

Tonlin Department Store Co., Ltd.

2021 Annual General Meeting

Conference Handbook

Time of meeting: June 22, 2021

Venue: B2, No. 61, Zhongzheng Road, Taoyuan District, Taoyuan City

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Tonlin Department Store Co., Ltd.

2021 Annual General Meeting Proceeding

One. Commencement of Meeting (announcing the total number of shares represented in the meeting)

Two. Chairperson's Speech

Three. Reports

Four. Acknowledgments

Five. Discussions and Election

Six. Special Motion

Seven. Adjournment

Tonlin Department Store Co., Ltd.

2021 Annual General Meeting Proceeding

Time of meeting: 9:00 am, Tuesday June 22, 2021

Venue: B2, No. 61, Zhongzheng Road, Taoyuan District, Taoyuan City

One. Commencement of Meeting

Two. Chairperson's Speech

Three. Reports:

1. Report on 2020 business performance.
2. 2020 Audit Committee's Review Report.
3. Report on allocation of employee remuneration and director remuneration.
4. Report on distribution of cash dividends from earnings.
5. Report on amendments to the Company's "Ethical Behavior Guidelines."

Four. Acknowledgments:

1. Acknowledgment of 2020 year-end accounts.
2. Acknowledgment of 2020 earnings appropriation.

Five. Discussions and Election:

1. Discussion on amendments to the Company's "Articles of Incorporation."
2. Discussion on amendments to the Company's "Directors Election Policy."
3. Re-election of the Company's directors.
4. Discussion on the removal of restrictions on competing business involvement for new directors and representatives.

Six. Special Motion

Seven. Adjournment

Reports

I. Presentation of report on 2020 business performance.

Details: For Business Report, please refer to Attachment 1 (page 7-9).

II. Presentation of 2020 Audit Committee's Review Report.

Details: For Audit Committee's Review Report, please refer to Attachment 2 (page 10).

III. Report on allocation of employee remuneration and director remuneration.

Details: Employee remuneration of NT\$1,000,000 and director remuneration of NT\$1,000,000 have been Recognized for 2020; each of the two figures represented 0.63% of pre-tax profit before employee and director remuneration, and both of which will be entirely paid in cash. The two figures were indifferent from the amounts previously estimated.

IV. Report on distribution of cash dividends from earnings.

Details: 1. The Company proposed to distribute cash dividends totaling NT\$104,362,500 or NT\$0.5 per share from 2020 available earnings.

2. The board of directors has been authorized under Article 29 of Articles of Incorporation to execute the above distribution, and made a special resolution during the board meeting held on March 22, 2021 to make payment on May 20, 2021.

V. Report on amendments to the Company's "Ethical Behavior Guidelines."

Details: 1. Proposal to make partial amendments to the Company's "Ethical Behavior Guidelines" to accommodate legal and operational requirements.

2. Please refer to Attachment 6 (page 39-40) for comparison of existing and revised clauses.

Acknowledgments

Motion 1

Proposed by the board of directors

Summary: The 2020 year-end accounts are ready for acknowledgment.

- Details:
1. The Company's 2020 standalone and consolidated financial reports have been reviewed and approved by the Audit Committee and the board of directors, and audited by CPA Huang Hsiu-Chun and CPA Jeff Chen of Deloitte Taiwan, for which they have issued an independent auditor's report.
 2. The business report and abovementioned accounts can be found in Attachment 1 (page 7-9), Attachment 3, and Attachment 4 (pages 11-23 and 24-37)

Resolution:

Motion 2

Proposed by the board of directors

Summary: The 2020 earnings appropriation proposal is ready for acknowledgment.

- Details:
1. The Company reported net income of NT\$114,159,076 for 2020, and after making provision of NT\$4,034,910 for statutory reserves, adding back NT\$130,254,470 of unappropriated earnings accumulated in previous years, deducting NT\$73,840,078 of cumulative gains/losses on disposal of equity instruments at fair value through other comprehensive income that have been reclassified directly to earnings, adding NT\$30,101 actuarial gains/losses on defined benefit plan, and adding back reversal of special reserves totaling NT\$39,225,062 in accordance with Article 41 of the Securities and Exchange Act, the Company had NT\$205,793,721 of earnings that were available for distribution. A resolution has been made by the board of directors to distribute cash dividends of NT\$104,362,500, which leaves unappropriated earnings with a closing balance of NT\$101,431,221.
 2. The 2020 Earnings Appropriation Chart can be found in Attachment 5 (page 38).

Resolution:

Discussions and Election

Motion 1

Proposed by the board of directors

Summary: Amendments to the Company's "Articles of Incorporation" is ready for discussion.

- Details:
1. Proposal to make partial amendments to the Company's "Articles of Incorporation" to accommodate legal and operational requirements.
 2. Please refer to Attachment 7 (page 41-44) for comparison of existing and revised clauses.

Resolution:

Motion 2

Proposed by the board of directors

Summary: Amendments to the Company's "Directors Election Policy" is ready for discussion.

- Details:
1. Proposal to make partial amendments to the Company's "Directors Election Policy" for practical and legal requirements.
 2. Please refer to Attachment 8 (page 45-47) for comparison of existing and revised clauses.

Resolution:

Motion 3

Proposed by the board of directors

Summary: Re-election of the Company's directors; the motion is ready to proceed.

- Details:
1. Service of the current board of directors is due to expire on June 6, 2021.
 2. According to Article 18 of Articles of Incorporation, a total of 10 directors including 3 independent directors are due to be elected during the current shareholder meeting to serve a term of three years from June 22, 2021 to June 21, 2024.
 3. This election of Company directors shall proceed using the candidate nomination system, in which shareholders will elect from the list of nominated candidates. Candidates' academic accomplishments, career backgrounds, and related information are detailed in Attachment 9 (page 48-49).

Election result

Motion 4

Proposed by the board of directors

Summary: Removal of restrictions on competing business involvement for new directors and representatives. The motion is open for discussion.

- Details:
1. Pursuant to Paragraph 1, Article 209 of The Company Act, "Directors may obtain permission for engaging in business activities that coincide with those of the company, either for directors' own benefits or for the benefits of others, by disclosing material details and seeking approval during a shareholder meeting."
 2. Please refer to Attachment 10 (page 50) for List of Parties Subject to Removal of Competing Business Involvement Restrictions.

Resolution:

Special Motions

Adjournment

Tonlin Department Store Co., Ltd.

2020 Business Report

I. Foreword

Outbreak of COVID-19 has had adverse impact on economic activities in 2020. Economic growth rate for 2020 was concluded at 3.11%, down from the 3.31% in 2019. Taoyuan Branch suspended operation in February 2017 to undergo renovation as part of its transformation effort, and later re-opened in September 2018. Taipei Branch has been able to maintain revenues at a consistent level, but had its rent rate increased according to original lease terms when the lease agreement was due for re-negotiation.

The government's tightened controls over real estate (such as Combined Housing and Land Tax, credit tightening on luxury homes, adjustment to housing tax rate...) combined with falling population growth and increased rate of home ownership have deterred property buyers from chasing the market, and property prices have reached a standstill given the low transaction volume. The Company will take more pro-active efforts at selling its Yangmingshan project. The Jiaoxi project, on the other hand, was already completed in the 3rd quarter of 2017 and has commenced sale since the 4th quarter, and only 23 units remained unsold at the end of 2020.

II. Business Report

Below is an analysis of operating results, budget execution, financial ratios, and profitability for 2020:

(I) Business performance

Unit: NTD thousands

Item	2020 consolidated	2019 consolidated	Growth rate (%)
Operating revenues	554,440	650,176	(14.72)
Operating costs	190,011	323,950	(41.35)
Gross profit	364,429	326,226	11.71
Operating expenses	202,611	218,954	(7.46)
Operating profit	161,818	107,272	50.85
Non-operating income (expenses), net	(5,575)	26,094	(121.37)
Profit before tax	156,243	133,366	17.15
Income tax expense	42,084	21,581	95.00
Current net income	114,159	111,785	2.12
Other comprehensive income	(2,340)	11,178	(120.93)
Comprehensive income for the current year	111,819	122,963	(9.06)

1. Operating revenues in 2020 were approximately NT\$95,736,000 less than 2019; a year-by-year comparison is provided below (unit: NTD thousands)

	2020	2019	Variation
Commission income	201,207	162,994	38,213
Rental income	247,744	242,256	5,488
Construction income	59,669	190,796	(131,127)
Other operating revenues	45,820	54,130	(8,310)
	<u>554,440</u>	<u>650,176</u>	<u>(95,736)</u>

2. Overall, revenues in 2020 were NT\$95,736,000 lower compared to 2019. Meanwhile, costs reduced by NT\$133,939,000, increasing gross profit by approximately NT\$38,203,000.

With respect to operating expenses, the Company adopted a series of cost-saving measures and received COVID-19 utility subsidies from the government that ultimately reduced operating expenses by NT\$16,343,000.

Net non-operating expenses increased by NT\$31,669,000 mainly as a result of increased reversal of impairments: NT\$1,000,000, increased loss on disposal of property, plant, and equipment: NT\$3,960,000, increased unrealized net gain on exchange: NT\$2,789,000, decreased gain on disposal of financial assets NT\$9,765,000, and increased net loss on valuation of financial assets: NT\$21,402,000.

Other comprehensive income reduced by NT\$13,518,000 mainly as a result of unrealized loss on valuation of equity instruments at fair value through other comprehensive income, and adjustments to deferred income taxes recognized in previous years.

Overall, the Company reported comprehensive income at NT\$111,819,000 for 2020, down NT\$11,144,000 from the NT\$122,963,000 reported in 2019.

(II) Budget execution:

Operating revenues decreased in 2020 due to the effect of COVID-19. Although economic growth for 2021 has been estimated at 4.4% (as of 2021.02.20, compared to 3.31% for 2020), much of the growth is attributed to export sales, and confidence of domestic consumers remains somewhat weak. Furthermore, sale of real estate properties is undermined by the new policy restrictions the government has put in place. Despite the decline in revenue, the Company managed to exercise proper control of costs and expenses and keep current net income at a level comparable to 2019.

DeHome Development had completed its project - Yu Yangming located in Yangmingshan, Taipei City, in 2014, and more than 30% of the units have been sold by the end of 2020. The Jiaoxi project, on the other hand, was completed in the 3rd quarter of 2017, and a total of 19 units have been sold by the end of 2020. The Company will continue selling the above projects in 2021.

(III) Analysis of financial ratios and profitability:

Item	2020	2019	Increase/ decrease (%)
Debt to assets ratio	62.25%	62.29%	(0.06)
Long-term capital to property, plants and equipment	206.39%	198.07%	4.20
Current ratio	100.69%	91.78%	9.71
Quick ratio	41.39%	33.59%	23.22
Return on assets	2.27%	2.19%	3.65
Return on equity	4.82%	4.83%	(0.21)
Net profit margin	20.59%	17.19%	19.78
EPS	0.65	0.64	1.56

(IV) Research and development:

Retail and property leasing are two of Tonlin's primary business activities. In terms of retail, the Company is less competitive compared to department store chains in sourcing commercial tenants, which is reflected in its declining revenues. The Taoyuan Branch has already transitioned into a lifestyle mall offering cinema, medium and large dining brands, recreational space, designer clothing, eslite bookstore, and a pleasant shopping environment. With respect to leasing, the Company pays constant attention to changes in market rate, and either makes appropriate adjustments upon contract expiry or looks for suitable retail locations to accommodate high rent-paying tenants. Meanwhile, the construction segment operates by monitoring and making timely adjustments in response to regulatory and market changes.

III. Operational focus and prospect for 2021

After taking into account the ongoing China-USA trade war, trade protectionism, the COVID-19 pandemic, and availability of vaccines, the global economy should expand at a higher rate in 2021 compared to 2020. As a trade-oriented economy, Taiwan will undoubtedly benefit from the above changes. The Directorate General of Budget, Accounting, and Statistics has estimated Taiwan's 2021 economic growth rate at 4.4% as of February 20, 2021, up slightly from 2020. However, the implementation of mandatory rest days and public holidays has the potential to increase labor cost, whereas curtailment of civil servants' pension is likely to deter consumer spending.

Below is a summary of the Company's business plans and key production/sales policies:

(I) Department store and retail (Taoyuan Branch)

Taoyuan Branch underwent a major renovation in February 2107 to transform into a lifestyle mall offering cinema, medium and large dining brands, recreational space, designer clothing, and eslite bookstore. It re-opened in September 2018 and will make adjustments to product portfolio depending on future performance.

(II) Real estate leasing (Taipei Branch)

The Company will strive to increase rental income by adjusting rent rates or tenants as lease agreements expire.

(III) Business investments

1. DeHome Development Co., Ltd. will continue selling its Yangminshan project and the residential project located in Jiaoxi, Yilan, throughout 2021.
2. Other subsidiaries of the Company, including the venture capital business, have not made any major investment in recent years, and will direct attention towards managing existing investments and seeking opportunities to recover capital in the form of capital reduction or dividend payment.

(IV) Closing remarks

The Company and its management team will prepare for the challenges ahead and continue making improvements to service quality, marketing performance, and management efficiency in ways that maximize shareholder returns. We would like to thank our shareholders for their continuous support and encouragement to the Company.

We wish all our shareholders a prosperous future ahead

Chairman: Su Chien-I



President: Weng Hua-Li



Vice President: Chen Wen-Long



Head of Accounting: Huang Su-Chih



Audit Committee's Review Report

We have reviewed the Company's 2020 business report, financial statements, and earnings appropriation proposal prepared by the board of directors. The financial statements have been audited by CPA Huang Hsiu-Chun and CPA Jeff Chen of Deloitte Taiwan, to which the firm issued an independent auditor's report.

