation and Miscellaneous Equipment	Total
<u>Cost</u>						
Balance at January 1, 2021	\$ 8,038,597	\$ 9,370,709	\$ 7,028,293	\$ 6,757,256	\$ 751,884	\$ 31,946,739
Additions	-	-	171,089	113,237	36,336	320,662
Disposals	-	-	(25,586)	(12,974)	(18,247)	(56,807)
Reclassifications	-	-	15,941	4,421	6,113	26,475
Balance at December 31, 2021	<u>\$ 8,038,597</u>	<u>\$ 9,370,709</u>	<u>\$ 7,189,737</u>	<u>\$ 6,861,940</u>	<u>\$ 776,086</u>	<u>\$ 32,237,069</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2021	\$ -	\$ (2,579,041)	\$ (4,960,380)	\$ (5,669,492)	\$ (560,911)	\$ (13,769,824)
Disposals	-	-	23,921	12,603	17,995	54,519
Depreciation expense	-	(161,338)	(408,794)	(267,208)	(56,754)	(894,094)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ (2,740,379)</u>	<u>\$ (5,345,253)</u>	<u>\$ (5,924,097)</u>	<u>\$ (599,670)</u>	<u>\$ (14,609,399)</u>
Carrying amount at December 31, 2021	<u>\$ 8,038,597</u>	<u>\$ 6,630,330</u>	<u>\$ 1,844,484</u>	<u>\$ 937,843</u>	<u>\$ 176,416</u>	<u>\$ 17,627,670</u>
<u>Cost</u>						
Balance at January 1, 2020	\$ 8,038,597	\$ 9,370,709	\$ 6,961,248	\$ 6,519,897	\$ 718,766	\$ 31,609,217
Additions	-	-	74,682	302,513	45,477	422,672
Disposals	-	-	(21,895)	(65,154)	(17,830)	(104,879)
Reclassifications	-	-	14,258	-	5,471	19,729
Balance at December 31, 2020	<u>\$ 8,038,597</u>	<u>\$ 9,370,709</u>	<u>\$ 7,028,293</u>	<u>\$ 6,757,256</u>	<u>\$ 751,884</u>	<u>\$ 31,946,739</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2020	\$ -	\$ (2,417,703)	\$ (4,541,046)	\$ (5,411,333)	\$ (514,298)	\$ (12,884,380)
Disposals	-	-	20,362	61,753	16,943	99,058
Depreciation expense	-	(161,338)	(439,696)	(319,912)	(63,556)	(984,502)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ (2,579,041)</u>	<u>\$ (4,960,380)</u>	<u>\$ (5,669,492)</u>	<u>\$ (560,911)</u>	<u>\$ (13,769,824)</u>
Carrying amount at December 31, 2020	<u>\$ 8,038,597</u>	<u>\$ 6,791,668</u>	<u>\$ 2,067,913</u>	<u>\$ 1,087,764</u>	<u>\$ 190,973</u>	<u>\$ 18,176,915</u>

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

Buildings	55 years
Buildings and facilities	8-15 years
Decorative facilities	6 years
Plant, transportation, and miscellaneous equipment	5-8 years

Refer to Note 30 for the information on the carrying amounts of property, plant and equipment that were pledged as security.

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	<u>December 31</u>	
	2021	2020
<u>Carrying amount</u>		
Land	\$ 7,590,605	\$ 7,866,434
Buildings	16,303,699	17,058,198
Plant, transportation, and miscellaneous equipment	<u>7,197</u>	<u>5,185</u>
	<u>\$ 23,901,501</u>	<u>\$ 24,929,817</u>
	<u>For the Year Ended December 31</u>	
	2021	2020
Additions to right-of-use assets	<u>\$ 121,766</u>	<u>\$ 239,070</u>
Depreciation charge for right-of-use assets		
Land	\$ 275,829	\$ 275,545
Buildings	872,335	869,492
Plant, transportation, and miscellaneous equipment	<u>1,448</u>	<u>421</u>
	<u>\$ 1,149,612</u>	<u>\$ 1,145,458</u>

#### b. Lease liabilities

	<u>December 31</u>	
	2021	2020
<u>Carrying amount</u>		
Current	<u>\$ 945,167</u>	<u>\$ 941,237</u>
Non-current	<u>\$ 13,145,744</u>	<u>\$ 13,844,089</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	2021	2020
Land	0.88%-1.72%	0.88%-1.72%
Buildings	0.86%-1.72%	0.86%-1.72%
Plant, transportation, and miscellaneous equipment	0.86%-0.92%	0.88%-0.92%

c. Material lease-in activities and terms

The Company operates a retail business of leasing property and equipment for its operating activities with lease term of 3 to 50 years. In addition to fixed payments, some lease contracts also indicate variable lease payments with different conditions. Some stores are leased by acquiring land use rights to build buildings and transfer buildings to lessor unconditionally at the end of the lease term.

In 2021 and 2020, due to the COVID-19 pandemic that severely affected the global market economy, the Company entered into lease negotiations with some of the lessors. The lessors agreed to reduce the rents from January 1 to December 31, 2021 and 2020. The Company recognized the aforementioned rent reductions of \$170,191 and \$113,828 thousand (as a deduction in operating expenses).

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	<u>\$ 4,902</u>	<u>\$ 4,233</u>
Expenses relating to low-value asset leases	<u>\$ 3,174</u>	<u>\$ 2,428</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ (162,639)</u>	<u>\$ (98,714)</u>
Total cash outflow for leases	<u>\$ (794,144)</u>	<u>\$ (850,006)</u>

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

#### 14. INVESTMENT PROPERTIES

	<b>Land</b>	<b>Buildings and Facilities</b>	<b>Investment Properties under Construction</b>	<b>Total</b>
Balance at January 1, 2021	\$ 6,250,031	\$ 2,759,018	\$ 14,254	\$ 9,023,303
Disposals	-	(335)	-	(335)
Additions	-	2,177	-	2,177
Gain (loss) on fair value changes of investment properties	<u>(632,247)</u>	<u>674,682</u>	<u>-</u>	<u>42,435</u>
Balance at December 31, 2021	<u>\$ 5,617,784</u>	<u>\$ 3,435,542</u>	<u>\$ 14,254</u>	<u>\$ 9,067,580</u>
Balance at January 1, 2020	\$ 6,216,334	\$ 2,770,598	\$ 10,124	\$ 8,997,056
Disposals	-	(116)	-	(116)
Additions	-	2,689	4,130	6,819
Gain (loss) on fair value changes of investment properties	<u>33,697</u>	<u>(14,153)</u>	<u>-</u>	<u>19,544</u>
Balance at December 31, 2020	<u>\$ 6,250,031</u>	<u>\$ 2,759,018</u>	<u>\$ 14,254</u>	<u>\$ 9,023,303</u>

Some of the Company's investment properties have been leased out under operating leases with lease term of 2-20 years, and the lease contracts include lessee's buy-back agreement.

Except for minimum lease payments, some of the Company's lease contracts stipulate that the Company should adjust rentals on the basis of the consumer price index per annum.

The Company agreed to have a rent concession for the period from January 1 to December 31, 2021 and 2020 due to the severe impact of the COVID-19 pandemic on the economy in 2021 and 2020.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2021 is as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Year 1	\$ 800,592	\$ 731,686
Year 2	699,263	680,939
Year 3	588,071	619,301
Year 4	568,711	564,989
Year 5	518,564	549,951
Year 6 onwards	<u>3,621,663</u>	<u>4,157,164</u>
	<u>\$ 6,796,864</u>	<u>\$ 7,304,030</u>

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

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Expected future cash inflows	\$ 21,526,409	\$ 21,079,871
Expected future cash outflows	<u>2,769,040</u>	<u>2,485,443</u>
Expected future cash inflows, net	<u>\$ 18,757,369</u>	<u>\$ 18,594,428</u>
Discount rate	4.095%	4.095%

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

The expected future cash inflows generated by investment properties referred to rental income, interest income on rental deposits and disposal value. The rental income was extrapolated using the existing lease contracts of the Company and comparative market rentals covering 5-10 years, taking into account the annual rental growth rate. The interest income on rental deposits was extrapolated by the one-year average deposit interest rate, and the disposal value was determined by the direct capitalization method under the income approach. The expected future cash outflows on investment properties included expenditures such as property taxes, insurance premiums, management fees, maintenance costs and replacement allowances. These expenditures were extrapolated on the basis of the current level of expenditures, taking into account the future adjustments to the government-announced land value, the tax rate promulgated under the Construction Cost Index and the House Tax Act and construction costs.

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

Part of the land owned by the Company which is located in the east of Taiwan was not developed yet. The fair value of the undeveloped land area was measured by the land development analysis approach. The increase in the estimated total sales price, the increase in the rate of return, or the decrease in the overall capital interest rate would result in increase in the fair value. The significant assumptions used are as follows:

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

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

Refer to Note 30 for the information on the carrying amounts of investment properties pledged as collateral for borrowings.

## 15. INTANGIBLE ASSETS

	<b>Computer Software</b>
<u>Cost</u>	
Balance at January 1, 2021	\$ 212,526
Additions	22,465
Reclassifications	<u>10,097</u>
Balance at December 31, 2021	<u>\$ 245,088</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2021	\$ (142,898)
Amortization expense	<u>(42,530)</u>
Balance at December 31, 2021	<u>\$ (185,428)</u>
Carrying amount at December 31, 2021	<u>\$ 59,660</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 142,301
Additions	27,035
Reclassifications	<u>43,190</u>
Balance at December 31, 2020	<u>\$ 212,526</u>

(Continued)

	<b>Computer Software</b>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2020	\$ (86,409)
Impairment loss	(6,307)
Amortization expense	<u>(50,182)</u>
Balance at December 31, 2020	<u>\$ (142,898)</u>
Carrying amount at December 31, 2020	<u>\$ 69,628</u> (Concluded)

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

Computer software	3-5 years
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## 16. OTHER ASSETS

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Refundable deposits	\$ 83,982	\$ 160,077
Prepayment for equipment	40,134	39,461
Leases incentives	385,462	356,009
Others	<u>13,989</u>	<u>68,005</u>
	<u>\$ 523,567</u>	<u>\$ 623,552</u>
Current	\$ 8,686	\$ 60,981
Non-current	<u>514,881</u>	<u>562,571</u>
	<u>\$ 523,567</u>	<u>\$ 623,552</u>

