

Stock Code: 2910

Tonlin Department Store Co., Ltd.

2020

The Annual Report

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

MOPS
Securities and Futures Institute
Tonlin Department Store Co., Ltd.

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IV. Stock Transfer Agency:

Name: Stock Affair Agency Department, Grand Fortune Securities Co.,Ltd

Address: 6F, No. 6, Zhongxiao W. Rd., Section 1, Taipei City

Tel: (02) 2371-1658

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

V. CPAs Certified the Financial Statements of the Recent Year

Name: Huang, Hsiu-Chun; Jeff Chen

Name of Accounting Firm: Deloitte Taiwan

Address: 20F, No. 100, Songren Rd., Xinyi District, Taipei City

Tel: (02) 2725-9988

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

VI. Name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities: none

VII. The Company's Website

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

Table of Contents

One. Report to the shareholders	1
Two. Company profile	
I. Date of establishment	5
II. Company history	5
Three. Corporate governance report	
I. Organization and system	9
II. Information of Directors, President, Vice Presidents, and Management Team	11
III. Remuneration paid to directors, president and vice presidents for the recent years	17
IV. Operation of corporate governance	23
V. Professional service fee of CPAs	54
VI. Replacement of CPAs	55
VII. The company's Chairman, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm	55
VIII. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report.	56
IX. Information on top ten shareholders and their mutual relationship as spouse or blood relative within the second degree:	58
X. Number of shares and consolidate percentage of the company, directors, supervisor, managers and the businesses that are controlled by the company directly or indirectly on the invested company	59
Four. Information on capital raising activities	
I. Capital and shares	60
II. Corporate bonds	65
III. Preferred shares	65
IV. Global depository receipts	65
V. Employee stock warrants	65
VI. New restricted employee shares	65
VII. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies	65
VIII. Status of implementation of capital allocation plans	65
Five. Overview of operations	
I. Description of the business	66
II. Overview of market and sales	68
III. Employees	73
IV. Disbursements for environmental protection	73
V. Labor relations	73
VI. Important contracts	74

Six. Overview of the company's financial status	
I. Condensed balance sheet and comprehensive income statement of most recent five years	75
II. Financial analysis of most recent five years	77
III. Audit report of the financial statements of the recent year from the Audit Committee	82
IV. Financial statements of the recent year	83
V. Parent-company only financial statements of the recent year, audited by the CPAs	156
VI. For the most recent year until the publication date of the annual report, financial position impacted by insolvency incidents encountered by the Company and affiliates	227
Seven. Review and analysis of the company's financial position and financial performance, and a listing of risks	
I. Financial position	228
II. Financial performance	229
III. Cash flow	230
IV. Impacts of major capital expenditures in the most recent year to financial performance	230
V. Causes of profit or loss incurred on re-investments in the most recent year, any improvement plan and the investment plan for the next year	230
VI. Assessment of risks	231
VII. Other important matters.	233
Eight. Other items deserving special mention	
I. Information related to affiliates	234
II. Private placement of securities in the most recent year until the publication date of the annual report	237
III. The shareholding or disposal of shares of the Company by subsidiaries in the most recent year until the publication date of the annual report	237
IV. Other supplementary information	237
V. Any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during the most recent fiscal year up to the date of publication of the annual report	237

One. Report to the shareholders

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 thousands

Unit: NTD

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 NTS95,736,000 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
FPS	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