The Audit Committee found no misstatement in the above business report, financial statements, or earnings appropriation proposal, and hereby issues its report as presented above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of The Company Act.

This report is hereby presented

for

The 2021 annual general meeting of Tonlin Department Store Co., Ltd.

Audit Committee

Convener: Chan Shen-Hua



March 22, 2021

Independent Auditor's Report

To stakeholders of Tonlin Department Store Co., Ltd.

Audit opinions

We have audited the accompanying standalone balance sheet of Tonlin Department Store Co., Ltd. as at December 31, 2020 and 2019, and the standalone statement of comprehensive income, standalone statement of changes in shareholders' equity, standalone cash flow statement, and notes to standalone financial statements (including summary of significant accounting policies) for the periods from January 1 to December 31, 2020 and 2019.

In our opinion, all material disclosures of the standalone financial statements mentioned above were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and presented a fair view of the standalone financial position of Tonlin Department Store Co., Ltd. as at December 31, 2020 and 2019, and standalone business performance and cash flow for the periods January 1 to December 31, 2020 and 2019.

Basis of audit opinion

We conducted our audits in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing principles. Our responsibilities as an auditor for the standalone financial statements under the abovementioned standards are explained in the Responsibilities paragraph. All relevant personnel of the accounting firm have followed CPA code of ethics and maintained independence from Tonlin Department Store Co., Ltd. when performing their duties. We believe that the evidence obtained provide an adequate and appropriate basis for our opinion.

Key audit issues

Key audit issues are matters that we considered to be the most important, based on professional judgment, when auditing the 2020 standalone financial statements of Tonlin Department Store Co., Ltd. These issues have already been addressed when we audited and formed our opinions on the standalone financial statements. Therefore we do not provide opinions separately for individual issues.

Key audit issues concerning the 2020 standalone financial statements of Tonlin Department Store Co., Ltd. are as follows:

Impairment assessment of investment properties

As at December 31, 2020, Tonlin Department Store Co., Ltd. had investment properties located at Xinzhuang District that were valued at NT\$1,059,951,000, representing 18% of total assets and constituted a significant part of standalone financial statements. The management follows IAS 36 - "Impairment of Assets" and assesses investment properties for signs of impairment at the end of each reporting period. Assets that exhibit any sign of impairment will have recoverable amount estimated in order to determine the amount of impairment. However, considering that real estate prices are affected by several factors including government policy, economic cycle, and market supply/demand, and that impairment assessment requires subjective judgments, major estimates, and assumptions from the management, we have identified impairment assessment of investment properties as a key audit issue. Accounting policy on impairment assessment of investment properties, uncertainties associated with accounting estimates and assumptions, and related disclosures can be found in Notes 4, 5, and 14 of standalone financial statements.

The following audit procedures were taken in relation to the key audit issues identified above:

1. Understanding and testing the design of key internal control system that is relevant to impairment assessment of investment properties.
2. Obtaining the independent valuation report used by the management, and evaluating the professional capacity, competence, and objectivity of independent valuers.
3. Determining the rationality of the valuation method, parameters, and assumptions used in the valuation of investment property and comparing transaction prices of properties in the vicinity.
4. Consulting our own experts about the independent valuer's choice of valuation method as well as inputs and historical market data used in the calculation, and making appropriate comparisons to determine the rationality of the assessed price.
5. Taking count and verifying records of investment properties, and checking title deeds for the lands owned.

Correctness of retail commission income

Tonlin Department Store Co., Ltd. reported retail commission income of NT\$109,471,000 in 2020, representing 21% of operating revenues and was considered significant to the presentation of standalone financial statements. The department store operates by having merchants set up individual retail departments, and the Company earns a certain percentage or amount from each transaction made by merchants. Under this arrangement, the Company first collects payment from customers then deducts merchant's share of the proceeds and recognizes the remainder as sales revenue. Due to the vast number of merchants and the different commission rates involved, calculation of retail commission income depends heavily on the use of computer system, which we consider to be a key audit issue. Disclosures relating to retail commission income can be found in Note 20 of standalone financial statements.

The following audit procedures were taken in relation to the key audit issues identified above:

1. Understanding and randomly testing the effectiveness of internal control design and execution for retail commission income.

2. Making sample checks on current year's Merchant Settlement Master Report to determine whether the commission rates configured on the computer system are consistent with contract terms; and making separate calculations using the commission rate to verify the correctness of retail commission income.

Responsibilities of the management and governing body to the standalone financial statements

Responsibilities of the management were to prepare and ensure fair presentation of standalone financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and to exercise proper internal control practices that are relevant to the preparation of standalone financial statements so that the standalone financial statements are free of material misstatements, whether caused by fraud or error.

The management's responsibilities when preparing standalone financial statements also involved: assessing the ability of Tonlin Department Store Co., Ltd. to operate, disclose information, and account for transactions as a going concern unless the management intends to liquidate Tonlin Department Store Co., Ltd. or cease business operations, or is compelled to do so with no alternative solution.

The governing body of Tonlin Department Store Co., Ltd. (including the Audit Committee) is responsible for supervising the financial reporting process.

Responsibilities of the auditor when auditing standalone financial statements

The purposes of our audit were to obtain reasonable assurance of whether the standalone financial statements were prone to material misstatements, whether due to fraud or error, and to issue a report of our audit opinions. We considered assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with generally accepted auditing principles do not necessarily guarantee detection of all material misstatements within the standalone financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of the standalone financial statement user.

When conducting audits in accordance with generally accepted auditing principles, we exercised judgments and raised doubts as deemed professionally appropriate. We also performed the following tasks as an auditor:

1. Identifying and assessing risks of material misstatement within the standalone financial statements, whether due to fraud or error; designing and executing appropriate response measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal control, and our audit did not find any material misstatement where the risk of fraud is greater than the risk of error.
2. Developing the required level of understanding on relevant internal controls and designing audit procedures that are appropriate under the prevailing circumstances, but without providing opinion on the effectiveness of internal control system of Tonlin Department Store Co., Ltd.
3. Assessing the appropriateness of accounting policies adopted by the management, and the rationality of accounting estimates and related disclosures made.
4. Forming conclusions regarding the appropriateness of management's decision to account for the business as a going concern, and whether there are doubts or uncertainties about the ability of Tonlin Department Store Co., Ltd. to operate as a going concern, based on the audit evidence obtained. We are bound to remind users of standalone financial statements and make related disclosures if uncertainties exist in regards to the abovementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained up to the date of

audit report. However, future events or change of circumstances may still render Tonlin Department Store Co., Ltd. no longer capable of operating as a going concern.

5. Assessing the overall presentation, structure, and contents of the standalone financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the standalone financial statements.
6. Obtaining sufficient and appropriate audit evidence on financial information of equity-accounted investments held by Tonlin Department Store Co., Ltd., and expressing opinions on standalone financial statements. Our responsibilities as auditor are to instruct, supervise, and execute audits and form audit opinions on Tonlin Department Store Co., Ltd.

We have communicated with the governing body about the scope, timing, and significant findings (including significant defects identified in the internal control) of our audit.

We have also provided the governing body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with auditors' professional ethics, and communicated with the governing body on all matters that may affect the auditor's independence (including protection measures).

We have identified the key audit matters after communicating with the governing body regarding the 2020 standalone financial statements of Tonlin Department Store Co., Ltd. These issues have been addressed in our audit report except for: 1. Certain topics that are prohibited by law from disclosing to the public; or 2. Under extreme circumstances, topics that we decided not to communicate in the audit report because of higher negative impacts they may cause than the benefits they bring to public interest.

Deloitte Taiwan

CPA Huang Hsiu-Chun

CPA Jeff Chen

Approval reference of the Securities and Futures
Bureau

Tai-Tsai-Cheng-(VI)-0920123784

Approval reference of the Financial Supervisory
Commission

Jin-Guan-Zheng-Shen-0990031652

March 22, 2021

Notice to Readers

For the convenience of readers and for information purposes only, the 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. In the event of any discrepancy between the English and the Chinese version or any differences in interpretation between the two versions, the original Chinese version shall prevail.

The auditors' report and the accompanying financial statements have been translated into English from the original Chinese version, and the English version is not audited by certified public accountant.

As at December 31, 2020 and 2019

Unit: NTD thousand

Code	Asset	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
CURRENT ASSETS					
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 54,514	1	\$ 92,214	2
1110	Financial assets at FVTPL (Notes 4 and 7)	360,124	6	269,636	5
1136	Financial assets carried at cost after amortization - current (Notes 4 and 9)	331	-	25,303	-
1150	Notes receivable (Notes 4 and 10)	385	-	-	-
1172	Accounts receivable (Notes 4 and 10)	2,539	-	2,751	-
1175	Lease receivable (Notes 4 and 10)	3,347	-	2,710	-
1200	Other receivables (Notes 4 and 10)	9,756	-	8,268	-
130X	Inventory (Notes 4, 5 and 11)	78,730	2	110,562	2
1470	Prepayments and other current assets	38,140	1	47,982	1
11XX	Total current assets	547,866	10	559,426	10
NON-CURRENT ASSETS					
1520	Financial assets at FVTOCI - non-current (Notes 4 and 8)	66,457	1	77,497	1
1550	Equity-accounted investments (Notes 4 and 12)	793,896	14	777,310	13
1600	Property, plant, and equipment (Notes 4, 5, 13 and 27)	2,309,777	40	2,360,386	41
1760	Investment property, net (Notes 4, 5, 14 and 27)	1,992,976	35	1,986,205	34
1780	Intangible assets (Notes 4 and 5)	9,015	-	9,060	-
1840	Deferred income tax assets (Notes 4 and 22)	24,774	-	38,737	1
1935	Long-term lease receivable (Notes 4 and 10)	18,325	-	16,771	-
1990	Refundable deposits	1,176	-	1,188	-
15XX	Total non-current assets	5,216,396	90	5,267,154	90
1XXX	Total assets	5,764,262	100	5,826,580	100
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
2100	Short-term borrowings (Notes 4, 13, 14, 15 and 27)	\$ 740,000	13	\$ 910,000	16
2150	Note payable	16,461	-	19,766	-
2170	Accounts payable (Notes 4 and 16)	96,659	2	67,289	1
2209	Accrued expenses (Note 17)	34,675	1	38,053	1
2213	Equipment purchase payable (Note 13)	77,226	1	62,579	1
2219	Other payables	3,618	-	10,094	-
2230	Current income tax liabilities (Notes 4 and 22)	21,268	-	32,600	1
2399	Other current liabilities (Notes 4 and 20)	8,254	-	12,097	-
21XX	Total current liabilities	998,161	17	1,152,478	20
NON-CURRENT LIABILITIES					
2540	Long-term borrowings (Notes 4, 13, 14, 15 and 27)	2,116,000	37	2,006,000	34
2572	Deferred income tax liabilities (Notes 4 and 22)	217,878	4	217,857	4
2645	Guarantee deposits received (Note 20)	49,721	1	51,828	1
2640	Net defined benefit liabilities - non-current (Notes 4 and 18)	19,469	-	24,854	-
25XX	Total non-current liabilities	2,403,068	42	2,300,539	39
2XXX	Total liabilities	3,401,229	59	3,453,017	59
Equity (Notes 4, 19 and 22)					
3110	Common share capital	2,087,250	36	2,087,250	36
3200	Additional paid-in capital	506,964	9	483,638	8
Retained earnings					
3310	Statutory reserves	470,347	8	459,275	8
3320	Special reserves	495,507	9	672,223	11
3350	Unappropriated earnings	170,602	3	110,718	2
3300	Total retained earnings	1,136,456	20	1,242,216	21

3400	Other equities	(84,096)	(2)	(156,000)	(2)
3500	Treasury stock	(1,283,541)	(22)	(1,283,541)	(22)
3XXX	Total equity	<u>2,363,033</u>	<u>41</u>	<u>2,373,563</u>	<u>41</u>
	Total liabilities and equity	<u>\$ 5,764,262</u>	<u>100</u>	<u>\$ 5,826,580</u>	<u>100</u>

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

Chairman: Su Chien-I


President: Weng Hua-Li


Vice President: Chen Wen-Tong


Head of Accounting: Huang Si-Chih




Tonlin Department Store Co., Ltd.