## 17. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Credit loans	\$ 3,550,000	\$ 3,950,000
Secured loans (Note 30)	<u>1,250,000</u>	<u>700,000</u>
	<u>\$ 4,800,000</u>	<u>\$ 4,650,000</u>
Interest rate intervals are as follows		
Credit loans	0.75%-0.84%	0.81%-0.87%
Secured loans	0.83%-0.84%	0.86%

b. Short-term bills payable

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Commercial papers	\$ 1,550,000	\$ 2,450,000
Less: Unamortized discount on bills payable	<u>485</u>	<u>720</u>
	<u>\$ 1,549,515</u>	<u>\$ 2,449,280</u>

Outstanding short-term bills payable are as follows:

December 31, 2021

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
<u>Commercial papers</u>						
Mega Bills Finance	\$ 600,000	\$ 27	\$ 599,973	0.59%	-	\$ -
China Bills Finance	350,000	40	349,960	0.23%-0.30%	-	-
Grand Finance	200,000	250	199,750	0.42%	-	-
International Bills Finance	200,000	77	199,923	0.59%	-	-
Taiwan Cooperative Bills Finance	<u>200,000</u>	<u>91</u>	<u>199,909</u>	0.68%	-	<u>-</u>
	<u>\$ 1,550,000</u>	<u>\$ 485</u>	<u>\$ 1,549,515</u>			<u>\$ -</u>

December 31, 2020

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
<u>Commercial papers</u>						
Mega Bills Finance	\$ 500,000	\$ 207	\$ 499,793	0.62%	-	\$ -
Shanghai Bank	500,000	196	499,804	0.332%	-	-
China Bills Finance	350,000	57	349,943	0.25%	-	-
Grand Finance	300,000	35	299,965	0.65%	-	-
International Bills Finance	200,000	65	199,935	0.51%	-	-
Taiwan Cooperative Bills Finance	200,000	14	199,986	0.70%	-	-
Taiwan Bills Finance	200,000	99	199,901	0.60%	-	-
Ta Ching Bill Finance	<u>200,000</u>	<u>47</u>	<u>199,953</u>	0.61%	-	<u>-</u>
	<u>\$ 2,450,000</u>	<u>\$ 720</u>	<u>\$ 2,449,280</u>			<u>\$ -</u>

c. Long-term borrowings

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Secured loans	\$ 9,500,000	\$ 10,400,000
Credit loans	2,950,000	2,000,000
Revolving commercial papers	<u>1,499,720</u>	<u>899,761</u>
	13,949,720	13,299,761
Less: Listed as part due within 1 year	<u>-</u>	<u>299,933</u>
	<u>\$ 13,949,720</u>	<u>\$ 12,999,828</u>

Interest rate intervals are as follows:

Secured loans	0.840%-0.880%	0.860%-0.880%
Credit loans	0.830%-0.840%	0.860%
Revolving commercial papers	0.302%	0.281%-0.402%

Outstanding long-term bills payable are as follows:

December 31, 2021

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of Collateral
<u>Commercial papers</u>						
KGI Commercial Bank	<u>\$ 1,500,000</u>	<u>\$ 280</u>	<u>\$ 1,499,720</u>	0.302	-	<u>\$ -</u>

## 18. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Other payables		
Payables for purchases of equipment	\$ 447,695	\$ 636,325
Payables for salaries and bonuses	343,472	328,122
Payables for remuneration of directors	163,796	173,544
Payables for compensation of employees	48,525	77,093
Others	<u>660,879</u>	<u>612,048</u>
	<u>\$ 1,664,367</u>	<u>\$ 1,827,132</u>
Other liabilities		
Deposits received	\$ 83,420	\$ 78,536
Others	<u>160,013</u>	<u>128,603</u>
	<u>\$ 243,433</u>	<u>\$ 207,139</u>
Current		
Other payables	<u>\$ 1,664,367</u>	<u>\$ 1,827,132</u>
Other liabilities	<u>\$ 160,013</u>	<u>\$ 128,603</u>
Non-current		
Other liabilities	<u>\$ 83,420</u>	<u>\$ 78,536</u>

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

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



b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the following year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the following year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plan are as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of the defined benefit obligation	\$ 662,495	\$ 691,522
Fair value of the plan assets	<u>(859,196)</u>	<u>(897,385)</u>
Net defined benefit assets	<u>\$ (196,701)</u>	<u>\$ (205,863)</u>

Movements in net defined benefit assets are as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2021	<u>\$ 691,522</u>	<u>\$ (897,385)</u>	<u>\$ (205,863)</u>
Service cost			
Current service cost	4,298	-	4,298
Net interest expense (income)	<u>3,458</u>	<u>(4,502)</u>	<u>(1,044)</u>
Recognized in profit or loss	<u>7,756</u>	<u>(4,502)</u>	<u>3,254</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	45,740	45,740
Actuarial loss - changes in demographic assumptions	13,493	-	13,493
Actuarial loss - experience adjustments	<u>(28,955)</u>	<u>-</u>	<u>(28,955)</u>
Recognized in other comprehensive income	<u>(15,462)</u>	<u>45,740</u>	<u>30,278</u>
Contributions from the employer	-	(24,370)	(24,370)
Benefits paid	<u>(21,321)</u>	<u>21,321</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 662,495</u>	<u>\$ (859,196)</u>	<u>\$ (196,701)</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2020	<u>\$ 690,534</u>	<u>\$ (924,569)</u>	<u>\$ (234,035)</u>
Service cost			
Current service cost	5,044	-	5,044
Net interest expense (income)	<u>5,179</u>	<u>(6,955)</u>	<u>(1,776)</u>
Recognized in profit or loss	<u>10,223</u>	<u>(6,955)</u>	<u>3,268</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	40,112	40,112
Actuarial loss - changes in demographic assumptions	2,462	-	2,462
Actuarial loss - changes in financial assumptions	16,849	-	16,849
Actuarial loss - experience adjustments	<u>11,630</u>	<u>-</u>	<u>11,630</u>
Recognized in other comprehensive income	<u>30,941</u>	<u>40,112</u>	<u>71,053</u>
Contributions from the employer	-	(46,149)	(46,149)
Benefits paid	<u>(40,176)</u>	<u>40,176</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 691,522</u>	<u>\$ (897,385)</u>	<u>\$ (205,863)</u> (Concluded)

Through the defined benefit plan under the Labor Standards Act, the Company is exposed to the following risks:

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

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

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Discount rates	0.500%	0.500%
Expected rates of salary increase	2.000%	2.000%

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)		
0.25% increase	<u>\$ (15,360)</u>	<u>\$ (16,862)</u>
0.25% decrease	<u>\$ 15,906</u>	<u>\$ 17,485</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 15,395</u>	<u>\$ 16,923</u>
0.25% decrease	<u>\$ (14,947)</u>	<u>\$ (16,409)</u>

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
The expected contributions to the plan for the next year	<u>\$ 5,109</u>	<u>\$ 5,356</u>
The average duration of the defined benefit obligation	9.4 years	9.9 years

## 20. EQUITY

### a. Share capital

#### Ordinary shares

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

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

b. Capital surplus

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

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

c. Retained earnings and dividend policy

According to the Articles of Incorporation, where the Company makes profit in a fiscal year, the profit shall be first utilized to make its business income tax payments and offset deficit. From any remaining profit, out of the profit after tax for the current period plus other profit items adjusted to the current year's undistributed earnings other than profit after tax for the period, 10% will be appropriated as a legal reserve. After appropriating to the special reserve as required by government regulations, the remaining amount, along with any prior years' undistributed earnings, may be utilized for earnings distribution in the form of dividend based on shareholding percentage. However, the Company may retain a certain portion depending on the operating needs. In case of a capital increase during the year, dividends appropriated to new shareholders are subject to the resolution passed in the shareholders' meeting. For policies of compensation of employees and remuneration of directors stipulated by the Articles of Incorporation, please see Note 22(i).

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

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

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

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

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

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

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

d. Special reserve

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

On the initial application of the fair value model to investment properties and on the initial application of IFRS 16, property leasehold interests which were previously accounted for as operating leases under IAS 17 are recognized as investment properties and measured at fair value, the Company appropriated for a special reserve at the amount that was the same as the net increase arising from fair value measurement and transferred to retained earnings. The additional special reserve should be appropriated for subsequent net increases in fair value. The amount appropriated may be reversed to the extent that the cumulative net increases in fair value decrease or on the disposal of investment properties.

e. Other equity items

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning at January 1	\$ 68,550	\$ 65,325
Exchange difference of subsidiaries and associates accounted for using the equity method	<u>2,615</u>	<u>3,225</u>
Balance at December 31	<u>\$ 65,935</u>	<u>\$ 68,550</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning at January 1	\$ 2,714,351	\$ 3,058,874
Recognized for the year		
Unrealized gain (loss) - equity instruments	58,315	(255,429)
Share from subsidiaries and associates accounted for using the equity method	<u>168,474</u>	<u>(90,130)</u>
Other comprehensive income recognized for the year	2,941,140	2,713,315
Reclassification adjustment		
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>3,792</u>	<u>1,036</u>
Balance at December 31	<u>\$ 2,944,932</u>	<u>\$ 2,714,351</u>

f. Treasury shares

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

December 31, 2021

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

December 31, 2020

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

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

## 21. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Sale of goods (Note)	<u>\$ 4,473,828</u>	<u>\$ 5,061,768</u>
Commissions from concessionaires' sales (Note)	<u>3,584,222</u>	<u>3,929,067</u>
Maintenance and promotion fee income	<u>665,855</u>	<u>714,932</u>
Rental income		
Investment properties (Note 14)		
Variable lease payments that do not depend on an index or a rate and contingent rentals	18,939	20,850
Other lease payments	<u>244,379</u>	<u>217,608</u>
	<u>263,318</u>	<u>238,458</u>
Other operating leases		
Variable lease payments that do not depend on an index or a rate	85,677	103,295
Other lease payments	<u>555,433</u>	<u>573,746</u>
	<u>641,110</u>	<u>677,041</u>
	<u>904,428</u>	<u>915,499</u>
Others	<u>385,649</u>	<u>415,789</u>
	<u>\$ 10,013,982</u>	<u>\$ 11,037,055</u>

Note: Gross revenue is presented as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Concessionaires' sales	\$ 39,859,941	\$ 39,946,194
Sale of goods	<u>4,702,332</u>	<u>5,311,412</u>
	<u>\$ 44,562,273</u>	<u>\$ 45,257,606</u>

### Contract Balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Notes receivable (Note 9)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>
Trade receivable (Note 9)	<u>\$ 648,089</u>	<u>\$ 322,111</u>	<u>\$ 425,281</u>
Contract liabilities - current			
Sale of goods	\$ 3,908,338	\$ 3,163,634	\$ 2,991,519
Customer loyalty programs	<u>30,522</u>	<u>39,308</u>	<u>33,007</u>
	<u>\$ 3,938,860</u>	<u>\$ 3,202,942</u>	<u>\$ 3,024,526</u>