Two. Company profile

I. Date of establishment

Headquarter in Taipei: August 18, 1982

Taoyuan Branch: September 19, 1995

II. Company history

- August 1982 Established by Kao, Cheng-Hsi and others. The approved capital at the establishment was NT\$70,000,000, and the paid-in capital was NT\$22,400,000. The Chairman was Mr. Kao, Cheng-Hsi.
- September 1983 To raise the fund to buy a mall, the capital was increased by NT\$59,600,000; the capital became NT\$82,000,000 after the capital increase.
- August 1984 Increased the capital by NT\$38,000,000, and the capital increased to NT\$120,000,000.
- November 1984 The preparation of the department store bought by the Company at No. 201, Zhongxiao E. Sec. 4, Taipei City was completed, and officially opened on November 17, 1984 for trading various goods, and leasing the supermarket and stalls
- August 1987 A piece of commercial land of 7272.76 m² at Zhongzheng Rd., Taoyuan City was bought, to build a department store and commercial building, for expanding to a new location. Mr. Weng, Chun-Chih was elected as the Chairman and President by the resolution of the Board of directors
- March 1992 Through the resolution of extraordinary shareholders' meeting in November 1991, NT\$78,000,000 from the capital reserves was transferred for capital increase; the capital became NT\$198,000,000 after the capital increase.
- June 1992 Through the resolution of the shareholders' meeting, NT\$22,572,000 from the capital reserves and NT\$7,128,000 from surplus reserve, totaled NT\$29,700,000 was transferred for capital increase. And the share public offering was completed later as required by laws. Separately. As the Chairman Mr. Weng, Chun-Chih resigned, Mr. Su, Chien-Chu was elected as the Chairman and President.
- September 1992 The shares were permitted for the public offering by the Securities Management Commission, MOF.
- November 1992 The properties at No. 209 and 213 Zhongxiao E. Sec. 4, Taipei City were bought to expand the operating floor space of the Taipei Headquarter.
- December 1992 Through the resolution of extraordinary shareholders' meeting in August 1992, the capital increase approved by the resolution of AGM on June 25, 1992 was amended, to transfer NT\$19,602,000 from the capital reserves and NT\$10,098,000 from surplus reserve, totaled NT\$29,700,000, for capital increase; the capital became NT\$227,700,000 after the capital increase.
- December 1992 Purchased a piece of lands at the Wuling Sub-section, Taoyuan Section, Taoyuan City from Zhongxiao Entertainment Co., Ltd., for as the operation land for the Taoyuan Branch.
- April 1993 The construction of Taoyuan Branch commenced. A half of the land at the Zhongzheng Rd., Taoyuan City was used to build a modern commercial department store of four levels underground and 12 levels above the ground. The construction was completed in 1995.
- June 1993 Sold the lands at Land No. 114-37 and 114-38 at the Wuling Sub-section, Taoyuan Section, Taoyuan City to De Yin Co., Ltd for raising funds for the construction of Taoyuan Branch