Standalone Statement of Comprehensive Income

For periods from January 1 to December 31, 2020 and 2019

Unit: NTD thousands, except EPS which is in dollars

Code		2020		2019	
		Amount	%	Amount	%
4000	Operating revenues (Notes 4 and 20)	\$ 519,690	100	\$ 464,291	100
5000	Operating costs (Note 21)	<u>161,874</u>	<u>31</u>	<u>108,114</u>	<u>24</u>
5900	Gross profit	357,816	69	356,177	76
6000	Operating expenses (Notes 4, 18, 21 and 26)	<u>180,589</u>	<u>35</u>	<u>191,479</u>	<u>41</u>
6900	Operating profit	<u>177,227</u>	<u>34</u>	<u>164,698</u>	<u>35</u>
	Non-operating income and expense				
7100	Interest income (Notes 4 and 21)	399	-	1,263	-
7010	Other income (Notes 4 and 21)	16,504	3	17,600	4
7020	Other gains and losses (Notes 4, 7, 14 and 21)	9,283	2	42,820	9
7050	Financial costs (Note 21)	(29,734)	(6)	(29,098)	(6)
7060	Share of gain/loss from subsidiaries and associated companies accounted using the equity method (Notes 4 and 12)	(<u>18,155</u>)	(<u>3</u>)	(<u>64,910</u>)	(<u>14</u>)
7000	Total non-operating income and expenses	(<u>21,703</u>)	(<u>4</u>)	(<u>32,325</u>)	(<u>7</u>)
7900	Profit before tax	155,524	30	132,373	28
7950	Income tax expenses (Notes 4 and 22)	<u>41,365</u>	<u>8</u>	<u>20,588</u>	<u>4</u>
8200	Current net income	<u>114,159</u>	<u>22</u>	<u>111,785</u>	<u>24</u>
	Other comprehensive income				

8310	Items not reclassified into profit and loss:				
8311	Remeasurement of defined benefit plan (Notes 4 and 18)	\$ 38	-	(\$ 1,334)	-
8316	Unrealized gain on valuation of equity instruments at FVTOCI (Notes 4, 8 and 19)	7,996	2	898	-
8349	Income tax on items not reclassified into profit and loss (Notes 4 and 22)	(10,374)	(2)	11,614	2
8300	Other comprehensive income - current	(2,340)	-	11,178	2
8500	Total comprehensive income - current	<u>\$ 111,819</u>	<u>22</u>	<u>\$ 122,963</u>	<u>26</u>
	Earnings per share (Note 23)				
9710	Basic	<u>\$ 0.65</u>		<u>\$ 0.64</u>	
9810	Diluted	<u>\$ 0.65</u>		<u>\$ 0.64</u>	

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

Chairman:  Sa Chien-I

President:  Wang Hua-Li

Vice President:  Chen Wen-Long

Head of Accounting:  Huang Su-Chih



Tonlin Department Store Co., Ltd.
Standalone Statement of Changes in Equity

For periods from January 1 to December 31, 2020 and 2019

Unit: NTD thousand

Code		Common share capital (Notes 4 and 19)	Additional paid-in capital (Note 19)	Retained earnings (Notes 4, 18 and 19)			Other equity item (Notes 4, 8 and 19) Unrealized gains/losses on financial assets at FVTOCI	Treasury stock (Note 19)	Total Equity	
				Statutory reserves	Special reserves	Unappropriated earnings				Total
A1	Balance at January 1, 2019	\$ 2,087,250	\$ 483,638	\$ 450,265	\$ 441,850	\$ 239,383	\$ 1,131,498	(\$ 168,245)	(\$ 1,283,541)	\$ 2,250,600
	Appropriation and distribution of 2018 earnings									
B1	Provision for statutory reserves	-	-	9,010	-	(9,010)	-	-	-	-
B3	Provision for special reserves	-	-	-	230,373	(230,373)	-	-	-	-
	Total appropriation and distribution of 2018 earnings	-	-	9,010	230,373	(239,383)	-	-	-	-
D1	2019 net income	-	-	-	-	111,785	111,785	-	-	111,785
D3	2019 other comprehensive income - after tax	-	-	-	-	(1,067)	(1,067)	12,245	-	11,178
D5	2019 total comprehensive income	-	-	-	-	110,718	110,718	12,245	-	122,963
Z1	Balance as at December 31, 2019	2,087,250	483,638	459,275	672,223	110,718	1,242,216	(156,000)	(1,283,541)	2,373,563
	Appropriation and distribution of 2019 earnings									
B1	Provision for statutory reserves	-	-	11,072	-	(11,072)	-	-	-	-
B3	Reversal of special reserves	-	-	-	(176,716)	176,716	-	-	-	-
B5	Cash dividends on common shares	-	-	-	-	(146,108)	(146,108)	-	-	(146,108)
	Total appropriation and distribution of 2019 earnings	-	-	11,072	(176,716)	19,536	(146,108)	-	-	(146,108)
M1	Adjustment to additional paid-in capital for dividends paid to subsidiaries	-	23,326	-	-	-	-	-	-	23,326
D1	2020 net income	-	-	-	-	114,159	114,159	-	-	114,159
D3	2020 other comprehensive income - after tax	-	-	-	-	30	30	(2,370)	-	(2,340)
D5	2020 total comprehensive income	-	-	-	-	114,189	114,189	(2,370)	-	111,819
Q1	Disposal of equity instruments at FVTOCI	-	-	-	-	(73,841)	(73,841)	74,274	-	433
Z1	Balance as at December 31, 2020	\$ 2,087,250	\$ 506,964	\$ 470,347	\$ 495,507	\$ 170,602	\$ 1,136,456	(\$ 84,096)	(\$ 1,283,541)	\$ 2,363,033

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

Chairman: Su Chien-I


President: Wang Hua-Li


Vice President: Chen Wen-Long


Head of Accounting: Huang Sa-Chih




Tonlin Department Store Co., Ltd.

Standalone Cash Flow Statement

For periods from January 1 to December 31, 2020 and 2019

Unit: NTD thousand

Code		2020	2019
	CASH FLOWS FROM OPERATING ACTIVITIES		
A00010	Pre-tax profit for the current period	\$ 155,524	\$ 132,373
A20010	Adjustments for:		
A20100	depreciation expense	80,179	83,604
A20200	Amortization	595	525
A20400	Net loss (gain) on financial assets at FVTPL	11,514	(11,886)
A20900	Financial costs	29,734	29,098
A21200	Interest income	(399)	(1,263)
A21300	Dividend income	(3,242)	(4,403)
A22400	Share of loss from subsidiaries and associated companies accounted using the equity method	18,155	64,910
A22500	Loss (gain) on disposal of property, plant and equipment	3,948	(12)
A22700	Loss on disposal of investment properties	372	-
A22600	Expenses reclassified from property, plant, and equipment	-	350
A23700	Reversal of impairment on non-financial assets	(15,000)	(14,000)
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatory to be carried at FVTPL	(102,002)	51,679
A31130	Note receivable	(385)	285
A31150	Trade receivable	212	12,378
A31240	Lease receivable	(2,191)	3,286
A31180	Other receivables	(1,583)	2,407
A31200	Inventories	31,832	14,084
A31230	Prepayments and other current assets	9,842	11,905
A32130	Note payable	(3,305)	(48,821)
A32150	Accounts payable	29,370	(34,351)
A32220	Accrued expenses	(3,109)	3,866
A32180	Other payables	(6,476)	7,700
A32230	Other current liabilities	(3,843)	4,294
A32240	Net defined benefit liabilities	(<u>5,347</u>)	(<u>1,472</u>)

A33000	Cash inflow from operating activities	224,395	306,536
A33100	Interest received	494	1,248
A33300	Interest paid	(30,003)	(28,883)
A33200	Dividends received	3,242	4,403
A33500	Income tax paid	(<u>49,087</u>)	(<u>5,013</u>)
AAAA	Net cash inflow from operating activities	<u>149,041</u>	<u>278,291</u>
Cash flows from investing activities			
B00010	Proceeds from liquidation or capital reduction of financial assets at FVTOCI	3,273	4,207
B00040	Disposal (acquisition) of financial assets carried at cost after amortization	24,972	(12,403)
B02700	Acquisition of property, plant, and equipment	(29,139)	(38,599)
B07100	Increase (decrease) in equipment purchase payable	17,537	(157,231)
B02800	Proceeds from disposal of property, plant and equipment	-	137
B03700	Decrease in refundable deposits	12	198
B05400	Acquisition of investment property	-	(535)
B05500	Proceeds from disposal of investment property	38	-
B07600	Dividends received from subsidiaries and associated companies	<u>4,781</u>	<u>3,096</u>
BBBB	Net cash inflow (outflow) from investing activities	<u>21,474</u>	(<u>201,130</u>)
Cash flows from financing activities			
C00200	Decrease in short-term borrowings	(170,000)	(100,000)
C01600	Proceeds from long-term borrowings	2,804,000	2,574,000
C01700	Repayments of long-term borrowings	(2,694,000)	(2,539,000)
C03000	Decrease in guarantee deposits received	(2,107)	(5,211)
C04500	Payment of cash dividends	(<u>146,108</u>)	<u>-</u>
CCCC	Net cash outflow from financing activities	(<u>208,215</u>)	(<u>70,211</u>)
EEEE	Net increase (decrease) in cash and cash equivalents	(37,700)	6,950
E00100	Opening balance of cash and cash equivalents	<u>92,214</u>	<u>85,264</u>
E00200	Closing balance of cash and cash equivalents	<u>\$ 54,514</u>	<u>\$ 92,214</u>

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

Chairman: Su-Chien-I


President: Weng-Hua-Li


Vice President: Chen Wen-Long


Head of Accounting: Huang Su-Chih


Attachment 4

Declaration Concerning Consolidated Financial Statements of Affiliated Enterprises

Affiliated enterprises subject to the preparation of consolidated financial statements of affiliated enterprises under "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" were identical to the affiliated companies subject to the preparation of consolidated financial statements under International Financial Reporting Standards No. 10 (IFRS 10) for financial year 2020 (from January 1 to December 31, 2020). All mandatory disclosures of the consolidated financial statements of affiliated enterprises have been disclosed in the consolidated financial statements, therefore no separate consolidated financial statement of affiliated enterprises was prepared.

This declaration is solemnly made by

Company name: Tonlin Department Store Co., Ltd.



Chairman: Su Chien-I



March 22, 2021

Independent Auditor's Report

To stakeholders of Tonlin Department Store Co., Ltd.

Audit opinions

We have audited the accompanying consolidated balance sheet of Tonlin Department Store Co., Ltd. and subsidiaries (collectively referred to as Tonlin Group) as at December 31, 2020 and 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated cash flow statement, and notes to consolidated financial statements (including summary of significant accounting policies) for the periods from January 1 to December 31, 2020 and 2019.

In our opinion, all material disclosures of the consolidated financial statements mentioned above were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and the version of International Financial Reporting Standards, International Accounting Standards and interpretations there of approved by the Financial Supervisory Commission, and presented a fair view of the consolidated financial position of Tonlin Group as at December 31, 2020 and 2019, and consolidated business performance and cash flow for the periods January 1 to December 31, 2020 and 2019.

Basis of audit opinion

We conducted our audits in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing principles. Our responsibilities as an auditor for the consolidated financial statements under the abovementioned standards are explained in the Responsibilities paragraph. All relevant personnel of the accounting firm have followed CPA code of ethics and maintained independence from Tonlin Group when performing their duties. We believe that the evidence obtained provide an adequate and appropriate basis for our opinion.

Key audit issues

Key audit issues are matters that we considered to be the most important, based on professional judgment, when auditing the 2020 consolidated financial statements of Tonlin Group. These issues have already been addressed when we audited and formed our opinions on the consolidated financial statements. Therefore we do not provide opinions separately for individual issues.

Key audit issues concerning the 2020 consolidated financial statements of Tonlin Group are as follows:

Impairment assessment of investment properties

As at December 31, 2020, Tonlin Group had investment properties located at Xinzhuang District that were valued at NT\$1,059,951,000, representing 17% of total consolidated assets and constituted a significant part of consolidated financial statements. The management follows IAS 36 - "Impairment of Assets" and assesses investment properties for signs of impairment at the end of each reporting period. Assets that exhibit any sign of impairment will have recoverable amount estimated in order to determine the amount of impairment. However, considering that real estate prices are affected by several factors including government policy, economic cycle, and market supply/demand, and that impairment assessment requires subjective judgments, major estimates, and assumptions from the management, we have identified impairment assessment of investment properties as a key audit issue. Accounting policy on impairment assessment of investment properties, uncertainties associated with accounting estimates and assumptions, and related disclosures can be found in Notes 4, 5, and 15 of consolidated financial statements.

The following audit procedures were taken in relation to the key audit issues identified above:

1. Understanding and testing the design of key internal control system that is relevant to impairment assessment of investment properties.
2. Obtaining the independent valuation report used by the management, and evaluating the professional capacity, competence, and objectivity of independent valuers.
3. Determining the rationality of the valuation method, parameters, and assumptions used in the valuation of investment property and comparing transaction prices of properties in the vicinity.
4. Consulting our own experts about the independent valuer's choice of valuation method as well as inputs and historical market data used in the calculation, and making appropriate comparisons to determine the rationality of the assessed price.
5. Taking count and verifying records of investment properties, and checking title deeds for the lands owned.

Correctness of retail commission income

Tonlin Group reported retail commission income of NT\$109,471,000 in 2020, representing 20% of operating revenues and was considered significant to the presentation of consolidated financial statements. The department store operates by having merchants set up individual retail departments, and Tonlin Group earns a certain percentage or amount from each transaction made by merchants. Under this arrangement, the Company first collects payment from customers then deducts merchant's share of the proceeds and recognizes the remainder as sales revenue. Due to the vast number of merchants and the different commission rates involved, calculation of retail commission income depends heavily on the use of computer system, which we consider to be a key audit issue. Disclosures relating to retail commission income and accounting policy can be found in Notes 4 and 21 of consolidated financial statements.

The following audit procedures were taken in relation to the key audit issues identified above:

1. Understanding and randomly testing the effectiveness of internal control design and execution for retail commission income.
2. Making sample checks on current year's Merchant Settlement Master Report to determine whether the commission rates configured on the computer system are consistent with contract terms; and making separate calculations using the commission rate to verify the correctness of retail commission income.

Other Matters

Tonlin Department Store Co., Ltd. has prepared standalone financial statements for 2020 and 2019, which we have audited and issued independent auditor's reports with unqualified opinions.

Responsibilities of the management and governing body to the consolidated financial statements

Responsibilities of the management were to prepare and ensure fair presentation of consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the version of International Financial Reporting Standards, International Accounting Standards and interpretations thereof approved and published by the Financial Supervisory Commission, and to exercise proper internal control practices that are relevant to the preparation of consolidated financial statements so that the consolidated financial statements are free of material misstatements, whether caused by fraud or error.

The management's responsibilities when preparing consolidated financial statements also involved: assessing the ability of Tonlin Group to operate, disclose information, and account for transactions as a going concern unless the management intends to liquidate Tonlin Group or cease business operations, or is compelled to do so with no alternative solution.

The governing body of Tonlin Group (including the Audit Committee) is responsible for supervising the financial reporting process.