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

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
<b><u>From contract liabilities at the start of the years</u></b>		
Sale of goods	\$ 1,144,805	\$ 1,225,774
Customer loyalty programs	<u>39,308</u>	<u>33,007</u>
	<u>\$ 1,184,113</u>	<u>\$ 1,258,781</u>

## 22. NET PROFIT FOR THE YEAR

Net profit for the year includes the following items:

a. Operating costs

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
<b>Operating costs</b>		
Cost of sales	\$ 3,699,762	\$ 4,185,447
Rental costs	181,150	183,606
Others	<u>37,715</u>	<u>36,778</u>
	<u>\$ 3,918,627</u>	<u>\$ 4,405,831</u>

b. Interest income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
<b>Interest income</b>		
Bank deposits	\$ 129	\$ 933
Others	<u>1</u>	<u>-</u>
	<u>\$ 130</u>	<u>\$ 933</u>

c. Other income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Dividends income	<u>\$ 201,956</u>	<u>\$ 181,578</u>



d. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Loss on disposal of investment properties, net	\$ (335)	\$ (116)
Foreign exchange loss, net	(322)	(117)
Loss on disposal of property, plant and equipment, net	(2,199)	(5,157)
Impairment loss of investment under the equity method	(437,462)	-
Impairment loss of intangible assets	-	(6,307)
Profit from the adjustment of fair value of investment property	42,435	19,544
Other gains	64,815	66,908
Other losses	<u>(9,532)</u>	<u>(9,750)</u>
	<u>\$ 342,600</u>	<u>\$ 65,005</u>

e. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	\$ 243,497	\$ 254,151
Interest on bank loans	167,984	186,719
Other interest expense	<u>26,952</u>	<u>25,507</u>
Total interest expense of financial liabilities not measured at fair value through profit or loss	<u>\$ 438,433</u>	<u>\$ 466,377</u>

f. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 894,094	\$ 984,502
Right-of-use assets	1,149,612	1,145,458
Less: Adjustment to receipts in advance and depreciation	<u>(71,098)</u>	<u>(95,200)</u>
	1,972,608	2,034,760
Intangible assets (including amortization expense)	<u>42,530</u>	<u>50,182</u>
	<u>\$ 2,015,138</u>	<u>\$ 2,084,942</u>
An analysis of deprecation by function		
Operating costs	\$ 87,736	\$ 90,755
Operating expenses	<u>1,884,872</u>	<u>1,944,005</u>
	<u>\$ 1,972,608</u>	<u>\$ 2,034,760</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 42,530</u>	<u>\$ 50,182</u>

g. Operating expenses directly related to investment properties

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Direct operating expenses from investment properties generating rental income	\$ 80,817	\$ 83,843
Direct operating expenses from investment properties not generating rental income	<u>31,401</u>	<u>33,313</u>
	<b><u>\$ 112,218</u></b>	<b><u>\$ 117,156</u></b>

h. Employee benefits expenses

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Post-employment benefits (Note 19)		
Defined contribution plan	\$ 34,640	\$ 34,163
Defined benefit plan	<u>3,254</u>	<u>3,268</u>
	37,894	37,431
Other employee benefits	<u>1,091,078</u>	<u>1,196,997</u>
Total employee benefits expenses	<b><u>\$ 1,128,972</u></b>	<b><u>\$ 1,234,428</u></b>
An analysis of employee benefits expenses by function		
Operating expenses	<b><u>\$ 1,128,972</u></b>	<b><u>\$ 1,234,428</u></b>

i. Compensation of employees and remuneration of directors

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

Accrual rate

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

Amount

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

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

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

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

## 23. INCOME TAX

### a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current income tax		
In respect of the current year	\$ 224,418	\$ 245,710
Adjustments for the prior year	<u>(971)</u>	<u>267</u>
	<u>223,447</u>	<u>245,977</u>
Deferred income tax		
In respect of the current year	(48,468)	37,894
Adjustments for the prior year	<u>3,508</u>	<u>7,269</u>
	<u>(44,960)</u>	<u>45,163</u>
Income tax expense recognized in profit or loss	<u>\$ 178,487</u>	<u>\$ 291,140</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before income tax from continuing operations	<u>\$ 1,386,587</u>	<u>\$ 2,230,279</u>
Income tax expense calculated at the statutory rate	\$ 277,318	\$ 446,056
Nondeductible expenses in determining taxable income	9	599
Tax-exempt income	(239,357)	(137,407)
Unrecognized deductible temporary differences	132,884	(22,753)
Adjustments for prior years' income tax	(971)	267
Adjustments for prior years' deferred tax	3,508	7,269
Land value increment tax	<u>5,096</u>	<u>(2,891)</u>
Income tax expense recognized in profit or loss	<u>\$ 178,487</u>	<u>\$ 291,140</u>

### b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plans	<u>\$ 6,055</u>	<u>\$ 14,211</u>

c. Current tax assets and liabilities

	<u>December 31</u>	
	2021	2020
Current tax liabilities		
Income tax payable	\$ <u>101,329</u>	\$ <u>111,095</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensi ve Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 17,628	\$ (122)	\$ -	\$ 17,506
Promotion expense on gift certificates	18,471	3,341	-	21,812
Right-of-use assets	18,229	(920)	-	17,309
Others	<u>25,890</u>	<u>(2,021)</u>	<u>-</u>	<u>23,869</u>
	<u>\$ 80,218</u>	<u>\$ 278</u>	<u>\$ -</u>	<u>\$ 80,496</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Depreciation	\$ 1,075,613	\$ 27,745	\$ -	\$ 1,103,358
Reserve for land revaluation increment tax	388,266	5,096	-	393,362
Investment properties	360,774	(69,978)	-	290,796
Investments accounted for using the equity method	244,827	(17,404)	-	227,423
Differences of pension in determining taxable income	41,172	4,223	(6,055)	39,340
Others	<u>72,815</u>	<u>5,636</u>	<u>-</u>	<u>78,451</u>
	<u>\$ 2,183,467</u>	<u>\$ (44,682)</u>	<u>\$ (6,055)</u>	<u>\$ 2,132,730</u>

For the year ended December 31, 2020

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehen sive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 9,435	\$ 8,193	\$ -	\$ 17,628
Promotion expense on gift certificates	18,488	(17)	-	18,471
Right-of-use assets	20,071	(1,842)	-	18,229
Others	<u>22,350</u>	<u>3,540</u>	<u>-</u>	<u>25,890</u>
	<u>\$ 70,344</u>	<u>\$ 9,874</u>	<u>\$ -</u>	<u>\$ 80,218</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Depreciation	\$ 1,031,733	\$ 43,880	\$ -	\$ 1,075,613
Reserve for land revaluation increment tax	391,157	(2,891)	-	388,266
Investment properties	363,604	(2,830)	-	360,774
Investments accounted for using the equity method	245,340	(513)	-	244,827
Differences of pension in determining taxable income	46,807	8,576	(14,211)	41,172
Others	<u>64,000</u>	<u>8,815</u>	<u>-</u>	<u>72,815</u>
	<u>\$ 2,142,641</u>	<u>\$ 55,037</u>	<u>\$ (14,211)</u>	<u>\$ 2,183,467</u>

- e. Deductible temporary differences for which no deferred tax assets were recognized in the balance sheets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Deductible temporary differences	<u>\$ 1,486,629</u>	<u>\$ 822,205</u>

- f. Income tax assessments

The Company's income tax returns through 2019 have been assessed by the tax authorities.

## 24. EARNINGS PER SHARE

	<b>Unit: NT\$ Per Share</b>	
	<b>For the Year Ended December 31</b>	
	<u>2021</u>	<u>2020</u>
Basic earnings per share	<u>\$ 0.86</u>	<u>\$ 1.38</u>
Diluted earnings per share	<u>\$ 0.86</u>	<u>\$ 1.37</u>

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

### Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Net profit for the year	\$ 1,208,100	\$ 1,939,139
Effect of potential dilutive ordinary shares:		
Compensation of employees	<u>                  -</u>	<u>                  -</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,208,100</u>	<u>\$ 1,939,139</u>

### Shares

(In Thousand Shares)

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

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

## 25. GOVERNMENT SUBSIDIES

The Company received a nonrecurring business allowance for an amount of \$53,600 thousand in accordance with Article 5-1 of the “Financial Relief for Industries and Businesses Affected by the COVID-19 Pandemic by the MOEA” in 2021, which was debited to the “operating expenses.”

## 26. CASH FLOW INFORMATION

### a. Non-cash transactions

For the years ended December 31, 2021 and 2020, the Company engaged in the following non-cash investing activities:

For the years ended December 31, 2021 and 2020, the prepayment for equipment reclassified to property, plant and equipment amounted to \$26,475 thousand and \$19,729 thousand, respectively (please see Note 12).

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2021

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			New Leases	Change in Exchange Rate	Others	
Short-term borrowings	\$ 4,650,000	\$ 150,000	\$ -	\$ -	\$ -	\$ 4,800,000
Short-term bills payable	2,449,280	(899,765)	-	-	-	1,549,515
Long-term borrowings						
(including current portion)	13,299,761	649,959	-	-	-	13,949,720
Lease liabilities	14,785,326	(527,684)	3,460	-	(170,191)	14,090,911
Other non-current liabilities	<u>78,536</u>	<u>4,884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,420</u>
	<u>\$ 35,262,903</u>	<u>\$ (622,606)</u>	<u>\$ 3,460</u>	<u>\$ -</u>	<u>\$ (170,191)</u>	<u>\$ 34,473,566</u>

For the year ended December 31, 2020

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			New Leases	Change in Exchange Rate	Others	
Short-term borrowings	\$ 5,000,000	\$ (350,000)	\$ -	\$ -	\$ -	\$ 4,650,000
Short-term bills payable	2,499,312	(50,032)	-	-	-	2,449,280
Long-term borrowings						
(including current portion)	14,299,757	(999,996)	-	-	-	13,299,761
Lease liabilities	15,327,788	(570,201)	141,567	-	(113,828)	14,785,326
Other non-current liabilities	<u>100,514</u>	<u>(21,978)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,536</u>
	<u>\$ 37,227,371</u>	<u>\$ (1,992,207)</u>	<u>\$ 141,567</u>	<u>\$ -</u>	<u>\$ (113,828)</u>	<u>\$ 35,262,903</u>

## 27. CAPITAL MANAGEMENT

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

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

## 28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

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

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

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Equity investments				
Domestic listed ordinary shares	\$ 2,799,978	\$ -	\$ -	\$ 2,799,978
Domestic unlisted ordinary shares	-	-	103,957	103,957
	<u>\$ 2,799,978</u>	<u>\$ -</u>	<u>\$ 103,957</u>	<u>\$ 2,903,935</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Equity investments				
Domestic listed ordinary shares	\$ 2,737,990	\$ -	\$ -	\$ 2,737,990
Domestic unlisted ordinary shares	-	-	107,630	107,630
	<u>\$ 2,737,990</u>	<u>\$ -</u>	<u>\$ 107,630</u>	<u>\$ 2,845,620</u>

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

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

For the year ended December 31, 2021

Financial Assets	Investment in Equity Instruments at FVTOCI
Balance at January 1, 2021	\$ 107,630
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	<u>(3,673)</u>
Balance at December 31, 2021	<u>\$ 103,957</u>



For the year ended December 31, 2020

<b>Financial Assets</b>	<b>Investment in Equity Instruments at FVTOCI</b>
Balance at January 1, 2020	\$ 107,588
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	<u>42</u>
Balance at December 31, 2020	<u>\$ 107,630</u>

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

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

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 2,003,083	\$ 1,576,190
Equity instruments at FVTOCI	2,903,935	2,845,620
<u>Financial liabilities</u>		
Measured at amortized cost (2)	26,335,075	26,176,982

1) The balance amount includes cash and cash equivalents, trade receivable (including related parties), other receivables, refundable deposits, and other financial assets measured at amortized cost.