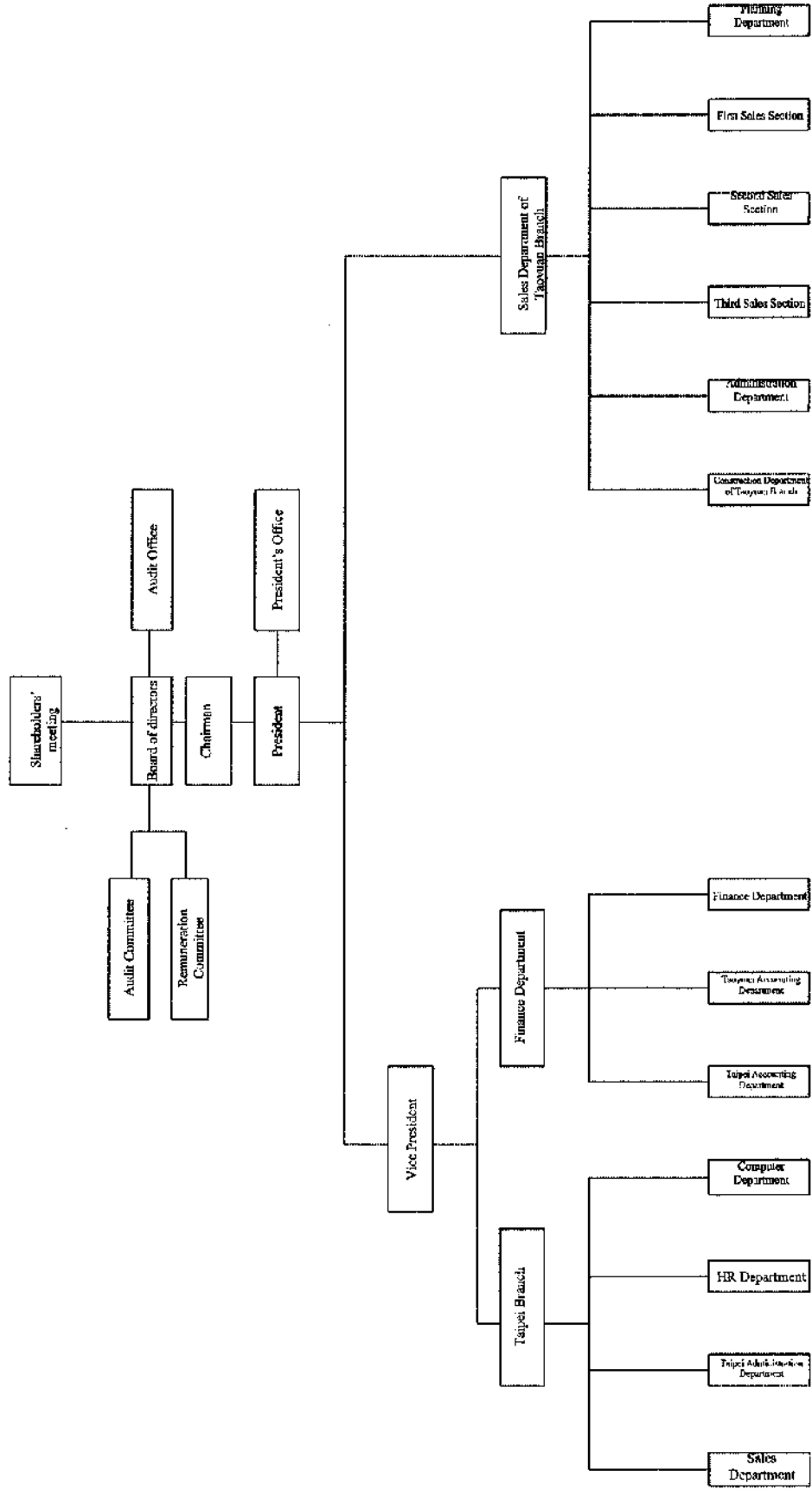
- June 1993 The Chairman resigned the post of President, and the Board of directors resolved to appoint Mr. Su, Chien-I as the President
- June 1993 To fund the construction of Taoyuan Branch, the Board of directors resolved to sell the building and lands at the first floor at 1F, No. 209 and 213 Zhongxiao E. Sec. 4, Taipei City.
- December 1993 Through the resolution of extraordinary shareholders' meeting in September 1993, NT\$22,600,000 from the capital reserves and NT\$49,700,000 from surplus reserve, totaled NT\$72,300,000, was transferred for capital increase; the capital became NT\$300 million after the capital increase.
- October 1994 Through the resolution of shareholders' meeting in April 1994, it was intended to transfer NT\$265,000,000 from the capital reserves for capital increase; also to fund the construction of Taoyuan Branch, it was intended to issue 3,500,000 new shares for capital increase in cash. The face value was NT\$10 per share, and 15% was reserved for employees' subscription as required by laws. The issuance was at the premium at NT\$26 per share, and the capital became NT\$600 million after the capital increase.
- July 1995 Through the resolution of shareholders' meeting in May 1995, NT\$120,000,000 from the capital reserves was transferred for capital increase; the capital became NT\$720,000,000 after the capital increase.
- November 1995 The Taoyuan Branch started operation
- June 1996 Through the resolution of shareholders' meeting in May 1996, NT\$122,400,000 from the capital reserves and NT\$57,600,000 from surplus reserve, totaled NT\$180,000,000, was transferred for capital increase; the capital became NT\$900 million after the capital increase.
- December 1996 Shares became public listed.
- September 1997 Through the resolution of shareholders' meeting in May 1997, NT\$162,000,000 from the surplus reserved and NT\$153,000,000 from the capital reserves were transferred for capital increase; also to repay the bank loans and fund the refurbishment of operating floors, it was intended to issue new shares of NT\$165,000,000 for capital increase in cash. 10.9% was reserved for employees' subscription as required by laws. The issuance was at the premium at NT\$39 per share, and the capital became NT\$1,380,000,000 after the capital increase.
- August 1998 Through the resolution of shareholders' meeting in June 1998, NT\$162,495,000 from the capital reserves and NT\$182,505,000 from surplus reserve, totaled NT\$345,000,000, was transferred for capital increase; the capital became NT\$1,725,000,000 after the capital increase.
- August 1998 Mr. Su, Chien-I resigned from the post of President, to serve as a director only; the Board of directors resolved to appoint Mr. Li, You-Yu as the President, and inaugurated from July 21, 1998.
- August, 1999 Through the resolution of shareholders' meeting in May 1999, NT\$112,125,000 from the capital reserves and NT\$60,375,000 from surplus reserve, totaled NT\$172,500,000, was transferred for capital increase; the capital became NT\$1,897,500,000 after the capital increase.
- September 1999 Ceased the operation of Taipei Store and leased to the Tonlin Plaza Entertainment Co., Ltd.
- August 2000 Through the resolution of shareholders' meeting in June 2000, NT\$151,800,000 from the capital reserves and NT\$37,950,000 from surplus reserve, totaled NT\$189,750,000, was transferred for capital increase; the capital became NT\$2,087,250,000 after the capital increase.