Responsibilities of the auditor when auditing consolidated financial statements

The purposes of our audit were to obtain reasonable assurance of whether the consolidated financial statements were prone to material misstatements, whether due to fraud or error, and to issue a report of our audit opinions. We considered assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with generally accepted auditing principles do not necessarily guarantee detection of all material misstatements within the consolidated financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of the consolidated financial statement user.

When conducting audits in accordance with generally accepted auditing principles, we exercised judgments and raised doubts as deemed professionally appropriate. We also performed the following tasks as an auditor:

1. Identifying and assessing risks of material misstatement within the consolidated financial statements, whether due to fraud or error; designing and executing appropriate response measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal control, and our audit did not find any material misstatement where the risk of fraud is greater than the risk of error.
2. Developing the required level of understanding on relevant internal controls and designing audit procedures that are appropriate under the prevailing circumstances, but without providing opinion on the effectiveness of internal control system of Tonlin Group.
3. Assessing the appropriateness of accounting policies adopted by the management, and the rationality of accounting estimates and related disclosures made.
4. Forming conclusions regarding the appropriateness of management's decision to account for the business as a going concern, and whether there are doubts or uncertainties about the ability of Tonlin Group to operate as a going concern, based on the audit evidence obtained. We are bound to remind users of consolidated financial statements and make related disclosures if uncertainties exist in regards to the abovementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained up to the date of audit report. However, future events or change of circumstances may still render Tonlin Group no longer capable of operating as a going concern.
5. Assessing the overall presentation, structure, and contents of the consolidated financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the consolidated financial statements.
6. Obtaining sufficient and appropriate audit evidence on financial information of equity-accounted investments held by the group, and expressing opinions on consolidated financial statements. Our responsibilities as auditor are to instruct, supervise, and execute audits and form audit opinions on the group.

We have communicated with the governing body about the scope, timing, and significant findings (including significant defects identified in the internal control) of our audit.

We have also provided the governing body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with auditors' professional ethics, and communicated with the governing body on all matters that may affect the auditor's independence (including protection measures).

We have identified the key audit issues after communicating with the governing body regarding the 2020 consolidated financial statements of Tonlin Group. These issues have been addressed in our audit report except for: 1. Certain topics that are prohibited by law from disclosing to the public; or 2. Under extreme circumstances, topics that we decided not to communicate in the audit report because of higher negative impacts they may cause than the benefits they bring to public interest.

Deloitte & Touche
CPA Huang Hsiu-Chun

CPA Jeff Chen

Approval reference of the Securities and Futures
Bureau
Tai-Tsai-Cheng-(VI)-0920123784

The Financial Supervisory Commission R.O.C.
Approved No.
Jin-Guan-Zheng-Shen-0990031652

March 22, 2021

Notice to Readers

For the convenience of readers and for information purposes only, the 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. In the event of any discrepancy between the English and the Chinese version or any differences in interpretation between the two versions, the original Chinese version shall prevail.

The auditors' report and the accompanying financial statements have been translated into English from the original Chinese version, and the English version is not audited by certified public accountant.



Tonlin Department Store Co., Ltd. and Subsidiaries
Consolidated balance sheet

As at December 31, 2020 and 2019

Unit: NTD thousand

Code	ASSET	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 98,787	2	\$ 106,177	2
1110	Financial assets at FVTPL (Notes 4 and 7)	417,247	7	310,385	5
1136	Financial assets carried at cost after amortization - current (Notes 4 and 9)	20,731	-	45,703	1
1150	Notes receivable (Notes 4 and 10)	385	-	-	-
1172	Accounts receivable (Notes 4 and 10)	2,639	-	2,751	-
1175	Lease receivable (Notes 4 and 10)	3,430	-	2,710	-
1200	Other receivables (Notes 4, 10 and 23)	10,001	-	8,545	-
130X	Inventory (Notes 4, 5, 11 and 28)	881,153	14	938,295	15
1470	Prepayments and other current assets	68,174	1	70,579	1
11XX	Total current assets	<u>1,502,547</u>	<u>24</u>	<u>1,485,145</u>	<u>24</u>
	NON-CURRENT ASSETS				
1517	Financial assets at FVTOCI - non-current (Notes 4 and 8)	66,457	1	77,497	1
1550	Equity-accounted investments (Notes 4 and 13)	162,327	3	145,070	2
1600	Property, plant, and equipment (Notes 4, 5, 14 and 28)	2,309,908	37	2,360,568	38
1760	Investment property, net (Notes 4, 5, 15 and 28)	2,165,053	35	2,159,642	34
1780	Intangible assets (Note 4)	9,015	-	9,060	-
1840	Deferred income tax assets (Notes 4, 5 and 23)	24,774	-	38,737	1
1935	Long-term lease receivable (Notes 4 and 10)	18,406	-	16,771	-
1920	Refundable deposits	1,188	-	1,205	-
15XX	Total non-current assets	<u>4,757,128</u>	<u>76</u>	<u>4,808,550</u>	<u>76</u>
1XXX	Total assets	<u>\$ 6,259,675</u>	<u>100</u>	<u>\$ 6,293,695</u>	<u>100</u>
	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2100	Short-term borrowings (Notes 4, 11, 14, 15, 16 and 28)	\$ 1,022,423	16	\$ 1,202,923	19
2110	Short-term bills payable (Notes 4, 11, 14, 15, 16 and 28)	165,736	3	166,894	3
2150	Note payable	17,261	-	21,483	-
2170	Accounts payable (Note 17)	96,659	2	67,412	1
2209	Accrued expenses (Note 18)	37,683	1	40,707	1
2213	Equipment purchase payable (Note 14)	77,226	1	62,579	1
2219	Other payables	3,618	-	10,094	-
2230	Current income tax liabilities (Notes 4, 5 and 23)	21,646	-	33,157	1
2399	Other current liabilities (Note 21)	49,928	1	12,951	-
21XX	Total current liabilities	<u>1,492,180</u>	<u>24</u>	<u>1,618,200</u>	<u>26</u>
	NON-CURRENT LIABILITIES				
2540	Long-term borrowings (Notes 4, 14, 15, 16 and 28)	2,116,000	34	2,006,000	32
2572	Deferred income tax liabilities (Notes 4, 5 and 23)	217,878	3	217,857	3
2645	Guarantee deposits received (Note 21)	51,115	1	53,221	1
2640	Net defined benefit liabilities - non-current (Notes 4 and 19)	19,469	-	24,854	-
25XX	Total non-current liabilities	<u>2,404,462</u>	<u>38</u>	<u>2,301,932</u>	<u>36</u>
2XXX	Total liabilities	<u>3,896,642</u>	<u>62</u>	<u>3,920,132</u>	<u>62</u>
	EQUITY (Notes 4, 19 and 20)				
3110	Common share capital	2,087,250	33	2,087,250	33
3200	Additional paid-in capital	506,964	8	483,638	8
	Retained earnings				
3310	Statutory reserves	470,347	7	459,275	7
3320	Special reserves	495,507	8	672,223	11
3350	Unappropriated earnings	170,602	3	110,718	2
3300	Total retained earnings	<u>1,136,456</u>	<u>18</u>	<u>1,242,216</u>	<u>20</u>
3400	Other equities	(84,096)	(1)	(156,000)	(3)

3500	Treasury stock	(<u>1,283,541</u>)	(<u>20</u>)	(<u>1,283,541</u>)	(<u>20</u>)
3XXX	Total equity	<u>2,363,033</u>	<u>38</u>	<u>2,373,563</u>	<u>38</u>
	Total liabilities and equity	<u>\$ 6,259,675</u>	<u>100</u>	<u>\$ 6,293,695</u>	<u>100</u>

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

Chairman: Su Chien-I


President: Wang Hua-Li


Vice President: Chen Wen-Long


Head of Accounting: Huang Su-Chih




Tonlin Department Store Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For periods from January 1 to December 31, 2020 and 2019

Unit: NTD thousands, except EPS which is in dollars

Code		2020		2019	
		Amount	%	Amount	%
4000	Operating revenues (Notes 4 and 21)	\$ 554,440	100	\$ 650,176	100
5000	Operating costs (Notes 4, 11 and 22)	<u>190,011</u>	<u>34</u>	<u>323,950</u>	<u>50</u>
5900	Gross profit	364,429	66	326,226	50
6000	Operating expenses (Notes 4, 19, 22 and 27)	<u>202,611</u>	<u>37</u>	<u>218,954</u>	<u>34</u>
6900	Operating profit	<u>161,818</u>	<u>29</u>	<u>107,272</u>	<u>16</u>
	Non-operating income and expense				
7100	Interest income (Notes 4 and 22)	580	-	1,475	-
7010	Other income (Notes 4 and 22)	17,453	3	18,253	3
7020	Other gains and losses (Notes 4, 7, 14, 15 and 22)	7,326	1	39,644	6
7050	Financial costs (Note 22)	(35,110)	(6)	(36,751)	(6)
7060	Share of gain/loss from associated companies accounted using the equity method (Notes 4 and 13)	<u>4,176</u>	<u>1</u>	<u>3,473</u>	<u>1</u>
7000	Total non-operating income and expenses	(<u>5,575</u>)	(<u>1</u>)	<u>26,094</u>	<u>4</u>
7900	Profit before tax	156,243	28	133,366	20
7950	Income tax expenses (Notes 4, 5 and 23)	<u>42,084</u>	<u>7</u>	<u>21,581</u>	<u>3</u>
8200	Current net income	<u>114,159</u>	<u>21</u>	<u>111,785</u>	<u>17</u>

(To be Continued)

(Continued)

Code		2020		2019	
		Amount	%	Amount	%
	Other comprehensive income				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurement of defined benefit plan (Notes 4 and 19)	\$ 38	-	(\$ 1,334)	-
8316	Unrealized gain on valuation of equity instruments at FVTOCI (Notes 4, 8, 13 and 20)	7,996	1	898	-
8349	Income tax on items not reclassified into profit and loss (Notes 4 and 23)	(10,374)	(2)	11,614	2
8300	Other comprehensive income - current	(2,340)	(1)	11,178	2
8500	Total comprehensive income - current	\$ 111,819	20	\$ 122,963	19
	Earnings per share (Note 24)				
9710	Basic	\$ 0.65		\$ 0.64	
9810	Diluted	\$ 0.65		\$ 0.64	

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

Chairman: So Chien-I



President: Weng Hua-Li



Vice President: Chen Wen-Lung



Head of Accounting: Huang Su-Chih




 Tonlin Department Store Co., Ltd. and Subsidiaries
 Consolidated Statements of Changes Equity
 For periods from January 1 to December 31, 2020 and 2019

Unit: NTD thousand


Code		Common share capital (Notes 4 and 20)	Additional paid-in capital (Note 20)	Retained earnings (Notes 4, 19 and 20)			Unrealized gains/losses on financial assets at FVTOCI	Treasury stock (Note 20)	Total equity	
				Statutory reserves	Special reserves	Unappropriated earnings				Total
A1	Balance at January 1, 2019	\$ 2,087,250	\$ 483,638	\$ 450,265	\$ 441,850	\$ 239,383	\$ 1,131,498	(\$ 168,245)	(\$ 1,283,541)	\$ 2,250,600
	Appropriation and distribution of 2018 earnings									
B1	Provision for statutory reserves	-	-	9,010	-	(9,010)	-	-	-	-
B3	Provision for special reserves	-	-	-	230,373	(230,373)	-	-	-	-
	Total appropriation and distribution of 2018 earnings	-	-	9,010	230,373	(239,383)	-	-	-	-
D1	2019 net income	-	-	-	-	111,785	111,785	-	-	111,785
D3	2019 other comprehensive income - after tax	-	-	-	-	(1,067)	(1,067)	12,245	-	11,178
D5	2019 total comprehensive income	-	-	-	-	110,718	110,718	12,245	-	122,963
Z1	Balance as at December 31, 2019	2,087,250	483,638	459,275	672,223	110,718	1,242,216	(156,000)	(1,283,541)	2,373,563
	Appropriation and distribution of 2019 earnings									
B1	Provision for statutory reserves	-	-	11,072	-	(11,072)	-	-	-	-
B3	Reversal of special reserves	-	-	-	(176,716)	176,716	-	-	-	-
B5	Cash dividends on common shares	-	-	-	-	(146,108)	(146,108)	-	-	(146,108)
	Total appropriation and distribution of 2019 earnings	-	-	11,072	(176,716)	19,536	(146,108)	-	-	(146,108)
M1	Adjustment to additional paid-in capital for dividends paid to subsidiaries	-	23,326	-	-	-	-	-	-	23,326
D1	2020 net income	-	-	-	-	114,159	114,159	-	-	114,159
D3	2020 other comprehensive income - after tax	-	-	-	-	30	30	(2,370)	-	(2,340)
D5	2020 total comprehensive income	-	-	-	-	114,189	114,189	(2,370)	-	111,819
Q1	Disposal of equity instruments at FVTOCI	-	-	-	-	(73,841)	(73,841)	74,274	-	433


Z1	Balance as at December 31, 2020	\$ <u>2,087,250</u>	\$ <u>506,964</u>	\$ <u>470,347</u>	\$ <u>495,507</u>	\$ <u>170,602</u>	\$ <u>1,136,456</u>	(\$ <u>84,096</u>)	(\$ <u>1,283,541</u>)	\$ <u>2,363,033</u>
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The accompanying notes are an integral part of the consolidated financial statements.