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

d. Financial risk management objectives and policies

The Company's main financial instruments include equity instrument investments, accounts receivable, accounts payable, loans, and lease liabilities. The purpose of the Company's financial risk management is to manage market risk (including exchange rate risk, interest rate risk and other price risk), credit risk, liquidity risk, and other financial risks related to operating activities. The Company's Finance Department strives to analyze and evaluate financial risk factors related to the market, and then propose and implement relevant responsive strategies to reduce the impact of risks related to market changes.

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

1) Market risk

a) Interest rate risk

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

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial assets	\$ 47,508	\$ 39,354
Financial liabilities	14,090,911	14,785,326
Cash flow interest rate risk		
Financial assets	105,142	88,585
Financial liabilities	20,299,235	20,399,041

Sensitivity analysis

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

If interest rates increase/decrease by 100 basis points and all variables remained unchanged, the profit before tax for the years ended December 31, 2021 and 2020 would decrease/increase by \$201,941 thousand and \$203,105 thousand, respectively.

b) Other price risks

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

Sensitivity analysis

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

If equity prices increase/decrease by 5%, the pre-tax other comprehensive income for the years ended December 31, 2021 and 2020 would increase/decrease by \$145,197 thousand and \$142,281 thousand, respectively, due to the change in fair value of financial assets measured at fair value through other comprehensive income.

## 2) Credit risk

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

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

## 3) Liquidity risk

Liquidity risk is a risk in which the Company has difficulty in settling its financial liabilities either by cash or other financial assets. The Company manages its liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance its operations and mitigate the effects of fluctuations in cash flows. Further, the management monitors the use of bank borrowings and ensures compliance with loan covenants, to avoid critical damage and mitigate the reputation risk facing the Company.

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

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

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

#### December 31, 2021

	On Demand or Not Later than 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>							
Short-term borrowings	\$ 4,800,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,800,000
Short-term bills payable	1,549,515	-	-	-	-	-	1,549,515
Trade payables	4,237,424	-	-	-	-	-	4,237,424
Trade payables to related parties	50,629	-	-	-	-	-	50,629
Other payables	1,664,367	-	-	-	-	-	1,664,367
Lease liabilities	945,167	941,260	927,775	848,090	849,859	12,213,035	16,725,186
Long-term borrowings (including current portion)	-	13,949,720	-	-	-	-	13,949,720
Deposits received	54,988	4,546	5,752	18,134	-	-	83,420

Additional information on the maturity analysis for lease liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 945,167</u>	<u>\$ 3,566,984</u>	<u>\$ 4,274,383</u>	<u>\$ 3,658,039</u>	<u>\$ 2,333,269</u>	<u>\$ 1,947,344</u>

December 31, 2020

	<b>On Demand or Not Later than 1 Year</b>	<b>1-2 Years</b>	<b>2-3 Years</b>	<b>3-4 Years</b>	<b>4-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>							
Short-term borrowings	\$ 4,650,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,650,000
Short-term bills payable	2,449,280	-	-	-	-	-	2,449,280
Trade payables	3,822,290	-	-	-	-	-	3,822,290
Trade payables to related parties	49,983	-	-	-	-	-	49,983
Other payables	1,827,132	-	-	-	-	-	1,827,132
Lease liabilities	941,237	944,462	940,553	927,068	847,382	13,062,511	17,663,213
Long-term borrowings (including current portion)	299,933	9,599,828	3,400,000	-	-	-	13,299,761
Deposits received	44,741	6,237	4,546	5,752	16,060	1,200	78,536

Additional information on the maturity analysis for lease liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 941,237</u>	<u>\$ 3,659,465</u>	<u>\$ 4,264,801</u>	<u>\$ 3,865,346</u>	<u>\$ 2,518,365</u>	<u>\$ 2,413,999</u>

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

b) Financing facilities

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Unsecured bank overdraft facilities		
Amount used	\$ -	\$ -
Amount unused	<u>100,000</u>	<u>100,000</u>
	<u>\$ 100,000</u>	<u>\$ 100,000</u>
Secured bank loan facilities		
Amount used	\$ 10,750,000	\$ 11,100,000
Amount unused	<u>6,350,000</u>	<u>4,000,000</u>
	<u>\$ 17,100,000</u>	<u>\$ 15,100,000</u>
Unsecured bank loan facilities		
Amount used	\$ 9,550,000	\$ 9,300,000
Amount unused	<u>7,150,000</u>	<u>4,950,000</u>
	<u>\$ 16,700,000</u>	<u>\$ 14,250,000</u>

## 29. TRANSACTIONS WITH RELATED PARTIES

The transactions between the Company and its related parties, other than those disclosed in other notes, are summarized as follows:

a. The Company's related parties and their relationships

<b>Related Party</b>	<b>Relationship with the Company</b>
Far Eastern Ai Mai Co., Ltd. (AIMAI)	Subsidiary
Ya Tung Department Stores, Ltd. (YTDS)	Subsidiary
Yu Ming Advertising Agency Co., Ltd. (YMAC)	Subsidiary
Far Eastern CitySuper Co., Ltd. (FECS)	Subsidiary
Bai Ding Investment Co., Ltd. (BDIC)	Subsidiary
Bai Yang Investment Co., Ltd. (BYIC)	Subsidiary
Far Eastern Hon Li Do Co., Ltd. (FEHLD)	Subsidiary
Chubei New Century Shopping Mall Co., Ltd.	Subsidiary
FEDS Asia Pacific Development Co., Ltd.	Subsidiary
FEDS New Century Development Co., Ltd.	Subsidiary
Far Eastern Big City Shopping Malls Co., Ltd.	Subsidiary
Pacific Sogo Department Stores Co., Ltd. (SOGO)	Subsidiary
Ding Ding Integrated Marketing Service Co., Ltd. (DDIM)	Associate
Oriental Securities Corporation (OSC)	Associate
Yuan Hsin Digital Payment Co., Ltd. (YHDP)	Associate
Far Eastern International Leasing Corporation	Associate
Far Eastern New Century Corporation (FENC)	Investor with significant influence over the Company (equity method investor of FEDS)
Far EasTone Telecommunications Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
New Century InfoComm Tech Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Far Eastern General Contractor Inc. (FEGC)	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Far Eastern Construction Co., Ltd. (FEC)	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Far Eastern Resources Development Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Ding Ding Hotel Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Far Eastern Electronic Toll Collection Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Far Eastern Apparel Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Yuan Ding Co., Ltd. (YDC)	Associate of investor with significant influence over the Group (the subsidiary of FENC)
YDT Technology International Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Far Eastern Technical Consultants Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Yuan Cing Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Arcoa Communication Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)

(Continued)

<u>Related Party</u>	<u>Relationship with the Company</u>
Asia Cement Corporation	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Ya Tung Ready Mixed Concrete Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Everest Textile Co., Ltd.	Associate of investor with significant influence over the Group (the subsidiary of FENC)
Far Eastern International Bank Ltd.	Other related party (the chairman of Company, also the vice chairman of FEIB)
Yuan Bo Asset Management Corporation	Other related party (subsidiary of Far Eastern International Leasing Corporation)
Oriental Union Chemical Corporation	Other related party (the same chairman)
Yuan Ze University	Other related party (the same chairman)
Far Eastern Medical Foundation	Other related party (the same chairman)
U-Ming Marine Transport Corporation	Other related party (the same chairman)
Mr. Xu Yuanzhi Memorial Foundation	Other related party (related party in substance)
Ding & Ding Management Consultants Co., Ltd.	Other related party (related party in substance)

(Concluded)

b. Operating revenue

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
		<b>2021</b>	<b>2020</b>
Sales of goods (Note)	Subsidiaries	\$ 35,332	\$ 35,576
	Associates of investor with significant influence over the Company	28,078	31,087
	Other related parties	<u>1,588</u>	<u>680</u>
		<u>\$ 64,998</u>	<u>\$ 67,343</u>
Other operating revenue	Other related parties	\$ 42,641	\$ 48,520
	Subsidiaries	22,781	25,115
	Associates of investor with significant influence over the Company	17,452	18,467
	Associates	<u>73</u>	<u>1,288</u>
		<u>\$ 82,947</u>	<u>\$ 93,390</u>

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

c. Purchases

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
		<b>2021</b>	<b>2020</b>
Operating costs (Note)	Associates of investor with significant influence over the Company	\$ 13,258	\$ 14,083
	Subsidiaries	<u>3,853</u>	<u>3,372</u>
		<u>\$ 17,111</u>	<u>\$ 17,455</u>

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

d. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2021	2020
Trade receivable	Other related parties	\$ 57,571	\$ 28,831
	Associates of investor with significant influence over the company	28,861	29,920
	Subsidiaries	2,854	7,648
	Investor with significant influence over the Company	2,515	7,195
	Associates	<u>185</u>	<u>1,649</u>
		<u>\$ 91,986</u>	<u>\$ 75,243</u>
Other receivables	Subsidiaries	\$ 15,900	\$ 7,754
	Associates of investor with significant influence over the company	2,752	1,511
	Other related parties	<u>60</u>	<u>54</u>
		<u>\$ 18,712</u>	<u>\$ 9,319</u>

e. Other non-current assets

Line Item	Related Party Category/Name	December 31	
		2021	2020
Lease incentives	Associates of investor with significant influence over the company		
	Yuan Ding Co., Ltd.	\$ 16,147	\$ 18,741
	Other related parties		
	Far Eastern International Bank Ltd.	<u>583</u>	<u>863</u>
		<u>\$ 16,730</u>	<u>\$ 19,604</u>
Refundable deposits	Associates of investor with significant influence over the company	<u>\$ 7,740</u>	<u>\$ 7,741</u>

f. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2021	2020
Trade payable	Associates of investor with significant influence over the company	\$ 28,054	\$ 26,764
	Subsidiaries	<u>22,575</u>	<u>23,219</u>
		<u>\$ 50,629</u>	<u>\$ 49,983</u>