- July 2000 Mr. Li, You-Yu resigned the post of President, and the Board of directors resolved to appoint the Director, Mr. Su, Chien-Chun as the President concurrently.
- March 2001 Invested to establish four 100% owned subsidiaries: Guan Quan Investment, Jia Fong Investment, Yung Yuan Investment, and Shun Tai Investment. The four subsidiaries successively bought back and held the Company's shares since April 2001; as of the end of 2020, the four subsidiaries hold 15.96% of the Company's shares
- December 2003 Su, Chien-Chun resigned the posts of Chairman and President, and the Board of directors resolved to appoint the Director, Mr. Su, Chien-I as the Chairman and President concurrently.
- August 2004 Tonlin Plaza changed the operation strategies and ceased to lease the Taipei Store; the Company recovered the space and leased to the current tenants.
- April 2009 On March 30, 2009, the Company received the public acquisition notice from the public acquirers, including Weng, Chun-Chih, Weng, Ju-I; Weng Hua-Tieng, Weng, Hua-Li, Hsu-Weng, Fang-Mei; Hsu, Ming-Wei, Hsu, Ming-Jian, Shuen Shyang, and Jin Duo Lih Enterprise Pty. Ltd.; In May 2009, the acquisition was completed for 68,288 thousand shares.
- October 2009 Invested to established the 100% owned subsidiary, DeHome Development. The capital at the establishment was NT\$200,000 thousand.
- November 2009 The Company invested DeHome Development for NT\$180,000 thousand, and the capital became NT\$380,000 thousand after the capital increase.
- December 2010 Su, Mr. Su, Chien-I resigned the post of President, and on December 21, 2010, the Board of directors resolved to appoint the Director, Mr. Weng, Hua-Li as the President from January 1, 2011.
- April 2012 The Company invested DeHome Development for NT\$50,000 thousand, and the capital became NT\$430,000 thousand after the capital increase.
- September 2012 The Company invested DeHome Development for NT\$50,000 thousand, and the capital became NT\$480,000 thousand after the capital increase.
- September 2012 Invested to established the 70% owned subsidiary, Ding Yuan International Co., Ltd. The capital at the establishment was NT\$10,000 thousand.
- December 2012 The subsidiary, Ding Yuan International Co., Ltd. invested to established 100% owned subsidiary, Li Yu International Co., Ltd. The capital at the establishment was NT\$5,000 thousand.
- April 2013 The Company invested Li Yu International Co., Ltd. for NT\$50,000 thousand, and after the capital increase, the Company directly and indirectly held 97.5% of that company.
- June 2013 The Company invested DeHome Development for NT\$50,000 thousand, and the capital became NT\$530,000 thousand after the capital increase.
- July 2013 The subsidiaries, Ding Yuan and Li Yu merged; the survival company was Li Yu, and it became the 100% owned subsidiary of the Company. The capital was NT\$62,000 thousand after merge.
- December 2013 The Company invested DeHome Development for NT\$70,000 thousand, and the capital became NT\$600,000 thousand after the capital increase.
- January 2014 The Company invested Li Yu International Co., Ltd for NT\$38,000 thousand, and the capital became NT\$100,000 thousand after the capital increase.
- July 2015 The Company's investee, Li Yu International Co. decreased capital for NT\$58,000 thousand to offset deficits; meanwhile, the capital increase by NT\$30,000 thousand was conducted; the capital became NT\$72,000 thousand after the capital increase.

- November 2015 The Company invested Li Yu International Co., Ltd for NT\$20,000 thousand, and the capital became NT\$92,000 thousand after the capital increase.
- December 2015 The Company's investee, Li Yu International Co. decreased capital for NT\$32,000 thousand again to offset deficits; the capital became NT\$60,000 thousand after the capital decrease.
- February 2016 The Company invested Li Yu International Co., Ltd for NT\$30,000 thousand, and the capital became NT\$90,000 thousand after the capital increase.
- October 2016 The Board of directors resolved to suspend the operation of the Taoyuan Branch for refurbishment for the large-scale operation. The expected refurbishment period was February 2017 to January 2018, and the preliminary investment amount was NT\$750 million.
- May 2017 The Company invested Li Yu International Co., Ltd for NT\$4,000 thousand, and the capital became NT\$94,000 thousand after the capital increase.
- June 2017 By the resolution of the Board of directors on June 15, 2017, the subsidiary, Li Yu International Co., Ltd was dissolved and cease operation immediately, and the liquidation started on June 16, 2017. The liquidation was approved by the court on February 14, 2018 for reference.
- September 2018 Taoyuan Branch, after the refurbishment, commenced trial operation on September 15, 2018 and officially opened for business on October 3, 2018.