Chairman: Su Chien-


President: Weng Hua-Li


Vice President: Chen Wen-Long


Head of Accounting: Huang Su-Chih




Tonlin Department Store Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For periods from January 1 to December 31, 2020 and 2019

Unit: NTD thousand

Code		2020	2019
	CASH FLOWS FROM OPERATING ACTIVITIES		
A00010	Pre-tax profit for the current period	\$ 156,243	\$ 133,366
A20010	Adjustments for:		
A20100	depreciation expense	81,590	85,019
A20200	Amortization	595	525
A20400	Net loss (gain) on financial assets and liabilities at FVTPL	10,551	(10,853)
A20900	Financial costs	35,110	36,751
A21200	Interest income	(580)	(1,475)
A21300	Dividend income	(3,902)	(5,211)
A29900	Real estate inventory devaluation loss	-	3,000
A22300	Share of gain from associated companies accounted using the equity method	(4,176)	(3,473)
A22500	Loss (gain) on disposal of property, plant and equipment	3,948	(12)
A22600	Expenses reclassified from property, plant, and equipment	-	350
A22700	Loss on disposal of investment properties	372	-
A23700	Reversal of impairment on non-financial assets	(15,000)	(14,000)
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatory to be carried at FVTPL	(117,413)	49,278
A31130	Note receivable	(385)	285
A31150	Trade receivable	112	12,378
A31240	Lease receivable	(2,355)	3,286
A31180	Other receivables	(1,487)	2,593
A31200	Inventories	57,142	222,879
A31230	Prepayments and other current assets	2,405	13,428
A32130	Note payable	(4,222)	(52,283)
A32150	Accounts payable	29,247	(34,451)
A32220	Accrued expenses	(3,713)	(17,455)
A32180	Other payables	(6,476)	7,700
A32230	Other current liabilities	36,977	4,627
A32240	Net defined benefit liabilities	(5,347)	(1,472)

(To be Continued)

(Continued)

Code		2020	2019
A33000	Cash inflow from operating activities	\$ 249,236	\$ 434,780
A33100	Interest received	600	1,248
A33300	Interest paid	(35,579)	(36,751)
A33200	Dividends received	3,902	5,211
A33500	Income tax paid	(49,974)	(5,508)
AAAA	Net cash inflow from operating activities	<u>168,185</u>	<u>398,980</u>
Cash flows from investing activities			
B00010	Proceeds from liquidation or capital reduction of financial assets at FVTOCI	3,273	4,207
B00040	Disposal (acquisition) of financial assets carried at cost after amortization	24,972	(20,058)
B02700	Acquisition of property, plant, and equipment	(29,139)	(38,599)
B02800	Proceeds from disposal of property, plant and equipment	-	137
B03700	Decrease in refundable deposits	17	596
B05400	Acquisition of investment property	-	(535)
B05500	Proceeds from disposal of investment property	38	-
B07100	Increase (decrease) in equipment purchase payable	17,537	(157,231)
B07600	Dividends received from associated companies	<u>3,115</u>	<u>3,096</u>
BBBB	Net cash inflow (outflow) from investing activities	<u>19,813</u>	<u>(208,387)</u>
Cash flows from financing activities			
C00100	Decrease in short-term borrowings	(180,500)	(218,577)
C01600	Proceeds from long-term borrowings	2,804,000	2,574,000
C01700	Repayments of long-term borrowings	(2,694,000)	(2,539,000)
C03000	Decrease in guarantee deposits received	(2,106)	(5,362)
C04500	Payment of cash dividends	(122,782)	-
CCCC	Net cash outflow from financing activities	<u>(195,388)</u>	<u>(188,939)</u>
EEEE	Net increase (decrease) in cash and cash equivalents	(7,390)	1,654
E00100	Opening balance of cash and cash equivalents	<u>106,177</u>	<u>104,523</u>

E00200	Closing balance of cash and cash equivalents	\$ <u>98,787</u>	\$ <u>106,177</u>
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The accompanying notes are an integral part of the consolidated financial statements.

Chairman: Su Chien-I  President: Weng Hua-Li  Vice President: Chen Wen Long  Head of Accounting: Huang Su-Chih 


Tonlin Department Store Co., Ltd.
Earnings Appropriation Chart
2020

Unit: NTD

Opening unappropriated earnings	\$ 130,254,470
Disposal of equity instruments at fair value through other comprehensive income, with cumulative gains/losses transferred directly to retained earnings	(73,840,078)
Actuarial gain/loss on defined benefit plan	30,101
Unappropriated earnings after adjustment	56,444,493
Plus: Current net income	114,159,076
Less: provision for statutory reserves (10%)	(4,034,910)
Plus: reversal of special reserves previously provided according to Article 41 of the Securities and Exchange Act	39,225,062
Earnings available for distribution in the current period	205,793,721
Distributions	
Shareholders' dividends (NT\$0.5 cash per share)	104,362,500
Closing unappropriated earnings	\$ 101,431,221

- Note: 1. Distributions proposed for the current period will be allocated from 2020 after-tax earnings as a priority.
 2. Appropriation of 2020 earnings, as shown above, has been resolved during the board of directors meeting held on March 22, 2021.

Chairman: Su Chien-I



President: Weng Hua-Li



Vice President: Chen Wen-Long



Head of Accounting: Huang Su-Chih



Attachment 6

Comparison of existing and revised Ethical Behavior Guidelines of Tonlin Department Store Co., Ltd.

Amended clause	Original clause	Explanation
<p>Article 1: Purpose</p> <p>The following guidelines have been established to promote understanding and compliance of ethical standards for the Company's directors and managers (including the President or equivalent grade, vice presidents or equivalent grade, assistant vice presidents of equivalent grade, head of finance, head of accounting, and other managerial positions and authorized signatories within the Company) as well as stakeholders.</p>	<p>Article 1: Purpose</p> <p>The following guidelines have been established to promote understanding and compliance of ethical standards for the Company's directors, supervisors, and managers (including the President or equivalent grade, vice presidents or equivalent grade, assistant vice presidents of equivalent grade, head of finance, head of accounting, and other managerial positions and authorized signatories within the Company) as well as stakeholders.</p>	<p>Amended to accommodate the establishment of Audit Committee.</p>
<p>Article 2: Terms</p> <p>(I) Prevention against conflict of interest:</p> <p>Directors or managers of the Company must not exploit their vested authorities or influence for improper gains, whether for self, spouse, or any 2nd-degree relative or closer. If an affiliated enterprise were to engage the Company in any transaction such as loans, guarantees, transfer of assets, purchases or sales, the Company's director or manager involved in the transaction shall take initiative to clarify whether conflict of interest exists between them and the entity they represent.</p> <p>(II) Avoidance of private gains:</p> <p>Directors or managers of the Company shall refrain from the following: (1) Exploiting the Company's property, information, or the vested authority for opportunity of private gain; (2) Exploiting the Company's property, information, or the vested authority for private gain; (3) Competing with the Company.</p> <p>When the Company is presented with a profitable opportunity, directors and managers shall have the responsibility to maximize legitimate gains that are available to the Company.</p> <p>(III) Duty of confidentiality:</p> <p>Unless authorized or legally permitted, directors and managers are bound to maintain confidentiality over the Company's information and that of its suppliers and buyers. The types of information to be kept confidential shall include all non-public information that have the potential to compromise the interests of the Company or customers once exploited by or leaked to competitors.</p> <p>(IV) Fair trading:</p> <p>Directors or managers of the Company shall ensure fair treatment to all suppliers, customers, competitors, and employees, and must refrain from any manipulation, concealment, or abuse of information gained in relation to their positions. They are prohibited from making false disclosures of material information and exploiting improper gains through any unfair means.</p> <p>(V) Protection and proper use of Company assets:</p> <p>Directors or managers of the Company have the responsibility to protect the Company's assets and make sure that they are used effectively and legally for their intended purposes, as theft, negligence, or wastage all have a direct effect on the Company's profitability.</p> <p>(VI) Regulatory compliance:</p>	<p>Article 2: Terms</p> <p>(I) Prevention against conflict of interest:</p> <p>Directors, supervisors, or managers of the Company must not exploit their vested authorities for improper gains, whether for self, spouse, parent, child, or any 3rd-degree relative or closer. The Company shall not engage in transactions such as loan, guarantee, major asset trading, purchase (sale) of goods etc. with related enterprises of the abovementioned personnel until potential conflicts of interest (or absence thereof) have been explained to the board of directors.</p> <p>(II) Avoidance of private gains:</p> <p>Directors, supervisors, or managers of the Company shall refrain from the following: (1) Exploiting the Company's property, information, or the vested authority for opportunity of private gain; (2) Exploiting the Company's property, information, or the vested authority for private gain; (3) Competing with the Company.</p> <p>When the Company is presented with a profitable opportunity, directors, supervisors, and managers shall have the responsibility to maximize legitimate gains that are available to the Company.</p> <p>(III) Duty of confidentiality:</p> <p>Unless authorized or legally permitted, directors, supervisors, and managers are bound to maintain confidentiality over the Company's information and that of its suppliers and buyers. The types of information to be kept confidential shall include all non-public information that have the potential to compromise the interests of the Company or customers once exploited by or leaked to competitors.</p> <p>(IV) Fair trading:</p> <p>Directors, supervisors, or managers of the Company shall ensure fair treatment to all suppliers, customers, competitors, and employees, and must refrain from any manipulation, concealment, or abuse of information gained in relation to their positions. They are prohibited from making false disclosures of material information and exploiting improper gains through any unfair means.</p> <p>(V) Protection and proper use of Company assets:</p> <p>Directors, supervisors, or managers of the Company have the responsibility to protect the Company's assets and make sure that they are used effectively and legally for their intended purposes, as theft, negligence, or wastage all have a direct effect on the Company's profitability.</p>	<p>Amended to conform with regulations and to accommodate the establishment of Audit Committee.</p>

<p>Directors or managers of the Company shall strive to enhance compliance with the Securities and Exchange Act and applicable regulations.</p> <p>(VII) Encouragement for the reporting of any action that is illegal or in violation of Ethical Behavior Guidelines:</p> <p>The Company shall take pro-active steps to promote ethical awareness internally, and encourage employees to report suspicion or discovery of any violation against laws or Ethical Behavior Guidelines to the <u>Audit Committee</u>, managers, the head of Internal Audit <u>Office</u>, or other appropriate personnel. The Company <u>has implemented a whistleblowing system</u> and will duly protect whistleblowers from retaliation.</p> <p>(VIII) Disciplinary measures:</p> <p>Directors or managers who violate Ethical Behavior Guidelines <u>shall be disciplined according to relevant policies</u> and reported immediately onto Market Observation Post System with details such as the date of violation, the relevant facts, the violated guidelines, and actions taken in response to it. <u>Parties who have been penalized for violation against the Guidelines are entitled to raise appeal.</u></p>	<p>(VI) Regulatory compliance:</p> <p>Directors, supervisors, or managers of the Company shall strive to enhance compliance with the Securities and Exchange Act and applicable regulations.</p> <p>(VII) Encouragement for the reporting of any action that is illegal or in violation of Ethical Behavior Guidelines:</p> <p>The Company shall take pro-active steps to promote ethical awareness internally, and encourage employees to report suspicion or discovery of any violation against laws or Ethical Behavior Guidelines to supervisors, managers, the Chief Internal Auditor, or other appropriate personnel. The Company will duly protect whistleblowers from retaliation.</p> <p>(VIII) Disciplinary measures:</p> <p>Directors, supervisors, or managers who violate Ethical Behavior Guidelines shall be disciplined by the Company according to The Company Act and relevant internal policies, and reported immediately onto Market Observation Post System with details such as the name and position of the violator, date of violation, the relevant facts, the violated guidelines, and actions taken in response to it. The Company shall also provide violators of Ethical Behavior Guidelines the means to appeal and state reasons in a board of directors meeting, and have the board of directors determine whether an action constitutes violation through a majority vote (those involved in the violation shall recuse from decision).</p>	
<p>Article 3: Exemption applicability and procedures</p> <p>Directors or managers of the Company may be exempted from compliance with the Ethical Behavior Guidelines, provided that the decision is resolved in a board of directors meeting and timely disclosures are made on Market Observation Post System regarding the date of board-approved exemption, <u>independent directors' objections or reservations</u>, duration of exemption, reason of exemption, and applicable rules so that shareholders may evaluate whether the board's decisions are appropriate. <u>These practices will help deter unjustified or suspicious exemptions, while ensuring proper control over existing exemptions for the protection of the Company's interests.</u></p>	<p>Article 3: Exemption applicability and procedures</p> <p>Directors, supervisors, or managers of the Company may be exempted from compliance with the Ethical Behavior Guidelines, provided that the decision is resolved in a board of directors meeting and timely disclosures are made on Market Observation Post System regarding the title and name of exempted personnel, date of board-approved exemption, duration of exemption, reason of exemption, and applicable rules so that shareholders may evaluate whether the board's decisions are appropriate.</p>	<p>Amended to conform with regulations and to accommodate the establishment of Audit Committee.</p>
<p>Article 4: Disclosure method</p> <p>The Company shall disclose the Guidelines and any amendments thereof <u>on its website</u>, in annual reports, prospectus and on Market Observation Post System.</p>	<p>Article 4: Disclosure method</p> <p>The Company shall disclose the Guidelines and any amendments thereof in annual reports, prospectus and on Market Observation Post System.</p>	<p>Amended to conform with regulations.</p>
<p>Article 5: Implementation</p> <p>The Guidelines shall be implemented once approved by the board of directors, and <u>reported</u> during shareholder meeting on a later date. The same applies to subsequent amendments.</p>	<p>Article 5: Implementation</p> <p>The Guidelines shall be implemented once approved by the board of directors, and submitted for acknowledgment by supervisors and during shareholder meeting on a later date. The same applies to subsequent amendments.</p> <p>The Guidelines were first established on October 2, 2014.</p>	<p>Amended to conform with regulations and to accommodate the establishment of Audit Committee.</p>
<p>Article 6: Amendments</p> <p><u>The Guidelines were first established on October 2, 2014.</u></p> <p><u>Amendment was made on December 28, 2020.</u></p>		<p>Added revision dates.</p>

Tonlin Department Store Co., Ltd.