(Continued)

Line Item	Related Party Category/Name	December 31	
		2021	2020
Other payables	Associates of investor with significant influence over the company		
	Far Eastern General Contractor Inc. (FEG)	\$ 179,798	\$ 217,682
	Ya Tung Ready-Mixed Concrete Corporation	76,703	78,769
	Others	<u>12,186</u>	<u>18,640</u>
		268,687	315,091
	Subsidiaries	88,321	51,758
	Associates	58,550	60,605
	Investor with significant influence over the Company	46,042	41,866
	Other related parties	<u>8,927</u>	<u>7,563</u>
		<u>\$ 470,527</u>	<u>\$ 476,883</u>

(Concluded)

g. Other current liabilities

Line Item	Related Party Category/Name	December 31	
		2021	2020
Advance receipts	Associates of investor with significant influence over the company	<u>\$ 180</u>	<u>\$ 844</u>
Others	Associates	\$ 147	\$ 372
	Subsidiaries	30	67
	Associates of investor with significant influence over the company	<u>-</u>	<u>55</u>
		<u>\$ 177</u>	<u>\$ 494</u>

h. Other non-current liabilities

Line Item	Related Party Category/Name	December 31	
		2021	2020
Guarantee deposits received	Associates of investor with significant influence over the company		
	Yuan Ding Co., Ltd.	\$ 61,166	\$ 57,880
	Others	<u>87</u>	<u>87</u>
		61,253	57,967
	Other related parties	1,023	1,023
Subsidiaries	<u>881</u>	<u>881</u>	
	<u>\$ 63,157</u>	<u>\$ 59,871</u>	



i. Lease arrangements - the Company as lessee

<b>Related Party Category/Name</b>		<b>For the Year Ended December 31</b>	
		<b>2021</b>	<b>2020</b>
<u>Acquisition of right-of-use assets</u>			
Associates of investor with significant influence over the Company		\$ 212,926	\$ 111,557
Associates		<u>3,460</u>	<u>5,337</u>
		<u>\$ 216,386</u>	<u>\$ 116,894</u>
<b>Line Item</b>		<b>December 31</b>	
		<b>2021</b>	<b>2020</b>
Lease liabilities (Note)	Associates of investor with significant influence over the company		
	Far Eastern Construction Co., Ltd.	\$ 3,504,362	\$ 3,649,049
	Asia Cement Corporation	233,097	309,379
	Yuan Ding Co., Ltd.	22,149	32,933
	Far Eastern Resources Development Co., Ltd.	<u>6,544</u>	<u>8,685</u>
		3,766,152	4,000,046
	Other related parties	8,311	9,615
Associates	<u>7,274</u>	<u>4,988</u>	
	<u>\$ 3,781,737</u>	<u>\$ 4,014,649</u>	

Note: The lease payments, payable either monthly or yearly, are made per the agreement between the Company and the related parties.

<b>Related Party Category/Name</b>		<b>For the Year Ended December 31</b>	
		<b>2021</b>	<b>2020</b>
<u>Interest expense</u>			
Associates of investor with significant influence over the company		\$ 64,394	\$ 67,460
Other related parties		153	175
Associates		<u>53</u>	<u>15</u>
		<u>\$ 64,600</u>	<u>\$ 67,650</u>

j. Acquisition of other assets

<b>Related Party Category/Name</b>	<b>Line Item</b>	<b>Acquisition Price</b>	
		<b>2021</b>	<b>2020</b>
Other related parties	Intangible assets	\$ 14,625	\$ 13,737
Subsidiaries	Property, plant and equipment	<u>11,734</u>	<u>-</u>
		<u>\$ 26,359</u>	<u>\$ 13,737</u>

k. Construction projects

The construction projects of the Company were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Associates of investor with significant influence over the company	<u>\$ 2,023</u>	<u>\$ 10,706</u>

l. Other related-party transactions

		<b>For the Year Ended December 31</b>	
<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>2021</b>	<b>2020</b>
Operating expenses (Note)	Subsidiaries	\$ 148,285	\$ 188,339
	Investor with significant influence over the Company	83,372	83,986
	Other related parties	57,055	39,119
	Associates	41,977	47,039
	Associates of investor with significant influence over the company	<u>26,877</u>	<u>46,726</u>
			<u>\$ 357,566</u>
Other gains and losses - gains	Subsidiaries		
	Pacific Sogo Department Stores Co., Ltd.	\$ 20,458	\$ 18,723
	Others	<u>8,804</u>	<u>3,366</u>
		29,262	22,089
	Other related parties		
	Far Eastern International Bank Ltd.	17,844	19,301
Other gains and losses - losses	Associates		
	Oriental Securities Corporation	\$ 7,029	\$ 7,054
	Investor with significant influence over the Company	73	6
	Associates of investor with significant influence over the company	<u>-</u>	<u>7</u>
		<u>\$ 7,102</u>	<u>\$ 7,067</u>
Finance costs	Subsidiary		
	Pacific Sogo Department Stores Co., Ltd.	<u>\$ 13,686</u>	<u>\$ 12,227</u>

m. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 51,426	\$ 73,686
Post-employment benefits	<u>36</u>	<u>34</u>
	<u>\$ 51,462</u>	<u>\$ 73,720</u>

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

### 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and administrative proceedings:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Financial assets at amortized cost	\$ 25,508	\$ 25,424
Financial assets at FVTOCI	1,550,500	1,512,000
Investments accounted for using the equity method	1,230,178	1,181,946
Property, plant and equipment	13,471,223	13,616,836
Investment properties	<u>1,291,451</u>	<u>1,309,425</u>
	<u>\$ 17,568,860</u>	<u>\$ 17,645,631</u>

### 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. Significant unrecognized commitments

The amounts of unrecognized commitments are as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Acquisition of property, plant and equipment	<u>\$ 263,078</u>	<u>\$ 431,182</u>

- b. In April 2021, under a ruling by the MOEA whereby “the terms and conditions of gift certificates for certain goods and for certain services within the retail industry should be documented in a standard contract while others should not”, the Company and SOGO signed an agreement to have mutual performance guarantees on gift certificates bought by customers. The guarantee period was from April 1, 2021 to March 31, 2022. As of December 31, 2021, the Company’s guarantee amount for SOGO was \$5,756,029 thousand and that of SOGO for the Company was \$3,985,454 thousand.

### 32. OTHER MATTERS

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

### 33. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. investees:

- 1) Financing provided to others: Table 1.
- 2) Endorsements/guarantees provided: Table 2.
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Table 3.
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
- 9) Trading in derivative instruments: None.

b. Information on investees: Table 6.

c. Information on investments in mainland China:

- 1) Name of the investees in mainland China, main business and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, repatriation of investment income, and the limit of investment in mainland China: Table 7.
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.

- c) The amount of property transactions and the amount of the resultant gains or losses: None.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2.
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater, showing the names and the numbers of shares and percentage of ownership of each shareholder, please see Table 8.

## FAR EASTERN DEPARTMENT STORES, LTD.

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

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

Note A: Short-term financing.

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

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

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

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

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

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

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

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

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

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

## FAR EASTERN DEPARTMENT STORES, LTD.

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

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

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

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

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

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

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

(Continued)

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

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

(Concluded)



## FAR EASTERN DEPARTMENT STORES, LTD.

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

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

Holding Company	Type and Name of Marketable Securities	Relationship with Issuer of Securities	Financial Statement Account	December 31, 2021				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Far Eastern Department Stores, Ltd.	<u>Shares</u> Asia Cement Corporation	4	Financial assets at fair value through other comprehensive income - non-current	50,000	\$ 2,215,022	1	\$ 2,215,022	35,000 thousand shares of Asia Cement Corporation pledged for loans and commercial papers issued of the investor company
	Far Eastern New Century Corporation	3	Financial assets at fair value through other comprehensive income - non-current	19,964	584,956	-	584,956	
	Kaohsiung Rapid Transit Corporation	-	Financial assets at fair value through other comprehensive income - non-current	6,286	31,682	2	31,682	
	Yuan Ding Leasing Corp.	-	Financial assets at fair value through other comprehensive income - non-current	7,309	71,694	9	71,694	
	Yuan Ding Co., Ltd.	4	Financial assets at fair value through other comprehensive income - non-current	3	10	-	10	
	Yuan Shi Digital Technology Co., Ltd.	4	Financial assets at fair value through other comprehensive income - non-current	312	571	-	571	
Bai Ding Investment Co., Ltd.	<u>Shares</u> Far Eastern Department Stores, Ltd.	2	Financial assets at fair value through other comprehensive income - current	8,207	176,040	1	176,040	5,200 thousand shares of Asia Cement Corporation pledged for commercial papers issued of the investor company 15,000 thousand shares of Far Eastern New Century Corporation pledged for loans of the investor company
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	14,814	656,278	-	656,278	
	Far Eastern New Century Corporation	6	Financial assets at fair value through other comprehensive income - non-current	15,812	463,278	-	463,278	
	Chung-Nan Textile Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,984	123,492	5	123,492	
	Ding Ding Management Consultants Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	647	10,825	5	10,825	
	Yue Ding Industry Co., Ltd.	7	Financial assets at fair value through other comprehensive income - non-current	2,854	47,535	2	47,535	
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	1	10	-	10	
	Ding Sheng Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	40,329	344,508	18	344,508	
Bai Yang Investment Co., Ltd.	<u>Shares</u> Far Eastern International Bank Ltd.	8	Financial assets at fair value through other comprehensive income - current	23,757	255,390	1	255,390	
	Asia Cement Corporation	7	Financial assets at fair value through other comprehensive income - non-current	3,849	170,531	-	170,531	
	U-Ming Marine Transport Corporation	8	Financial assets at fair value through other comprehensive income - non-current	200	12,080	-	12,080	
	Oriental Securities Investment Advisory Co., Ltd.	8	Financial assets at fair value through other comprehensive income - non-current	1	10	-	10	
Yu Ming Advertising Agency Co., Ltd.	<u>Beneficiary certificate</u> DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,663	43,295	-	43,295	

(Continued)

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

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

(Concluded)

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

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

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

Note A: It is a cash capital increase.