Three. Corporate governance report

I. Organization and system (1) Organizational structure



(II) Business of each major segment

Major Segment	Functions
Audit Committee	<p>Based on the authorization of the Board of directors, the main function of the Audit Committee is to supervise the following matters:</p> <ol style="list-style-type: none"> 1. Fair presentation of the financial reports of the Company 2. The hiring (and dismissal), independence, and performance of certificated public accountants 3. The effective implementation of the internal control system of the Company 4. Compliance with relevant laws and regulations by the Company 5. Management of the existing or potential risks of the Company
Remuneration Committee	<p>Faithfully perform the following duties and submit the suggestions to the Board of directors for discussion:</p> <ol style="list-style-type: none"> 1. Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors and managerial officers of the Company 2. Periodically assessing the degree to which performance goals for the directors and managerial officers of the Company have been achieved, setting the types and amounts of their individual compensation accordingly.
President	<p>Responsible for the formulation and promotion of strategic objectives pursuant to the operating guidelines, operating objectives and operating policies approved by the Board of directors.</p>
Audit Office	<p>Responsible for checking and evaluating the reliability, efficiency and effectiveness of the Company's operating records and internal control, and providing timely assistance to various management levels to for the efficient and effective execution of tasks.</p>
President's Office	<p>Assist the President in the promotion of investment business, real estate development and legal affairs. Responsible for the formulation of various managerial regulations, and formulate annual management promotion plans, organizational development and management based on business goals and long-term plans.</p>
Taipei Branch	<ol style="list-style-type: none"> 1. According to the Company's business strategy and objectives, implement the annual business plan and management of the Taipei Branch. 2. Responsible for the general affairs, procurement, construction and other related businesses of the Taipei Branch. 3. Responsible for computer and personnel related business of the whole company.
Finance Department	<p>Establish the accounting system, the accounting treatment of various accounts and taxation, the general preparation of financial management and budget, and other related businesses.</p>
Sales Department of Taoyuan Branch	<p>According to the Company's business strategy and objectives, implement the annual business plan and management of the Taoyuan Branch.</p>