Comparison of Existing and Revised Articles of Incorporation

Amended clauses	Original clauses	Explanation
<p>Article 29 Annual surpluses concluded by the Company are first subject to taxation and reimbursement of losses carried from previous years, followed by a 10% provision for statutory reserve and provision or reversal of special reserves as the laws may require. Any surpluses remaining will e added to unappropriated earnings accumulated from previous years, for which the board of directors will propose an earnings appropriation plan and seek resolution in a shareholder meeting before distribution.</p> <p><u>The Company is bound by laws to make provision for special earnings reserve from unappropriated earnings carried from previous years for any net contra-equity balances accumulated under other contra-equity items in previous years before distributing earnings. If the Company is unable to make adequate provision from unappropriated earnings carried from previous years, the Company shall treat current net income and non-net income items as unappropriated earnings and make provisions accordingly.</u></p> <p>Any cash distribution of dividend, profit, statutory reserve, or capital reserve, whether in whole or in part, must be resolved in a board meeting with more than two-thirds of the board present, voted in favor by more than half of attending directors, and reported in the upcoming shareholder meeting.</p> <p>As a conventional department store, the Company experiences no major change in sales volume but foresees moderate growth.</p> <p>After taken into consideration its long-term development plans and goals of maximizing shareholders' interest, the Company has adopted a dividend policy</p>	<p>Article 29 Annual surpluses concluded by the Company are first subject to taxation and reimbursement of losses carried from previous years, followed by a 10% provision for statutory reserve and provision or reversal of special reserves as the laws may require. Any surpluses remaining will be added to unappropriated earnings accumulated from previous years, for which the board of directors will propose an earnings appropriation plan and seek resolution in a shareholder meeting before distribution.</p> <p>Any cash distribution of dividend, profit, statutory reserve, or capital reserve, whether in whole or in part, must be resolved in a board meeting with more than two-thirds of the board present, voted in favor by more than half of attending directors, and reported in the upcoming shareholder meeting.</p> <p>As a conventional department store, the Company experiences no major change in sales volume but foresees moderate growth.</p> <p>After taken into consideration its long-term development plans and goals of maximizing shareholders' interest, the Company has adopted a dividend policy that makes consistent payouts primarily in cash; however, the Company may adjust its dividend policy for the following year depending on current year's profitability, capital availability, and capital plans for the following year.</p> <p>Overall, cash dividends shall not account for less than 50% of the sum of cash dividends plus stock dividends .</p>	<p>Amended to conform with regulations and actual practices.</p>

<p>that makes consistent payouts. <u>No less than 10% of current year's distributable earnings shall be paid to shareholders as dividends</u>, and cash dividends shall not amount to less than 50% of the sum of cash dividends and stock dividends. <u>However, the Company may forgo dividend payment if distributable earnings amount to NT\$0.2 or less in a given year.</u></p>		
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Article 31	<p>The Articles of Incorporation was first established on July 5, 1982.</p> <p>The 1st amendment was made on July 17, 1982.</p> <p>The 2nd amendment was made on August 3, 1982.</p> <p>The 3rd amendment was made on December 28, 1982.</p> <p>The 4th amendment was made on January 31, 1983.</p> <p>The 5th amendment was made on August 12, 1983.</p> <p>The 6th amendment was made on August 1, 1984.</p> <p>The 7th amendment was made on March 25, 1991.</p> <p>The 8th amendment was made on November 20, 1991.</p> <p>The 9th amendment was made on June 25, 1992.</p> <p>The 10th amendment was made on September 21, 1993.</p> <p>The 11th amendment was made on June 23, 1994.</p> <p>The 12th amendment was made on May 24, 1995.</p> <p>The 13th amendment was made on May 15, 1996.</p> <p>The 14th amendment was made on May 28, 1997.</p> <p>The 15th amendment was made on June 12, 1998.</p> <p>The 16th amendment was made on June 13, 2000.</p> <p>The 17th amendment was made on May 21, 2001.</p> <p>The 18th amendment was made on June 5, 2002.</p> <p>The 19th amendment was made on June 4, 2004.</p> <p>The 20th amendment was made on May 12, 2005.</p> <p>The 21st amendment was made on May 12, 2006.</p> <p>The 22nd amendment was made on June 16, 2009.</p> <p>The 23rd amendment was made on June 15, 2010.</p> <p>The 24th amendment was made on June 22, 2011.</p>	Article 31	<p>The Articles of Incorporation was first established on July 5, 1982.</p> <p>The 1st amendment was made on July 17, 1982.</p> <p>The 2nd amendment was made on August 3, 1982.</p> <p>The 3rd amendment was made on December 28, 1982.</p> <p>The 4th amendment was made on January 31, 1983.</p> <p>The 5th amendment was made on August 12, 1983.</p> <p>The 6th amendment was made on August 1, 1984.</p> <p>The 7th amendment was made on March 25, 1991.</p> <p>The 8th amendment was made on November 20, 1991.</p> <p>The 9th amendment was made on June 25, 1992.</p> <p>The 10th amendment was made on September 21, 1993.</p> <p>The 11th amendment was made on June 23, 1994.</p> <p>The 12th amendment was made on May 24, 1995.</p> <p>The 13th amendment was made on May 15, 1996.</p> <p>The 14th amendment was made on May 28, 1997.</p> <p>The 15th amendment was made on June 12, 1998.</p> <p>The 16th amendment was made on June 13, 2000.</p> <p>The 17th amendment was made on May 21, 2001.</p> <p>The 18th amendment was made on June 5, 2002.</p> <p>The 19th amendment was made on June 4, 2004.</p> <p>The 20th amendment was made on May 12, 2005.</p> <p>The 21st amendment was made on May 12, 2006.</p> <p>The 22nd amendment was made on June 16, 2009.</p> <p>The 23rd amendment was made on June 15, 2010.</p> <p>The 24th amendment was made on June 22, 2011.</p>	Added revision dates
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The 25th amendment was made on June 5, 2012.

The 26th amendment was made on June 4, 2014.

The 27th amendment was made on June 8, 2016.

The 28th amendment was made on June 7, 2018.

The 29th amendment was made on June 28, 2019.

The 30th amendment was made on June 22, 2021.

The 25th amendment was made on June 5, 2012.

The 26th amendment was made on June 4, 2014.

The 27th amendment was made on June 8, 2016.

The 28th amendment was made on June 7, 2018.

The 29th amendment was made on June 28, 2019.

Tonlin Department Store Co., Ltd.

Comparison of existing and revised Directors Election Policy

Amended clauses	Original clauses	Cause of amendment
Article 3 Directors of the Company <u>shall be elected using the cumulative voting system.</u>	Article 3 Directors of the Company are elected using the cumulative single-registered voting method. Conference pass serial number can be used for voter registration instead.	Revised wording.
Article 4 When electing directors, each share shall be vested with voting rights equal to the number of directors to be elected. These voting rights may be concentrated on one candidate or spread across multiple candidates. Independent directors shall be elected during the same voting session as non-independent directors, and have positions allocated separately.	Article 4 When electing directors, each share shall be vested with voting rights equal to the number of directors to be elected. The board of directors will prepare ballots with voting rights equal to the number of directors to be elected and distribute them to shareholders. These ballots may be concentrated on one candidate or spread across multiple candidates. Independent directors shall be elected during the same voting session as non-independent directors, and have positions allocated separately.	Revised wording.
Article 6 <u>The convener of shareholder meeting shall produce ballots in quantities that match the number of directors to be elected, and specify the number of voting rights before distributing them to shareholder meeting participants. Conference pass serial number can be printed on the ballot for identification purpose instead of voter's name.</u>	Article 6 When preparing ballots, the board of directors shall number each ballot according to conference pass ID, and specify the number of voting rights.	Amended to conform with actual practices.
Article 8 A ballot box shall be made available by <u>the shareholder meeting convener</u> , and shall be opened for inspection by the ballot examiner prior to voting.	Article 8 A ballot box shall be made available by the board of directors, and shall be opened for inspection by the ballot examiner prior to voting.	Amended to conform with actual practices.
Article 9 <u>Ballots are considered void in any of the following circumstances:</u> <u>1. Use of ballot that is not prepared by authorized convener.</u> <u>2. Casting of blank ballot into the ballot box.</u> <u>3. Ballots with illegible writing or are altered.</u> <u>4. The identity of the candidate specified in ballot does not match the candidates list.</u> <u>5. Ballots that contain writings other than allocated votes.</u>	Article 9 If the candidate is also a shareholder, voters will have to specify both shareholder account name and number in the appropriate column of the ballot. If the candidate is not a shareholder, the candidate's name and ID card number will have to be specified on the ballot instead, and cast into the ballot box. If the candidate is a government agency or corporate entity, voters may either specify the name of the government agency/corporate entity, as described in Paragraph 1, Article 27 of the Company	Adjusted article numbering to accommodate deletion of Article 9.

	Act, or specify the names of the government agency/corporate entity and its representative, as described in Paragraph 2, Article 27 of The Company Act.	
Article 10 <u>Ballots are to be counted openly immediately after voting. The chairperson shall announce on-site the outcome of the vote.</u>	Article 10 Ballots are considered void in any of the following circumstances: <ol style="list-style-type: none"> 1. Use of ballot that does not conform with the formats specified in this Policy. 2. Casting of blank ballot into the ballot box. 3. Ballots with illegible writing or are altered. 4. Where the candidate is a shareholder, the written identity and shareholder account number do not match the shareholder registry; or where the candidate is a non-shareholder, the written name and ID card number do not match. 5. The names of two or more candidates are printed on the same ballot. 6. Ballots that contain writings other than the candidate's name and shareholder account number (or ID card number). 7. The candidate's name written on the ballot coincides with another shareholder, but no shareholder account number or ID card number is provided for identification. 	Adjusted article numbering.
Article 11 <u>Any details that are not addressed in this Policy shall be governed by The Company Act and relevant regulations.</u>	Article 11 A ballot box shall be prepared for director election, and opened by the ballot examiner after voting is completed.	Adjusted article numbering.
Article 12 <u>This Policy shall take effect once approved during shareholder meeting; the same applies to all subsequent revisions. The Policy was first established on June 5, 2002. The 1st amendment was made on June 7, 2018. The 2nd amendment was made on June 22, 2021.</u>	Article 12 Ballots are to be counted openly immediately after voting. The chairperson shall announce on-site the outcome of the vote.	Adjusted article numbering and added revision date.
Article 13 Deleted.	Article 13 Any details that are not addressed in this Policy shall be governed by The Company Act and relevant regulations.	

<p>Article 14 Deleted.</p>	<p>Article 14 This Policy shall take effect once approved during shareholder meeting; the same applies to all subsequent revisions.</p> <p>The Policy was first established on June 5, 2002.</p> <p>The 1st amendment was made on June 7, 2018.</p>	
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The 2021 annual general meeting of Tonlin Department Store Co., Ltd.

List of Director (including Independent Director) Candidate Nominees

Title	Nationality or place of registration	Name	Gender	Academic background	Career highlights	No. of shares held (shares)
Director	The Republic of China	Su Chien-I	Male	Department of Accounting & Statistics, Takming University of Science and Technology	Chung Hsiao Enterprise - Chairperson, YUNG YUAN INVESTMENT - Chairperson (corporate representative) DeHome Development - Director (corporate representative) Te Li Construction - Finance Manager, Wen Pu Construction - Vice President	5,581,075
Director	The Republic of China	JIN INVESTMENT CO., LTD.				6,835,060
	The Republic of China	Representative: Su Yong-Chun	Female	University of Melbourne Master of Education	JIN INVESTMENT - Supervisor SHUN TAI INVESTMENT - Director (corporate representative)	1,537,241
Director	The Republic of China	BigSun Investment Co., Ltd.				5,002,000
	The Republic of China	Representative: Huang Chung-shang	Male	Masters Degree, Experimental Statistics Division, Department of Agronomy, National Taiwan University	BigSun Investment, Wholesome Life Science, Mushroom Technology, and Universal Innovation - Chairperson JIA FONG INVESTMENT - Chairperson (corporate representative) FySun Development - Director GUAN QUAN and SHUN TAI INVESTMENT - Director (corporate representative)	6,353,544
Director	The Republic of China	JIN DUO LIH ENTERPRISES PTY. LTD.				22,936,442
	The Republic of China	Representative: Weng Chun-Chih	Male	Taipei Kai-Nan High School	JIN DUO LIH ENTERPRISES, Weng Huang Chin Social Welfare Foundation - Chairperson GUAN QUAN, SHUEN SHYANG - Chairperson (corporate representative) JIA FONG INVESTMENT, YUNG YUAN INVESTMENT, and DeHome Development - Director (corporate representative) Chung Hsiao Enterprise - Director Wang Yu Mei Enterprise - Person-in-charge	22,515,920
	The Republic of China	Representative: Weng Jun-I	Female	Masters Degree, Faculty of Arts, Waseda University	Tonlin Department Store - CFO, U-Cher Information Co., Ltd. - Chairperson JIN DUO LIH ENTERPRISES - Director, SHUEN SHYANG - Director (corporate representative) SHUN TAI INVESTMENT - Chairperson (corporate representative) JIA FONG INVESTMENT, YUNG YUAN INVESTMENT, and DeHome Development - Supervisor (corporate representative)	3,544,339
	The Republic of China	Representative: Weng Hua-Tieng	Male	Master of Public Administration, University of Southern California	SHUEN SHYANG - Director (corporate representative) JIN DUO LIH ENTERPRISES - Director, Chia Yu Company - Chairperson SHUN TAI INVESTMENT - Supervisor (corporate representative) DeHome Development - Vice Chairperson (corporate representative), Te Chou Construction - Special Assistant Jinduoli Food (Dongguan) - Chairperson's Special Assistant Food Junction Holding Ltd. - Manager	3,715,682
	The Republic of China	Representative: Wang Hua-li	Male	School of Political Science and Economics, Mofei University	Tonlin Department Store - President, Shang Wai Company - Chairperson YUNG YUAN INVESTMENT, DeHome Development, and SHUEN SHYANG - Director (corporate representative) JIN DUO LIH ENTERPRISES and Weng Huang Chin Foundation - Director GUAN QUAN - Supervisor (corporate representative) Te Chou Construction - Special Assistant	5,265,999