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

## FAR EASTERN DEPARTMENT STORES, LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Pacific Sogo Department Stores Co., Ltd.	Sogo Department Store Co., Ltd.	Associate	\$ 119,483	-	\$ 119,483	Collection expedited	\$ 84	\$ 119,483
Pacific China Holdings (HK) Limited and Pacific China Holding Ltd.	Pacific China Holdings (B.V.I) Limited and Pacific China Holding Ltd.	Subsidiary	100,058 (Note)	-	-	-	-	-
Chongqing FEDS Co., Ltd.	Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Same ultimate parent company	282,879 (Note)	-	-	-	-	-
	Chongqing Pacific Consultant and Management Co., Ltd.	Same ultimate parent company	658,133 (Note)	-	-	-	-	-
	Chengdu FEDS Co., Ltd.	Same ultimate parent company	174,109 (Note)	-	-	-	-	-

Note: This balance refers to fund lending.

## FAR EASTERN DEPARTMENT STORES, LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Share of (Loss) Profit	Note A	
				December 31, 2021	December 31, 2020	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount				
Far Eastern Department Stores Co., Ltd.	Bai Yang Investment Co., Ltd.	Taiwan	Investment	\$ 10,422,181	\$ 8,922,181	1,074,991	100	\$ 10,811,061	\$ 149,527	\$ 149,558	Subsidiary	
	Oriental Securities Corporation	Taiwan	Securities investment	143,652	143,652	141,980	20	2,099,293	294,417	52,191	Associate	
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,764,210	1,764,210	281,734	35	4,092,548	904,270	317,662	Subsidiary	
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	33,357	33,357	119,981	67	2,419,156	247,589	165,255	Subsidiary	
	Far Eastern Ai Mai Co., Ltd.	Taiwan	Retail	1,535,538	1,535,538	87,744	100	338,333	(439,701)	(439,701)	Subsidiary	
	FEDS Development Ltd.	British Virgin Island	Investment	125,058	125,058	218	54	1,338,430	(163,485)	(87,019)	Subsidiary	
	Yu Ming Advertising Agency Co., Ltd.	Taiwan	Advertising and import agent	33,000	33,000	3,500	100	120,180	12,805	12,805	Subsidiary	
	Ya Tung Department Stores, Ltd.	Taiwan	Department store	919,292	919,292	41,000	100	84,113	(1,967)	(1,967)	Subsidiary	
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	64,500	64,500	3,631	10	24,616	(12,938)	(1,561)	Associate	
	Asians Merchandise Company	US	Trading	5,316	5,316	950	100	4,338	95	95	Subsidiary	
	Far Eastern Hon Li Do Co., Ltd.	Taiwan	Building leasing	40,278	40,278	1,571	56	13,597	1,496	948	Subsidiary	
	Far Eastern CitySuper Co., Ltd.	Taiwan	Retail	478,269	478,269	47,827	96	119,606	53,846	51,509	Subsidiary	
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	E-ticket	238,292	238,292	6,171	9	47,055	(161,865)	(16,409)	Associate	
	Bai Ding Investment Co., Ltd.	Oriental Securities Corporation	Taiwan	Securities investment	163,563	163,563	98,281	14	1,453,273	294,417		Associate
		Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	658,129	658,129	100,250	13	1,469,952	904,270		Subsidiary
		Far Eastern International Leasing Corporation	Taiwan	Leasing	301,125	301,125	22,203	5	327,682	155,262		Associate
		Pacific Sogo Department Stores Co., Ltd.	Taiwan	Department store	33,490	33,490	11,254	1	163,575	1,160,502		Subsidiary
Yue Ming Trading Co., Ltd.		Taiwan	Import and export trading and distribution	21,291	21,291	4,901	47	65,651	5,026		Associate	
Far Eastern Hon Li Do Co., Ltd.		Taiwan	Building leasing	28,672	28,672	1,259	44	14,029	1,496		Subsidiary	
Far Eastern CitySuper Co., Ltd.		Taiwan	Retail	-	-	2	-	1	53,846		Subsidiary	
Yuan Hsin Digital Payment Co., Ltd.		Taiwan	E-ticket	21,179	-	2,118	3	16,148	(161,865)		Associate	
FEDS Asia Pacific Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	307,541	904,270		Subsidiary	
FEDS New Century Development Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	307,541	904,270		Subsidiary	
	Chubei New Century Shopping Mall Co., Ltd.	Taiwan	Department store	3,500,000	2,000,000	350,000	100	3,459,528	(31,741)		Subsidiary	
Bai Yang Investment Co., Ltd.	FEDS Asia Pacific Development Co., Ltd.	Taiwan	Shopping mall	1,522,761	1,522,761	149,100	70	1,795,700	73,257		Subsidiary	
	Far Eastern International Leasing Corporation	Taiwan	Leasing	1,555,590	1,555,590	132,388	30	1,690,105	155,262		Associate	
	Bai Ding Investment Co., Ltd.	Taiwan	Investment	577,457	577,457	60,019	33	1,225,578	247,589		Subsidiary	
	FEDS New Century Development Co., Ltd.	Taiwan	Shopping mall	3,745,272	2,245,272	382,000	100	3,877,287	(9,876)		Subsidiary	
	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	99,000	99,000	19,800	2	307,541	904,270		Subsidiary	
	FEDS Development Ltd.	British Virgin Island	Investment	723,946	723,946	185	46	1,139,683	(163,485)		Subsidiary	
	Pacific China Holdings (HK) Limited	Hong Kong	Investment	3,853,976	3,853,976	44,080	40	(1,204,971)	(191,476)		Subsidiary	
	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	200,000	200,000	20,000	40	300,051	159,675		Subsidiary	
	Ya Tung Department Stores, Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	55,000	55,000	11,000	1	170,596	904,270		Subsidiary
Yu Ming Advertising Agency Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	1,200	1,200	200	-	2,908	904,270		Subsidiary	
Far Eastern Hon Li Do Co., Ltd.	Pacific Liu Tong Investment Co., Ltd.	Taiwan	Investment	8,400	8,400	1,400	-	19,702	904,270		Subsidiary	
Pacific Liu Tong Investment Co., Ltd.	Pacific Sogo Department Stores Co., Ltd.	Taiwan	Department store	4,469,904	4,469,904	650,817	79	11,045,776	1,160,502		Subsidiary	
	Pacific Department Store Co., Ltd.	Taiwan	Department store	62,480	62,480	6,840	3	142,362	112,607		Associate	
Pacific Sogo Department Stores Co., Ltd.	Pacific China Holdings (HK) Limited	Hong Kong	Investment	6,117,447	6,117,447	66,120	60	(1,807,457)	(191,476)		Subsidiary	
	Pacific Department Store Co., Ltd.	Taiwan	Department store	599,000	599,000	60,296	29	1,045,316	112,607		Associate	
	Lian Ching Investment Co., Ltd. (Note C)	Taiwan	Investment	270,641	270,641	26,764	50	-	-		Subsidiary	
	Pacific Venture Investment Ltd.	Hong Kong	Investment	357,050	357,050	100,000	48	-	-		Associate	
	Sogo Department Store Co., Ltd.	Taiwan	Credit card business	32,984	32,984	7,120	34	-	-		Associate	
	Ding Ding Integrated Marketing Service Co., Ltd.	Taiwan	Marketing	64,500	64,500	3,631	10	24,616	(12,938)		Associate	
	Far Eastern Big City Shopping Malls Co., Ltd.	Taiwan	Department store	300,000	300,000	30,000	60	450,077	159,675		Subsidiary	
	Yuan Hsin Digital Payment Co., Ltd.	Taiwan	E-ticket	358,292	238,292	8,289	12	63,202	(161,865)		Associate	
Pacific China Holdings (HK) Limited	Pacific China Holding Ltd.	British Virgin Island	Investment	4,290,400	4,290,400	130,200	100	(3,115,022)	(189,888)		Subsidiary	
Pacific China Holding Ltd.	Bai Fa China Holdings (HK) Ltd.	Hong Kong	Investment	46	46	2	100	46	-		Subsidiary	

(Continued)

Note A: The foreign-currency investments were translated at the rate of US\$1:NT\$27.68 prevailing on December 31, 2021.

Note B: The amount is the investment accounted for using the equity method to \$2,516,266 thousand deduct the parent company shares reclassification to treasury shares of \$97,110 thousand.

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

(Concluded)

TABLE 7

## FAR EASTERN DEPARTMENT STORES, LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note A)	Method of Investment (Note F)	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Note A)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (Note A)	Net Income (Loss) of the Investee (Note D)	% Ownership of Direct or Indirect Investment	Share of (Loss) Profit (Note D)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outflow	Inflow						
Shanghai Pacific Department Store Co., Ltd.	Department store	\$ 489,936	(2)	\$ 355,204 (Note B)	\$ -	\$ -	\$ 355,204 (Note B)	\$ 101,243	49	\$ 35,866	\$ 158,370	\$ -
Chengdu Quanxing Building Pacific Department Store Co., Ltd.	Department store	608,683	(2)	27,403 (Note B)	-	-	27,403 (Note B)	(727)	67	(488)	(72,845)	-
Chongqing Metropolitan Plaza Pacific Department Store Co., Ltd.	Department store	83,040	(2)	83,040 (Note B)	-	-	83,040 (Note B)	(64,299)	67	(43,182)	(395,308)	-
Chongqing Pacific Consultant and Management Co., Ltd.	Consulting services	2,020,640	(2)	5,536 (Note B)	-	-	5,536 (Note B)	(8,886)	67	(5,968)	748,633	-
Shanghai Pacific Consultant and Management Co., Ltd.	Consulting services	9,688	(2)	4,747 (Note B)	-	-	4,747 (Note B)	233	33	77	6,233	-
Shanghai Bai Ding Consultant and Management Co., Ltd.	Consulting services	2,768	(2)	-	-	-	-	10,876	100	10,876	13,801	-
Pacific (China) Investment Co., Ltd.	Investment	5,978,880	(2)	-	-	-	-	9,770	67	16,726	(28,979)	-
Chongqing FEDS Co., Ltd.	Department store	77,504	(2)	-	-	-	-	12,806	100	12,806	986,708	-
Chengdu Department Emporium Group Co., Ltd.	Department store, logistics and storehouse	978,107	(2)	-	-	-	-	31,229	22	-	1,143,868	-
Dalian Pacific Department Store Co., Ltd.	Department store	69,554	(2)	-	-	-	-	(14,509)	67	(9,744)	(5,256)	-
Chengdu FEDS Co., Ltd.	Department store	3,709,120	(2)	-	-	-	-	12,157	67	8,164	(103,901)	-
Yuan Ding Enterprise (Shanghai) Co., Ltd.	Wholesale of equipment and consulting services	7,665,785	(2)	-	-	-	-	(181,283)	20	(172,834)	1,369,623	-

(Continued)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ - (Note C)	\$219,032 (US\$7,913 thousand) (Notes A and C)	\$ - (Note E)

Note A: Translated at the rate of US\$1:NT\$27.68 and RMB1:NT\$4.3471 prevailing on December 31, 2021.