II. Information of Directors, President, Vice Presidents, and Management Team

(I) Directors and supervisors

1. Information of directors and supervisors

April 10, 2021

Position	Nationality or place of registration	Name	Gender	Date of elected	Term of office/year	Date of first elected	Shareholding when elected		Current shareholding		Current shares held by spouse and child of minor age		Shares held under others' names		Educational and professional experience	Concurrent position(s) in the Company or other companies	Spouse or relative within the second degree of kinship serving as managerial officers, directors and supervisors			Remarks	
							Shares	%	Shares	%	Shares	%	Shares	%			Position	Name	Relation		
Chairman	Republic of China	Su, Chien-I (Note 1)	Male	2018.06.07	3	1982.07.05	5,981,075	2.87%	5,981,075	2.67%	-	-	-	-	Department of Accounting & Statistics, Takming University of Science and Technology Te Li Construction - Finance Manager Wen Pu Construction - Vice President	Chung Hsiao Enterprise - Chairman YUNG YUAN INVESTMENT - Chairman (corporate representative) DeHome Development - Director (corporate representative)	None			-	
Director	Republic of China	UN INVESTMENT CO., LTD. (Note 2)		2018.06.07	3	1995.06.25	7,047,060	3.38%	6,836,060	3.28%	-	-	-	-							
	Republic of China	Representative: Su, Chi-Wei	Male						2,660,000	1.27%	40,000	0.02%	-	-	University of Melbourne Bachelor of Arts AVP, Baris Securities Corporation	GUAN QUAN INVESTMENT - Director (institution representative), UN INVESTMENT - Director New Leaders Asia Enterprise - Chairman	Director (institution representative)	Su, Yong-Chun	Brother and sister	-	
	Republic of China	Representative: Su, Yong-Chun	Female						1,537,241	0.74%	-	-	-	-	University of Melbourne Master of Education	UN INVESTMENT - Supervisor SHUN TAI INVESTMENT - Director (institution representative)	Director (institution representative)	Su, Chi-Wei	Brother and sister	-	
Director	Republic of China	Jih-I Investment Co., Ltd. (Note 3)		2018.06.07	3	2004.06.12	5,002,000	2.40%	5,002,000	2.40%	-	-	-	-							
	Republic of China	Representative: Huang Chung-Sheng	Male						6,369,544	3.05%	21,780	0.01%	-	-	Masters Degree, Experimental Statistics Division, Department of Agronomy, National Taiwan University	Jih-I Investment, Wholesome Life Science, Mushroom Enterprise, and Universal Innovation - Chairman JIA FONG INVESTMENT - Chairman (institution representative) FlySun Development - Director GUAN QUAN and SHUN TAI INVESTMENT - Director (institution representative)	None				-
Director	Republic of China	JIN DUO LIH ENTERPRISES PTY. LTD. (Note 4)		2018.06.07	3	2001.06.12	22,936,442	10.99%	22,936,442	10.99%	-	-	-	-							(Note 5)
	Republic of China	Representative: Weng Chun-Chih	Male						22,515,920	10.797%	4,162,991	1.99%	-	-	Taipei Kai-Nan High School	JIN DUO LIH ENTERPRISES, Weng Huang Chin Social Welfare Foundation - Chairman GUAN QUAN, SHUEN SHYANG - Chairman (institution representative) JIA FONG INVESTMENT, YUNG YUAN INVESTMENT, and DeHome Development - Director (institution representative) Chung Hsiao Enterprise - Director Weng Yu Mei Enterprise - Person-in-charge	Director (institution representative) Director (institution representative) Director (institution representative)	Weng, Ju-I Weng, Hua-Tieng Weng, Hua-Li	Father and daughter Father and son Father and son		(Note 5)
	Republic of China	Representative: Weng Ju-I	Female						3,499,309	1.89%	-	-	718,000	0.34%	Masters Degree, Faculty of Arts, Monash University	Tonlin Department Store - CFO, U-Chen Information Co., Ltd. - Chairman JIN DUO LIH ENTERPRISES - Director, SHUEN SHYANG - Director (institution representative) SHUN TAI INVESTMENT - Chairman (institution representative) JIA FONG INVESTMENT, YUNG YUAN INVESTMENT, and DeHome Development - Supervisor (institution representative)	Director (institution representative) Director (institution representative) Director (institution representative)	WENG CHUN-CHIH Weng, Hua-Tieng Weng, Hua-Li	Father and daughter Sister and brother Sister and brother		(Note 5)
	Republic of China	Representative: Weng Hua-Tieng	Male						3,715,682	1.78%	408,000	0.20%	140,000	0.07%	Master of Public Administration, University of Southern California Jinduoli Food (Dongguan) - Chairman's Special Assistant Food Junction Holding Ltd. - Manager Te Chou Construction - Special Assistant	SHUEN SHYANG - Director (institution representative) JIN DUO LIH ENTERPRISES - Director, Chia Yu Company - Chairman SHUN TAI INVESTMENT - Supervisor (institution representative) DeHome Development - Vice Chairman (institution representative)	Director (institution representative) Director (institution representative) Director (institution representative)	WENG CHUN-CHIH Weng, Ju-I Weng, Hua-Li	Father and son Sister and brother Brothers		(Note 5)
	Republic of China	Representative: Weng Hua-Li	Male						5,265,999	2.52%	1,165,000	0.56%	1,657,000	0.79%	School of Political Science and Economics, Meiji University Te Chou Construction - Special Assistant	Tonlin Department Store - President, Sheng Wei Company - Chairman YUNG YUAN INVESTMENT, DeHome Development, and SHUEN SHYANG - Director (institution representative) JIN DUO LIH ENTERPRISES and Weng Huang Chin Foundation - Director GUAN QUAN - Supervisor (institution representative)	Director (institution representative) Director (institution representative) Director (institution representative)	WENG CHUN-CHIH Weng, Ju-I Weng, Hua-Tieng	Father and son Sister and brother Brothers		(Note 5)

Independent Director	Republic of China	Lu, Yu-Ting	Male	2018.06.07	3	2015.06.03	-	-	-	-	530,331	0.25%	-	-	Department of Business Administration, National Taipei University of Business L'Occitane Taiwan Limited - President Wei Li Yang Company - Chairman and President	Molvita Taiwan Ltd. - Chairman Albert Investment Co., Ltd. - Chairman	None			-
Independent Director	Republic of China	Chan, Shen-Hua	Male	2018.06.07	3	2015.06.03	-	-	-	-	-	-	-	-	Department of Civil Engineering, Feng Chia University Kentai Construction Co., Ltd. - Chairman Ken Tai Construction Co., Ltd. and Kuang Chen Co., Ltd. - Director Yu Fu Co., Ltd. - Supervisor	Ken Tai Construction Co., Ltd. - Chairman Chen Chuan Co., Ltd. - Chairman Kentai Construction Co., Ltd. - Supervisor Hong Wan Co., Ltd. - Supervisor	None			-
Independent Director	Republic of China	Yang, Wen-Ching	Male	2018.06.07	3	2018.06.07	-	-	-	-	-	-	-	-	Ph.D. in Economic Law, Peking University Law School Securities and Futures Bureau, Ministry of Finance - Chief of Legal Affairs Financial Examination Bureau, Financial Supervisory Commission - Deputy Director General	Cheng Shin Law Firm - Director Ever Rich Asset Management Co., Ltd. - Chairman Nanoplus Limited (Cayman) Taiwan Branch, Chih Chin Financial Consultancy, and Chengsin Consulting Company - Director International Bills Finance Corporation - Director (institutional representative) SHENMAO Technology Inc. - Independent Director	None			-