Independent Director	The Republic of China	Lu Yu-Ting	Male	Department of Business Administration, National Taipei University of Business	Melvita Taiwan Ltd. - Chairperson Albert Investment Co., Ltd. - Chairperson, L'Occitane Taiwan Limited - President Wei Li Yang Company - Chairperson and President	0
Independent Director	The Republic of China	Chan Shan-Hua	Male	Department of Civil Engineering, Feng Chia University	Ken Tai Construction Co., Ltd. - Chairperson Chen Chuan Co., Ltd. - Chairperson Kental Construction Co., Ltd. - Supervisor Hong Wan Co., Ltd. - Supervisor Yu Fu Co., Ltd. - Supervisor	0
Independent Director	The Republic of China	Yang Wen-Ching	Male	Ph.D. in Economic Law, Peking University Law School	Cheng Shin Law Firm - Director Ever Rich Asset Management Co., Ltd. - Chairperson Nanplus Limited (Cayman) Taiwan Branch-Director Chih-Chin Financial Consultancy, and Changsin Consulting Company - Director International Bills Finance Corporation - Director (corporate representative) SHENMAO Technology Inc. - Independent Director	0

Attachment 10

The 2021 annual general meeting of Tonlin Department Store Co., Ltd.
Details on removal of directors' competing business involvement

Name	Company of concurrent involvement	Role
Su Chien-I	Chung Hsiao Enterprise Co., Ltd.	Chairman
WENG CIUN-CHIH	JIN DUO LIH ENTERPRISES PTY. LTD. SHUEN SHYANG CO., LTD. Chung Hsiao Enterprise Co., Ltd.	Chairman Chairman Directors
Weng Ju-I	JIN DUO LIH ENTERPRISES PTY. LTD. SHUEN SHYANG CO., LTD. Yu Chen Co., Ltd.	Directors Directors Chairman
Weng Hua-Tieng	JIN DUO LIH ENTERPRISES PTY. LTD. SHUEN SHYANG CO., LTD. Chia Yu Co., Ltd.	Directors Directors Chairman
Weng Hua-Li	JIN DUO LIH ENTERPRISES PTY. LTD. SHUEN SHYANG CO., LTD. Sheng Wei Co., Ltd.	Directors Directors Chairman
HUANG CHUNG-SHENG	BigSun Investment Co., Ltd. Wholesome Life Science Co., Ltd. Mushroom Technology Co., Ltd. Universal Innovation Co., Ltd. FlySun Development Co., Ltd.	Chairman Chairman Chairman Chairman Directors
SU YONG-CHUN	UN INVESTMENT CO., LTD.	Supervisor
Chan Shen-Hua	Ken Tai Construction Co., Ltd. Chen Chuan Co., Ltd.	Chairman Chairman
Yang Wen-Ching	Ever Rich Asset Management Co., Ltd. Cheng Shin Law Firm SHENMAO Technology Inc. International Bills Finance Corporation Nanoplus Limited (Cayman) Taiwan Branch Chih Chin Financial Consultancy Chengsin Consulting Company	Chairman Director Independent Director Director (corporate representative) Directors Directors Directors
Lu Yu Ting	Melvita Taiwan Ltd. Albert Investment Co., Ltd.	Chairman Chairman

Appendix 1

Tonlin Department Store Co., Ltd.
Directors' Shareholding

(I) Minimum shareholding required from all directors and quantity shown in shareholders registry:

Title	Required shareholding	Quantity shown in shareholders registry
Director	12,000,000 shares	40,355,577 shares

Note: Book closure start date: April 24, 2021

(II) Details of directors' shareholding

Title	Name	Quantity shown in shareholders registry	Remarks
Chairman	Su Chien-I	5,581,075 shares	
Director	UN INVESTMENT CO., LTD.	6,836,060 shares	Representative: Su Yong-Chun
Director	JIN DUO LIH ENTERPRISES PTY. LTD.	22,936,442 shares	Representative: Weng Chun-Chih Weng Ju-I Weng Hua-Tieng Weng Hua-Li
Director	BigSun Investment Co., Ltd.	5,002,000 shares	Representative: Huang Chung-Sheng
Independent Director	Chan Shen-Hua	0	
Independent Director	Lu Yu Ting	0	
Independent Director	Yang Wen-Ching	0	

Note: Book closure start date: April 24, 2021

Tonlin Department Store Co., Ltd.

Shareholder Meeting Conference Rules

- I. Unless otherwise specified in law, shareholder meetings of the Company shall proceed according to the Conference Rules.
- II. An attendance log shall be prepared to record shareholders' attendance; alternatively, shareholders may present attendance cards to signify their presence.
The number of shares represented in a meeting is calculated based on attendance log records or the attendance cards collected, plus the number of shares that have voting rights exercised in writing or through electronic means.
- III. Attendance and votes in a shareholder meeting are calculated based on the number of shares represented.
- IV. Shareholder meetings shall be held at locations that are suitable and convenient for shareholders to attend. Meetings must not commence anytime earlier than 9AM or later than 3PM.
- V. Shareholder meetings that are convened by the board of directors shall be chaired by the Chairman. If the Chairman is on leave or is unable to exercise duties for any reason, the Vice Chairman will act on behalf; if there is no Vice Chairman or if the Vice Chairman is also on leave or is unable to exercise duties for any reason, the Chairman may appoint one managing director to assume acting duty; if there is no managing director, one of the directors shall be appointed to perform acting duty; if no delegate is appointed by the Chairman, one shall be appointed among managing directors or directors. If the shareholder meeting is convened by any entitled party other than the board of directors, the convener will act as the meeting chairperson. If there are two or more authorized conveners, one shall be appointed among them to act as the meeting chairperson.
- VI. The Company may summon its lawyers, certified public accountants, and any relevant personnel to be present at shareholder meetings.
Organizers of the shareholder meeting must wear proper identification or arm badges.
- VII. The Company's shareholder meetings must be recorded in video or audio, and kept for at least 1 year.
- VIII. The chairperson should announce commencement of meeting as soon as it is due. However, if current attendees represent less than half of the Company's outstanding shares, the chairperson may announce to postpone the meeting up to two times, for a period totaling no more than one hour. If attending shareholders still represent more than one-third but less than half of outstanding shares after two postponements, the attending shareholders may reach a tentative resolution according to Paragraph 1, Article 175 of The Company Act.
If the number of shares represented accumulate to more than half of all outstanding shares as the meeting progresses, the chairperson may propose the tentative resolutions for final voting according to Article 174 of The Company Act.
- IX. For shareholder meetings that are convened by the board of directors, the board of directors will determine the meeting agenda. The agenda can not be changed unless resolved during the shareholder meeting.
The above rule also applies to shareholder meetings that are convened by any entitled party other than the board of directors.
In either of the two arrangements described above, the chairperson can not dismiss the meeting while a motion (including special motions) is still in progress. If the chairperson violates shareholder conference rules by calling for adjournment when it is not allowed to do so, attending shareholders may elect another chairperson with the support of more than half of voting rights represented on-site to continue the meeting.
Once a meeting is adjourned, shareholders may not elect to continue the meeting with another chairperson or at a different venue.
- X. Shareholders who wish to speak during the meeting must produce an opinion slip detailing the topic, shareholder ID (or the attendance ID serial) and shareholder's name. The order of shareholders' comments is determined by the chairperson.

Shareholders who submit an opinion slip without actually speaking are considered to have remained silent. If the shareholder's actual comments differ from those stated in the opinion slip, the actual comments expressed shall be taken into record.

While a shareholder is speaking, other shareholders can not speak simultaneously or interfere in any way unless agreed by the chairperson and the person speaking. The chairperson shall restrain any person who violates this process.

- XI. Shareholders cannot speak for more than two times, for 5 minutes each, on the same topic without the consent of the chairperson.

The chairperson may restrain shareholders who are in violation of the above rule or interrupt any comments that are irrelevant to the topics discussed.

- XII. Corporate entities may only appoint one representative to attend shareholder meetings.

Where a corporate shareholder has appointed two or more representatives to attend the shareholder meeting, only one representative may speak per motion.

- XIII. After a shareholder has finished speaking, the chairperson may answer the shareholder's queries personally or appoint any relevant personnel to do so.

- XIV. The chairperson may announce to discontinue further discussion if the topic is considered to have been sufficiently discussed to proceed with voting.

- XV. The chairperson shall appoint ballot examiners and ballot counters to support the voting process. The ballot examiner must be a shareholder.

Outcome of a vote shall be documented and announced on site.

- XVI. The chairperson may call the meeting into recess at a suitable time.

- XVII. Unless otherwise regulated by The Company Act or stated in the Articles of Incorporation, a motion is passed when supported by shareholders representing more than half of total voting rights in the meeting.

- XVIII. In cases where several amendment or alternative solutions have been proposed at the same time, the chairperson shall determine the order in which proposals are to be voted. However, if any solution is passed, all other proposals shall be deemed rejected and no further voting is necessary.

- XIX. The chairperson may assign disciplinary officers (or security staff) to help maintain order in the meeting. While maintaining order in the meeting, all disciplinary officers (or security staff) shall wear arm badges that identify their role as "Disciplinary Officer."

- XX. Any matters that are not addressed in the Rules shall be governed by The Company Act and Articles of Incorporation.

- XXI. The above rules shall take effect immediately once approved during shareholder meeting; the same applies to all subsequent revisions.

The Rules were first established on June 12, 1998.

Amendments were made on June 5, 2002.

Amendments were made on June 22, 2020.

Appendix 3

Tonlin Department Store Co., Ltd.

Articles of Incorporation

Chapter One General Provisions

- Article 1 The Company is incorporated in accordance with The Company Act, and has been named Tonlin Department Store Co., Ltd.
- Article 2 The Company's industry classifications are
1. F301010 Department Stores.
 2. F301020 Supermarkets.
 3. F401010 International Trade.
 4. F501060 Restaurants.
 5. G202010 Parking area Operators.
 6. H701010 Housing and Building Development and Rental.
 7. H703100 Real Estate Leasing.
 8. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3 The Company may offer guarantee to external parties as needed for business activities, subject to the Company's endorsement and guarantee procedures.
- Article 4 The Company is headquartered in Taipei City, and may establish domestic or foreign branches subject to board of directors' approval.
- Article 5 Public announcements shall be duly made in accordance with the methods described in Article 28 of The Company Act.

Chapter Two Share Capital

- Article 6 The Company may become limited liability shareholder of other companies; its total investments are not subject to the "40% paid-up capital" restriction imposed under Article 13 of The Company Act, but the amount of which is to be determined by board of directors of the Company.
- Article 7 The Company has an authorized capital of Three Billion New Taiwan Dollars in three hundred million shares. Each share has a face value of Ten New Taiwan Dollars. The board of directors is authorized to issue this capital in multiple offerings.
- Article 8 Share certificates of the Company shall be issued with the signature or seal of director(s) capable of representing the Company and with the certification of a bank that is legally permitted to act as a share certificate certifier. Shares of the Company may be issued in non-tangible form, subject to registration with Taiwan Depository & Clearing Corporation.
- Article 9 Unless otherwise specified by law and securities regulation, issues concerning transfer of share ownership, pledge of shares, loss of share certificate, ownership inheritance, gifting, loss/change of seal, change of address, and share-related affairs shall be handled according to "Regulations Governing the Administration of Shareholder Services of Public Companies."
- Article 10 Transfer of share ownership shall be suspended during the 60 days prior to an annual general meeting, or during the 30 days prior to an extraordinary shareholder meeting, or during the 5 days prior to the baseline date of dividend, profit sharing, or rights distribution.

Chapter Three Shareholder Meetings

- Article 11 The Company holds two types of shareholder meeting: the annual general meeting and extraordinary shareholder meeting. The annual general meeting is held once a year within six months by the board of directors after the end of an accounting period, whereas extraordinary shareholder meetings may be held whenever deemed necessary, subject to compliance with the relevant laws.
- Article 12 Convention of an annual general meeting shall be communicated to shareholders with details including date, venue and agenda at least 30 days in advance, or 15 days in advance for extraordinary shareholders meetings.
- Article 13 If a shareholder is unable to attend the shareholder meeting in person, a proxy can be appointed by completing the Company's proxy form and by specifying the scope of delegated authority. However, a proxy may not represent more than 3% of total voting rights in aggregate when representing two or more shareholders during the meeting. Voting rights that exceed this threshold shall be excluded from calculation. Matters concerning the use of proxy form shall also comply with "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies."
- Article 14 Unless otherwise regulated by laws, shareholders shall be entitled to one voting right for every share held.
- Article 15 Except otherwise regulated by The Company Act, a shareholder meeting resolution is passed when more than 50% of all outstanding shares are represented in the meeting, and that the motion is voted in favor by more than 50% of all voting rights represented at the meeting.
- The Company's shareholders may also vote using electronic means. Shareholders who vote using the electronic method are considered to have attended the shareholder meeting in person. Electronic voting shall proceed as regulated by law.
- Article 16 Shareholder meetings that are convened by the board of directors shall be chaired by the Chairman; if the Chairman is absent, a person of acting duty shall be appointed according to Article 208 of The Company Act. For shareholder meetings that are convened by any authorized party other than the board of directors, the convener shall chair the meeting. If two or more parties are equally eligible to serve as convener, one shall be elected among themselves to serve as convener.
- Article 17 Shareholder meeting resolutions shall be compiled into detailed minutes, signed or sealed by the chairperson, and disseminated to each shareholder by no later than 20 days after the meeting. Preparation and distribution of meeting minutes can be made in electronic form.
- Distribution of meeting minutes, as mentioned in Paragraph 1, may proceed by way of public announcement.