Note B: The payment was made by Pacific Construction Co., Ltd. (the former shareholder).

Note C: The payment made by the Company and the investment amount approved by the Investment Commission, except for the payment made by subsidiary and the subsidiary's investment amount approved by the Investment Commission.

Note D: The financial report was audited by an international accounting firm with a cooperative working relationship.

Note E: There is no upper limit, as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China (No. 11020435420), which was issued by the Industrial Development Bureau, Ministry of Economic Affairs, ROC.

Note F: Three investment types are as follows:

1. The Company made the investment directly.
2. The Company made the investment through companies registered in a third region. The companies registered in a third region were FEDS Development Ltd. and Pacific China Holding Ltd.
3. Others.

(Concluded)



**TABLE 8****FAR EASTERN DEPARTMENT STORES, LTD.****INFORMATION ON MAJOR SHAREHOLDERS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

<b>Major Shareholder</b>	<b>Shareholding</b>	
	<b>Number of Shares Held</b>	<b>Shareholding Percentage</b>
Far Eastern New Century Corporation	241,769,702	17.06
Yuan Ding Investment Corporation	139,785,985	9.86
Asia Cement Corporation	80,052,950	5.64
Yuan Tone Investment Co., Ltd.	77,684,530	5.48

Note: The information on major shareholders above is extracted as of the last business day of the current quarter. The shareholders are holding non-physical ordinary and preference shares (including treasury shares) of 5% or more. The share capital in the financial statements of the Company and the actual registration of non-physical shares may differ due to a difference in computation basis.

# FAR EASTERN DEPARTMENT STORES, LTD.

## THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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<u>Item</u>	<u>Statement Index</u>
Major Accounting Items in Assets, Liabilities and Equity	
Statement of cash	1
Statement of trade receivables	2
Statement of other receivables	3
Statement of inventories	4
Statement of change in financial assets at fair value through other comprehensive income	5
Statement of changes in investments accounted for using the equity method	6
Statement of changes in property, plant and equipment	Note 12
Statement of changes in accumulated depreciation and accumulated impairment of property, plant and equipment	Note 12
Statement of changes in investment properties	Note 14
Statement of changes in right-of-use assets	7
Statement of changes in accumulated depreciation for right-of-use assets	7
Statement of short-term borrowings	8
Statement of short-term bills payable	9
Statement of trade payables	10
Statement of other payables	Note 18
Statement of long-term borrowings	11
Statement of lease liabilities	12
Statement of deferred tax liabilities	Note 23(4)
Major Accounting Items in Profit or Loss	
Statement of operating revenue	Note 21
Statement of operating cost	13
Statement of operating expenses	14
Statement of other gains and losses	Note 22(4)
Statement of finance costs	Note 22(5)
Statement of labor, depreciation and amortization by function	15

**STATEMENT 1**

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENT OF CASH**

**DECEMBER 31, 2021**

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

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<b>Item</b>	<b>Rate (%)</b>	<b>Amount</b>
Cash on hand		\$ 1,747
Revolving funds		34,617
Checking accounts		801,855
Demand deposits (Note)	0.001-0.05	105,142
Cash equivalents		<u>22,000</u>
		<u>\$ 965,361</u>

Note: It includes US\$147,239.76, EUR108,899.2, AUD8,500.96 and HK\$1,410.78 that were translated at the exchange rates of US\$1=NT\$27.68, EUR1=NT\$31.32, AUD1=NT\$20.08 and HK\$1=NT\$3.549, respectively.

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENT OF TRADE RECEIVABLES**

**DECEMBER 31, 2021**

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

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<b>Client Name</b>	<b>Amount</b>
Related parties (Note)	
Far Eastern International Bank	\$ 55,271
Yuan Ding Co., Ltd.	26,806
Others (Note)	<u>9,909</u>
	<u>91,986</u>
Non-related parties	
National credit card center of R.O.C.	276,048
Others (Note)	<u>282,733</u>
	558,781
Less: Allowance for impairment loss	<u>2,678</u>
	<u>556,103</u>
	<u>\$ 648,089</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENT OF OTHER RECEIVABLES**

**DECEMBER 31, 2021**

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

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<b>Client Name</b>	<b>Amount</b>
Fubon insurance	\$ 190,000
Others (Note)	<u>90,143</u>
	<u>\$ 280,143</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

**FAR EASTERN DEPARTMENT STORES, LTD.****STATEMENT OF INVENTORIES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	
	<b>Cost</b>	<b>Net Realizable Value</b>
Merchandise		
Cosmetics and boutiques	\$ 391,592	\$ 539,234
Supermarket and restaurants	10,954	19,758
Men's fashion	3,439	7,419
Living and lifestyle	528	635
Others	<u>80</u>	<u>81</u>
	<u>\$ 406,593</u>	<u>\$ 567,127</u>

## FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance at January 1, 2021		Additions in Investment		Decrease in Investment		Unrealized Profit or Loss Amount	Balance at December 31, 2021		Collateral
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount		Shares (In Thousands)	Amount	
Shares										
Asia Cement Corporation	50,000	\$ 2,160,021	-	\$ -	-	\$ -	\$ 55,001	50,000	\$ 2,215,022	Including 35,000 thousand shares provided as collateral for bank borrowings and issuance
Far Eastern New Century Corporation	19,964	577,969	-	-	-	-	6,987	19,964	584,956	Nil
Yuan Ding Leasing Corp.	7,309	71,658	-	-	-	-	36	7,309	71,694	Nil
Kaohsiung Rapid Transit Corporation	6,286	35,391	-	-	-	-	(3,709)	6,286	31,682	Nil
Yuan Shi Digital Technology Co., Ltd.	312	571	-	-	-	-	-	312	571	Nil
Yuan Ding Co., Ltd.	3	10	-	-	-	-	-	3	10	Nil
		<u>\$ 2,845,620</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ 58,315</u>		<u>\$ 2,903,935</u>	

## FAR EASTERN DEPARTMENT STORES, LTD.

STATEMENT OF CHANGE IN INVESTMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Par Value Per Share	Changes in Investment								Balance at December 31, 2021			Market Value or Net Assets Value	
		Balance at January 1, 2021		Addition/Decrease in Investment (Note B)		Share of Loss of Subsidiaries and Associates Accounted for Using the Equity Method	Unrealized Gain or Loss on Financial Assets At FVTOCI	Exchange Differences on Translating the Financial Statements of Foreign Operations	Other	Shares (In Thousands) (Note A)	%	Amount	Unit Price NT\$	Total Amount
		Shares (In Thousands)	Amount	Shares (In Thousands)	Amount									
BYIC	\$ 10	924,991	\$ 9,108,584	150,000	\$ 1,500,000	\$ 149,558	\$ 49,204	\$ 645	\$ 3,070	1,074,991	100	\$ 10,811,061	10.08	\$ 10,834,777
PLTI	10	281,734	4,024,497	-	-	317,662	3,848	1,941	(255,400)	281,734	35	4,092,548	14.45	4,071,208
BDIC	10	119,981	2,418,928	-	-	165,255	74,050	372	(142,339)	119,981	67	2,516,266	20.69	2,482,069
OSC	10	141,980	2,016,983	-	-	52,191	39,499	(337)	(9,043)	141,980	20	2,099,293	14.78	2,098,995
AIMAI	10	87,744	1,222,011	-	-	(439,701)	-	-	(443,977)	87,744	100	338,333	3.92	344,254
FEDS Development	US\$ 10	218	1,427,279	-	-	(87,019)	54	(5,230)	3,346	218	54	1,338,430	5470.13	1,192,488
FECS	10	47,827	68,097	-	-	51,509	-	-	-	47,827	96	119,606	3.39	162,041
YHDP	10	8,226	61,713	(2,055)	-	(16,409)	-	-	1,751	6,171	9	47,055	7.62	47,055
YMAC	10	3,500	118,535	-	-	12,805	1,659	1	(12,820)	3,500	100	120,180	34.34	120,180
DDUN	10	3,631	25,787	-	-	(1,561)	-	36	354	3,631	10	24,616	6.78	24,616
FEHL	10	1,571	13,283	-	-	948	10	5	(649)	1,571	56	13,597	11.14	17,501
Asians Merchandise Company (AMC)	US\$ 1	950	4,367	-	-	95	-	(124)	-	950	100	4,338	4.57	4,338
YTDS	10	41,000	85,689	-	-	(1,967)	150	76	165	41,000	100	84,113	2.05	84,113
			20,595,753		\$ 1,500,000	203,366	\$ 168,474	\$ (2,615)	\$ (855,542)			21,609,436		\$ 21,483,635
Add: Credit balance on the carrying amounts of investments accounted for using the equity method and reclassified to other liabilities			-		-							-		
Less: Ordinary shares held by subsidiary and reclassified from long-term investments to treasury shares			97,110									97,110		
			20,498,643									21,512,326		
Less: The differences of accounting treatments from the consolidated financial statements (Note D)			444,086			(17,982)						426,104		
			\$ 20,054,557			\$ 221,348						\$ 21,086,222		

Note A: Including 83,200 thousand shares of OSC provided as collateral of bank borrowings and bills payables.

Note B: Bai Yang Investment Co., Ltd. had a cash capital increase arranged in August 2021. The Company subscribed 150,000 thousand shares at NT\$10 par. Yuan Hsin Digital Payment Co., Ltd. had a capital decrease arranged in July 2021 to make up for the losses, and the Company had had a shareholding decrease by 2,055 thousand shares.

Note C: The additional paid-in capital was adjusted for an amount of \$2,191 thousand proportionally to the shareholding ratio, actuarial loss for an amount of \$(3,091 thousand), unrealized gain in valuation for an amount of \$6,194 thousand, investment impairment loss under the equity method for an amount of \$(437,462 thousand), and cash dividends for an amount of \$(423,374 thousand).

Note D: Please see Note 11.