Note 1: From July 5, 1982 to Nov. 19, 1991 and from June 25, 1995 to June 11, 2004 was a natural-person director; from June 4, 2004 to June 2, 2015 was the representative of an institutional director, IIn Investment; elected as a natural-person director again on June 3, 2015

Note 2: From June 25, 1995 to May 21, 2001, elected as an institutional director, represented by Su, Chien-Chung; from June 4, 2004 to June 2, 2015, re-elected an institutional director, represented by Su, Chien-I and Su, Chi-Wei; on March 26, 2014, Su, Chi-Wei was discharged and replaced by Su, Chuan-Hui; on June 3, 2015, re-elected an institutional director, represented by Su, Chuan-Hui; on Nov. 1, 2015, Su, Chuan-Hui was discharged and replaced by Su, Chi-Wei; on March 17, 2020, Representative Su, Chi-Wei was discharged and replaced by Su, Yong-Chun.

Note 3: On June 12, 2004, elected as an institutional director at the first time, and the original representative was Huang, Chung-Ren; on July 1, 2005, the representative was replaced by Huang, Chung-Sheng.

Note 4: From June 12, 2001 to July 23, 2009, elected as an institutional director and the representatives were Weng, Chun-Chih and Weng, Ju-I; re-elected on July 23, 2009 again, represented by Weng, Chun-Chih, Weng, Ju-I, Weng, Hua-Tieng, Weng, Hua-Li, and Su, Chien-Hsing. On August 18, 2011, the representative Weng, Ju-I was discharged, and replaced by Tsai, Ching-Wen;

on June 5, 2012 re-elected, and the representative Tsai, Ching-Wen was discharged and replaced by Weng, Ju-I and Chen, Ming-Chou; on June 3, 2015, re-elected as an institutional director, represented by Chun-Chih, Weng, Ju-I, Weng, Hua-Tieng, and Weng, Hua-Li.

Note 5: The representatives of the institutional director, JIN DUO LIH ENTERPRISES PTY. LTD., Weng, Ju-I, Weng, Hua-Tieng, and Weng, Hua-Li, are all children of Weng, Chun-Chih, as the relatives of first-degree kinship; there are ten directors of the Company (three independent directors included), such relatives of first-degree kinship do not exceed the majority of the all directors, and more than a half of directors do not serve as the employees or managerial officers of the Company.

2. Major shareholders of institutional shareholders (top ten shareholders in terms of shareholding)

April 10, 2021

Name of institutional shareholders	Major shareholders of institutional shareholders
UN INVESTMENT CO., LTD.	Su-Chang, Chuan Mei 14.62%; Su, Chuan-Hui 23.77%; New Leaders Asia 42.69%; Su, Yong-Chun 18.85%
Jih-I Investment Co., Ltd.	Mushroom Enterprise 34.47%; Wholesome Life Science 19.93%; FlySun Development 19.93%; Genesis Investment 15.66%
JIN DUO LIH ENTERPRISES PTY. LTD.	SHUEN SHYANG 39.52%; Sheng Wei 20.16%; U-Chen Information 20.16%; Chia Yu 20.16%

3. Major shareholders of institutional shareholders who are also institutional shareholders, their major shareholders (top ten shareholders in terms of shareholding)