Chapter Four Directors

- Article 18 The Company shall have 9 to 11 directors who are elected using the nomination system from the list of director candidates presented during the shareholder meeting. Directors shall serve a term of 3 years, which is renewable if re-elected. The minimum number of shares to be held in aggregate of all board members shall comply with the rules of the authority.
- The number of directors mentioned above shall include no fewer than three independent directors. Independent directors shall be elected during shareholder meeting from the list of nominated candidates using the nomination system. Restrictions concerning independent directors' eligibility, shareholding, concurrent employment, nomination, method of election and all other compliance issues are governed by relevant laws of the authority.
- The Company shall comply with Article 14-4 of the Securities and Exchange Act by assembling an Audit Committee that consists entirely of independent directors. All matters relating to the Audit Committee, its members, and exercise of duties shall comply with rules of the securities authority.
- Article 19 If the board loses more than one-third of its directors or if independent directors are entirely dismissed, the board of directors shall convene an extraordinary shareholder meeting within 60 days to elect new members for the shortfall. In which case, the newly elected members shall serve the remaining term of the existing board.

- Article 20 The board of directors shall appoint one Chairman during a board meeting with more than two-thirds of directors present, and with the support of more than half of all attending directors. The Chairman serves as the Company's representative to the outside world.
- Article 21 Convention of a board of directors meeting must be advised to all directors with detailed agenda at least 7 days in advance. However, meetings can be held in shorter notice in case of emergency.
The abovementioned meeting advice can be delivered via written correspondence, fax, or electronic form.
- Article 22 If the Chairman is unable to perform duties due to leave of absence or any reason, a delegate shall be appointed in accordance with Article 208 of the Company Act.
- Article 23 Unless otherwise regulated by The Company Act, board resolution is passed only if more than half of total board members are present in a meeting, and with more than half of attending directors voting in favor.
A director who has a personal interest in the matter under discussion at a board meeting shall explain to the board meeting the essential contents of such personal interest.
Directors who are unable to attend personally may appoint other directors to attend on their behalf, by issuing a proxy form detailing the scope of authority delegated to the proxy attendee. Each director can only represent the presence of one other director.
- Article 24 Details of board meeting shall be recorded in minutes and signed or sealed by the chairperson. Minutes are to be distributed to directors and supervisors within 20 days after each meeting. The minutes shall contain details including the date and venue of meeting, the name of chairperson, the method of resolution, and the progress and outcome of each motion. The minutes, the attendance log, and proxy forms shall be retained within the Company.
- Article 25 The Company may compensate directors regardless of the state of its profitability. The board of directors is authorized to determine the level of compensation based on individual directors' participation and contribution to the Company's operations, and in reference to industry peers.
Directors or shareholders who concurrently serve as employees shall be paid salaries at the same rate as ordinary employees.
The board of directors may purchase liability insurance covering the entire board over the duration of service if necessary, provided that the proposal is raised in a board meeting with more than half of all directors present and supported by more than half of attending directors

Chapter FiveManagers

- Article 26 The Company shall have one President and numerous vice president and manager positions. Appointment, dismissal, and compensation of whom shall comply with Article 29 of The Company Act.

Chapter SixAccounting

- Article 27 The board of directors shall prepare: (1) A Business Report, (2) Financial statements, and (3) Earnings appropriation or loss reimbursement proposal at the end of each financial year. The above documents shall be presented for acknowledgment during annual general meeting.
- Article 28 Profits concluded from a financial year are subject to employee remuneration of 0.1%-4% and director remuneration of no more than 4%. However, profits must first be reserved to offset against cumulative losses (including adjustments to unappropriated earnings) if any.
Employee remuneration, as mentioned in the preceding Paragraph, can be paid in cash or in shares. Payments may also be made to employees of subordinate companies that satisfy the eligibility criteria. The above director remuneration can only be paid in cash.
The two decisions above are resolved by the board of directors and reported during the next shareholder meeting.

Article 29 Annual surpluses concluded by the Company are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for statutory reserves and provision or reversal of special reserves as the laws may require. Any surpluses remaining will be added to unappropriated earnings accumulated from previous years, for which the board of directors will propose an earnings appropriation plan and seek resolution in a shareholder meeting before distribution.

Any cash distribution of dividend, profit, statutory reserve, or capital reserve, whether in whole or in part, must be resolved in a board meeting with more than two-thirds of the board present, voted in favor by more than half of attending directors, and reported in the upcoming shareholder meeting.

As a conventional department store, the Company experiences no major change in sales volume but foresees moderate growth. After taken into consideration its long-term development plans and goals of maximizing shareholders' interest, the Company has adopted a dividend policy that makes consistent payouts primarily in cash; however, the Company may adjust its dividend policy for the following year depending on current year's profitability, capital availability, and capital plans for the following year. Overall, cash dividends shall not account for less than 50% of the sum of cash dividends plus stock dividends.

Chapter Seven Supplemental Provisions

Article 30 Any matters that are not addressed in the Articles of Incorporation shall be governed by The Company Act and relevant regulations.

Article 31 The Articles of Incorporation was first established on July 5, 1982.

The 1st amendment was made on July 17, 1982.

The 2nd amendment was made on August 3, 1982.

The 3rd amendment was made on December 28, 1982.

The 4th amendment was made on January 31, 1983.

The 5th amendment was made on August 12, 1983.

The 6th amendment was made on August 1, 1984.

The 7th amendment was made on March 25, 1991.

The 8th amendment was made on November 20, 1991.

The 9th amendment was made on June 25, 1992.

The 10th amendment was made on September 21, 1993.

The 11th amendment was made on June 23, 1994.

The 12th amendment was made on May 24, 1995.

The 13th amendment was made on May 15, 1996.

The 14th amendment was made on May 28, 1997.

The 15th amendment was made on June 12, 1998.

The 16th amendment was made on June 13, 2000.

The 17th amendment was made on May 21, 2001.

The 18th amendment was made on June 5, 2002.

The 19th amendment was made on June 4, 2004.

The 20th amendment was made on May 12, 2005.

The 21st amendment was made on May 12, 2006.

The 22nd amendment was made on June 16, 2009.

The 23rd amendment was made on June 15, 2010.

The 24th amendment was made on June 22, 2011.

The 25th amendment was made on June 5, 2012.

The 26th amendment was made on June 4, 2014.

The 27th amendment was made on June 8, 2016.

The 28th amendment was made on June 7, 2018.

The 29th amendment was made on June 28, 2019.

Tonlin Department Store Co., Ltd.
Ethical Behavior Guidelines

Article 1 Purpose

The following guidelines have been established to promote understanding and compliance of ethical standards for the Company's directors, supervisors, and managers (including the President or equivalent grade, vice presidents or equivalent grade, assistant vice presidents of equivalent grade, head of finance, head of accounting, and other managerial positions and authorized signatories within the Company) as well as stakeholders.

Article 2 Terms

(I) Prevention against conflict of interest:

Directors, supervisors, or managers of the Company must not exploit their vested authorities for improper gains, whether for self, spouse, parent, child, or any 3rd-degree relative or closer. The Company shall not engage in transactions such as loan, guarantee, major asset trading, purchase (sale) of goods etc. with related enterprises of the abovementioned personnel until potential conflicts of interest (or absence thereof) have been explained to the board of directors.

(II) Avoidance of private gains:

Directors, supervisors, or managers of the Company shall refrain from the following: (1) Exploiting the Company's property, information, or the vested authority for opportunity of private gain; (2) Exploiting the Company's property, information, or the vested authority for private gain; (3) Competing with the Company.

When the Company is presented with a profitable opportunity, directors, supervisors, and managers shall have the responsibility to maximize legitimate gains that are available to the Company.

(III) Duty of confidentiality:

Unless authorized or legally permitted, directors, supervisors, and managers are bound to maintain confidentiality over the Company's information and that of its suppliers and buyers. The types of information to be kept confidential shall include all non-public information that have the potential to compromise the interests of the Company or customers once exploited by or leaked to competitors.

(IV) Fair trading:

Directors, supervisors, or managers of the Company shall ensure fair treatment to all suppliers, customers, competitors, and employees, and must refrain from any manipulation, concealment, or abuse of information gained in relation to their positions. They are prohibited from making false disclosures of material information and exploiting improper gains through any unfair means.

(V) Protection and proper use of Company assets:

Directors, supervisors, or managers of the Company have the responsibility to protect the Company's assets and make sure that they are used effectively and legally for their intended purposes, as theft, negligence, or wastage all have a direct effect on the Company's profitability.

(VI) Regulatory compliance:

Directors, supervisors, or managers of the Company shall strive to enhance compliance with the Securities and Exchange Act and applicable regulations.

(VII) Encouragement for the reporting of any action that is illegal or in violation of Ethical Behavior Guidelines:

The Company shall take pro-active steps to promote ethical awareness internally, and encourage employees to report suspicion or discovery of any violation against laws or Ethical Behavior Guidelines to supervisors, managers, the Chief Internal Auditor, or other appropriate personnel. The Company will duly protect whistleblowers from retaliation.

(VIII) Disciplinary measures:

Directors, supervisors, or managers who violate Ethical Behavior Guidelines shall be disciplined by the Company according to The Company Act and relevant internal policies, and reported immediately onto Market Observation Post System with details such as the name and position of the violator, date of violation, the relevant facts, the violated guidelines, and actions taken in response to it. The Company shall also provide violators of Ethical Behavior Guidelines the means to appeal and state reasons in a board of directors meeting, and have the board of directors determine whether an action constitutes violation through a majority vote (those involved in the violation shall recuse from decision).

Article 3 Exemption applicability and procedures

Directors, supervisors, or managers of the Company may be exempted from compliance with the Ethical Behavior Guidelines, provided that the decision is resolved in a board of directors meeting and timely disclosures are made on Market Observation Post System regarding the title and name of exempted personnel, date of board-approved exemption, duration of exemption, reason of exemption, and applicable rules so that shareholders may evaluate whether the board's decisions are appropriate.

Article 4 Disclosure method

The Company shall disclose the Guidelines and any amendments thereof in annual reports, prospectus and on Market Observation Post System.

Article 5 Implementation

The Guidelines shall be implemented once approved by the board of directors, and submitted for acknowledgment by supervisors and during shareholder meeting on a later date. The same applies to subsequent amendments.

The Guidelines were first established on October 2, 2014.

Appendix 5

Tonlin Department Store Co., Ltd.

Directors Election Policy

- Article 1 Election of directors shall proceed according to the terms of this Policy.
- Article 2 Director elections shall be held during shareholder meetings. Elections shall proceed using to the nomination system mentioned in Article 192 of The Company Act.
- Article 3 Directors of the Company are elected using the cumulative single-registered voting method. Conference pass serial number can be used for voter registration instead
- Article 4 When electing directors, each share shall be vested with voting rights equal to the number of directors to be elected. The board of directors will prepare ballots with voting rights equal to the number of directors to be elected and distribute them to shareholders. These ballots may be concentrated on one candidate or spread across multiple candidates.
Independent directors shall be elected during the same voting session as non-independent directors, and have positions allocated separately.
- Article 5 Candidates who receive the highest number of votes are assigned the role of director, until the number of director seats mentioned in the Articles of Incorporation are fully filled.
If two or more candidates receive the same number of votes, they shall draw for the remaining seats available. The chairperson will draw on behalf of those who are absent during the meeting.
- Article 6 When preparing ballots, the board of directors shall number each ballot according to conference pass ID, and specify the number of voting rights.
- Article 7 Before the election begins, the chairperson shall appoint ballot examiners and ballot counters to perform various duties relating to the election.
- Article 8 A ballot box shall be made available by the board of directors, and shall be opened for inspection by the ballot examiner prior to voting.
- Article 9 If the candidate is also a shareholder, voters will have to specify both shareholder account name and number in the appropriate column of the ballot. If the candidate is not a shareholder, the candidate's name and ID card number will have to be specified on the ballot instead, and cast into the ballot box. If the candidate is a government agency or corporate entity, voters may either specify the name of the government agency/corporate entity, as described in Paragraph 1, Article 27 of the Company Act, or specify the names of the government agency/corporate entity and its representative, as described in Paragraph 2, Article 27 of The Company Act.
- Article 10 Ballots are considered void in any of the following circumstances:
1. Use of ballot that does not conform with the formats specified in this Policy.
 2. Casting of blank ballot into the ballot box.
 3. Ballots with illegible writing or are altered.

4. Where the candidate is a shareholder, the written identity and shareholder account number do not match the shareholder registry; or where the candidate is a non-shareholder, the written name and ID card number do not match.
5. The names of two or more candidates are printed on the same ballot.
6. Ballots that contain writings other than the candidate's name and shareholder account number (or ID card number).
7. The candidate's name written on the ballot coincides with another shareholder, but no shareholder account number or ID card number is provided for identification.

Article 11 A ballot box shall be prepared for director election, and opened by the ballot examiner after voting is completed.

Article 12 Ballots are to be counted openly immediately after voting. The chairperson shall announce on-site the outcome of the vote.

Article 13 Any details that are not addressed in this Policy shall be governed by The Company Act and relevant regulations.

Article 14 This Policy shall take effect once approved during shareholder meeting; the same applies to all subsequent revisions.

The Policy was first established on June 5, 2002.

The 1st amendment was made on June 7, 2018.