## FAR EASTERN DEPARTMENT STORES, LTD.

## STATEMENT OF RIGHT-OF-USE ASSETS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Balance at January 1, 2021	Addition in	Decrease in	Reclassification	Balance at December 31, 2021	Note
Cost						
Land	\$ 8,294,625	\$ -	\$ -	\$ -	\$ 8,294,625	
Buildings	19,508,723	118,306	-	(470)	19,626,559	
Plant, transportation, and miscellaneous equipment	5,660	3,460	-	-	9,120	
	<u>27,809,008</u>	<u>\$ 121,766</u>	<u>\$ -</u>	<u>\$ (470)</u>	<u>27,930,304</u>	
Accumulated depreciation						
Land	(428,191)	\$ (275,829)	\$ -	\$ -	(704,020)	
Buildings	(2,450,525)	(872,335)	-	-	(3,322,860)	
Plant, transportation, and miscellaneous equipment	(475)	(1,448)	-	-	(1,923)	
	<u>(2,879,191)</u>	<u>\$ (1,149,612)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(4,028,803)</u>	
	<u>\$ 24,929,817</u>				<u>\$ 23,901,501</u>	

## FAR EASTERN DEPARTMENT STORES, LTD.

## STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Type	Contract Period	Interest Rates (%)	Balance, End of Year	Loan Commitments	Collateral
Credit loans					
First Commercial Bank	2021/01/13-2022/01/13	0.80	\$ 1,500,000	\$ 1,500,000	-
Mizuho Bank	2021/08/02-2022/08/02	0.83	1,050,000	1,300,000	-
Yuanta Bank	2021/07/29-2022/07/29	0.84	700,000	1,000,000	-
Land Bank of Taiwan	2021/07/27-2022/07/27	0.75	<u>300,000</u>	<u>800,000</u>	-
			<u>3,550,000</u>	<u>4,600,000</u>	
Secured loans					
Bank of Taiwan	2021/08/24-2022/08/24	0.84	700,000	700,000	Land and buildings
ChinaTrust Commercial Bank	2021/11/01-2022/10/31	0.83	<u>550,000</u>	<u>4,500,000</u>	Land and buildings
			<u>1,250,000</u>	<u>5,200,000</u>	
			<u>\$ 4,800,000</u>	<u>\$ 9,800,000</u>	

## FAR EASTERN DEPARTMENT STORES, LTD.

## STATEMENT OF SHORT-TERM BILLS PAYABLES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Promissory Institution	Contract Period	Interest Rates (%)	Nominal Amount	Discount Amount	Carrying Amount	Collateral
Mega Bills Finance Co., Ltd.	2021/12/27-2022/12/26	0.59	\$ 600,000	\$ 27	\$ 599,973	-
China Bills Finance Corporation	2021/04/29-2022/04/28	0.23-0.30	350,000	40	349,960	-
Grand Bills Finance Corporation	2021/03/29-2022/03/28	0.42	200,000	250	199,750	-
International Bills Finance Corporation	2021/11/26-2022/11/25	0.59	200,000	77	199,923	-
Taiwan Cooperative Bills Finance Corporation	2021/04/25-2022/04/25	0.68	<u>200,000</u>	<u>91</u>	<u>199,909</u>	-
			<u>\$ 1,550,000</u>	<u>\$ 485</u>	<u>\$ 1,549,515</u>	

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENT OF TRADE PAYABLES**

**DECEMBER 31, 2021**

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

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<b>Vendor Name</b>	<b>Amount</b>
Related parties (Note)	\$ 50,629
Unrelated parties	
Others (Note)	<u>4,237,424</u>
	<u>\$ 4,288,053</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

## FAR EASTERN DEPARTMENT STORES, LTD.

## STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Type and Creditor	Contract Period	Repayment Terms	Interest Rates (%)	Current	Non-current	Total	Collateral
A revolving line of credit of commercial paper loans KGI Bank				\$ -	\$ 1,500,000	\$ 1,500,000	
Less: Unamortized discount	2024.01.29	A revolving line of credit of loans is allowed	0.302	<u>-</u>	<u>280</u>	<u>280</u>	
				<u>-</u>	<u>1,499,720</u>	<u>1,499,720</u>	
Secured loans							
Bank of Taiwan	2023.07.06	A revolving line of credit of loans is allowed	0.84	-	1,500,000	1,500,000	Land and buildings
Hua Nan Commercial Bank	2023.08.06	A revolving line of credit of loans is allowed	0.88	<u>-</u>	<u>8,000,000</u>	<u>8,000,000</u>	Land and buildings
				<u>-</u>	<u>9,500,000</u>	<u>9,500,000</u>	
Credit loans							
Bank of China	2023.07.22	A revolving line of credit of loans is allowed	0.84	-	1,000,000	1,000,000	-
ChinaTrust Commercial Bank.	2023.10.31	A revolving line of credit of loans is allowed	0.83		950,000	950,000	
Bank of Taiwan	2023.07.06	A revolving line of credit of loans is allowed	0.84	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>	-
				<u>-</u>	<u>2,950,000</u>	<u>2,950,000</u>	
				<u>\$ -</u>	<u>\$ 13,949,720</u>	<u>\$ 13,949,720</u>	

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENT OF LEASE LIABILITIES**  
**DECEMBER 31, 2021**  
(In Thousands of New Taiwan Dollars)

<b>Item</b>	<b>Summary</b>	<b>Lease Period</b>	<b>Discount Rates</b>	<b>Balance at December 31, 2021</b>	<b>Note</b>
Land		2003/10/31-2053/10/30	0.88%-1.72%	\$ 5,719,421	-
Buildings		2011/12/29-2041/12/31	0.86%-1.72%	8,364,063	-
Miscellaneous equipment		2019/03/01-2026/11/30	0.86%-0.92%	<u>7,427</u>	-
				14,090,911	
Transferred into current liabilities within a year				<u>(945,167)</u>	
				<u>\$ 13,145,744</u>	

**FAR EASTERN DEPARTMENT STORES, LTD.**

**STATEMENT OF OPERATING COST  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Cost of goods sold	
Inventories, beginning of year	\$ 353,129
Add: Purchases	3,753,610
Less: Inventories, end of year	406,593
Less: Transferred to operating expenses	<u>384</u>
	3,699,762
Rental cost	181,150
Others	<u>37,715</u>
	<u>\$ 3,918,627</u>

**FAR EASTERN DEPARTMENT STORES, LTD.****STATEMENT OF OPERATING EXPENSES****FOR THE YEAR ENDED DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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<b>Item</b>	<b>Selling and Marketing Expenses</b>	<b>General and Administrative Expenses</b>	<b>Expected Credit Loss</b>	<b>Total</b>
Advertising	\$ 307,756	\$ -	\$ -	\$ 307,756
Payroll	-	1,024,013	-	1,024,013
Depreciation	-	1,884,872	-	1,884,872
Utilities	-	192,879	-	192,879
Cleaning fee	-	223,372	-	223,372
Tax	-	279,627	-	279,627
Others (Note)	<u>66,957</u>	<u>369,158</u>	<u>2,535</u>	<u>438,650</u>
	<u>\$ 374,713</u>	<u>\$ 3,973,921</u>	<u>\$ 2,535</u>	<u>\$ 4,351,169</u>

Note: The balance amount of each item does not exceed 5% of the respective account balance.



## FAR EASTERN DEPARTMENT STORES, LTD.

### STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021			2020		
	Classified as Cost of Revenue	Classified as Operating Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Total
Employees' benefits expenses						
Salary and bonus	\$ -	\$ 988,029	\$ 988,029	\$ -	\$ 1,024,885	\$ 1,024,885
Labor and health insurance	-	93,548	93,548	-	86,899	86,899
Pension	-	37,894	37,894	-	37,431	37,431
Director remuneration	-	35,984	35,984	-	57,433	57,433
Others (note F)	-	(26,483)	(26,483)	-	27,780	27,780
	<u>\$ -</u>	<u>\$ 1,128,972</u>	<u>\$ 1,128,972</u>	<u>\$ -</u>	<u>\$ 1,234,428</u>	<u>\$ 1,234,428</u>
Depreciation	<u>\$ 87,736</u>	<u>\$ 1,884,872</u>	<u>\$ 1,972,608</u>	<u>\$ 90,755</u>	<u>\$ 1,944,005</u>	<u>\$ 2,034,760</u>
Amortization	<u>\$ -</u>	<u>\$ 42,530</u>	<u>\$ 42,530</u>	<u>\$ -</u>	<u>\$ 50,182</u>	<u>\$ 50,182</u>

Note A: As of December 31, 2021 and 2020, the Company had 1,286 and 1,347 employees, which included 5 and 7 directors not serving concurrently as employees, respectively.

Note B: As of December 31, 2021 and 2020, the Company's average employees' benefits expenses were \$853 thousand and \$878 thousand, respectively.

Note C: As of December 31, 2021 and 2020, the Company's average employees' salary and bonus were \$771 thousand and \$765 thousand, respectively.

Note D: The adjustment of average employees' salary and bonus was 0.78%.

Note E: The Company did not have a supervisor appointed in 2021 and 2020; therefore, there was not any supervisor remuneration booked.

Note F: The nonrecurring business allowance for an amount of \$53,600 thousand received in accordance with Article 5-1 of the "Financial Relief for Industries and Businesses Affected by the COVID-19 Pandemic by the MOEA" was included in the "other employee welfare expense" and debited to the "operating expenses."

Note G: The Company has established the remuneration committee in accordance with the laws and regulations. The committee takes into consideration the remuneration offered by the industry counterparts and publicly listed corporations and convenes meetings to evaluate and determine the remuneration of directors and managers.

The distribution of remuneration of directors is as provided by the Articles of Incorporation, Article 27. If the Company is profitable for the year, it shall appropriate not more than 2.5% of its profit as remuneration of directors. The actual appropriation percentage and amount of the remuneration of directors are reported to the shareholders' meeting by the board of directors after taking into consideration the performance evaluation, operating performance of the Company, future business risks and other relevant factors. Furthermore, the payment is determined by taking into consideration the payments offered by the industry counterparts and publicly listed corporations.

The remuneration to managers consists of four types of payments, namely salary, pension, bonus reward and special allowance, and compensation of employees. The compensation of employees is appropriated as per the Articles of Incorporation. The actual appropriation percentage, amount and disbursement method are subject to the resolution passed by the board of directors, and in turn shall be reported to the shareholders' meeting. The overall combination of the compensation is determined by taking into consideration the payments offered by the industry counterparts for the corresponding positions. The reasonableness of the correlation between individual performance, operating performance of the Company and future business risks is also taken into consideration, so as to establish a compensation policy that is rewarding and can reasonably reflect performances.

The Company shall review the compensation level of the market on a regular basis, so as to establish a fair, competitive and rewarding compensation benefit that retains employees and attracts outstanding talents to join the big family of Far Eastern Department Store. The compensation system consists of economic factors, namely the fixed salary, variable bonus and employee benefits, as well as non-economic factors, namely the work environment, job rotation, training and education, etc. Via a holistic design of the compensation system, the Company seeks to attract and retain outstanding and critical talents in the entity, boost working morale which form the core competitive advantages of the Company.