April 10, 2021

Name of institutional shareholders	Major shareholders of institutional shareholders
Mushroom Enterprise Co., Ltd.	MARCO POLO INTERNATIONAL HOLDING (BVI) LTD. 68.75%; FlySun Development 19.71%; Genesis Investment 9.28%
Wholesome Life Science Co., Ltd.	MARCO POLO INTERNATIONAL HOLDING (BVI) LTD. 37.78%; FlySun Development 16.67%; Mushroom Enterprise 13.89%; Jih-I Investment 13.89%; Genesis Investment 13.89%
FlySun Development Co., Ltd.	Mushroom Enterprise 38.23%; Jih-I Investment 39.23%; Genesis Investment 20.63%
Genesis Investment Co., Ltd.	MARCO POLO INTERNATIONAL HOLDING LTD. 100%
SHUEN SHYANG CO., LTD.	Yuanda Holding (BVI) Co., Ltd. YUAN DAR HOLDING CO., LTD. 99.02%
Sheng Wei Co., Ltd.	Weng, Hua-Li 62.32%; Weng, Chun-Chih 22.53%; Weng-Kuo, Jin-Ying 9.89%
Yu Chen Co., Ltd.	Weng, Ju-I 59.24%, Weng-Kuo, Jin-Ying 40.76%
Chia Yu Co., Ltd.	Weng Hua-Tieng 68.84%; Weng-Kuo, Jin-Ying 24.95%
New Leaders Asia Enterprise	Su, Chi-Wei 100%

4. Professional qualifications and independence analysis of directors

April 10, 2021

Qualification	Having met one of the following professional qualifications, together with at least five years of work experience			Independence criteria (Note)												Number of other public companies in which the individual is concurrently serving as an independent director	
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who have passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Having work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	11	12		
Name																	
SU CHIEN-I			✓	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Su, Chi-Wei			✓	✓					✓	✓	✓	✓			✓		None
Su, Yong-Chun			✓	✓		✓			✓	✓	✓	✓			✓		None
HUANG CHUNG-SHENG			✓	✓					✓	✓	✓	✓	✓	✓			None
WENG CHUN-CHIH			✓	✓					✓	✓	✓	✓			✓		None
Weng, Ju-I			✓						✓	✓	✓	✓			✓		None
Weng, Hua-Li			✓						✓	✓	✓	✓			✓		None
Weng, Hua-Tieng			✓	✓					✓	✓	✓	✓			✓		None
Lu, Yu-Ting			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chan, Shen-Hua			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Yang, Wen-Ching		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note : Director and Supervisor who meet the following conditions two years before the appointment or during the term of appointment, indicate with "✓" at the corresponding boxes below.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.
- (4) Not a managerial officer mentioned in paragraph (1), or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship mentioned in paragraphs (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as its top five shareholders, or the designated representative pursuant to Article 27 Section 1 or 2 in the Company as director/supervisor. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (6) Not a director, supervisor, or employee of other companies with the Board seats or more than half of the voting shares under the control of one person. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (7) Not a Director, President or Employee of other company whose Chairman or president are the same person or spouse of the Company. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (The same does not apply, however, if specified company or institution possessing shareholdings of more than 20% and less than 50% of the total number of issued shares of the Company, and in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).

- (9) Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that provides auditing services or for the past two years, has provided commercial, legal, financial, accounting services or consultation amounting to less than a cumulative NTD500,000 to the Company or any affiliate of the company, or a spouse thereof. However, this does not apply to members of the Compensation Committee, Public Tender Offer Review Committee or Special Merger and Acquisition Committee carrying out their duties in accordance with Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Not a spouse or a relative within two degrees of kinship to any director.
- (11) Does not meet any of the criteria described in Article 30 of the Company Act.
- (12) Not the representative of any government agency, juridical person, or their representative that is a shareholder in the Company as outlined in Article 27 of the Company Act.

(II) Information on President, Vice Presidents, and Management Team

April 10, 2021

Title	Nationality	Name	Gender	Date of taking office	Shareholding		Shares held by spouse and child of minor age		Shares held under others' names		Educational and professional experience	Concurrent position(s) in other companies	Spouse or relative within the second degree of kinship serving as a managerial officer			Remarks (Note 3)
					Shares	%	Shares	%	Shares	%			Position	Name	Relation	
President	Republic of China	Weng, Hui-Li	Male	2011.01.01	5,265,939	2.32	1,165,000	0.56	1,657,000	0.79	School of Political Science and Economics, Meiji University Te Chao Communication - Special Assistant	Sung Wei Co., Ltd. - Chairman YUNG YUAN INVESTMENT, DeHome Development, and SHUEN SHYANG - Director (institution representative) JIN DUO LIH ENTERPRISES and Weng Hung Chin Foundation - Director GUAN QUAN - Supervisor (institution representative)	Chief Finance Officer	Weng, Ju-Li	Sister and brother	
Chief Finance Officer (Note 1)	Republic of China	Weng, Hui-Li	Female	2012.7.5	3,499,309	1.89	-	-	718,000	0.34	Master Degree, Faculty of Arts, Maastricht University	U-Chem Information Co., Ltd. - Chairman JIN DUO LIH ENTERPRISES PTV LTD. - Director SHUEN SHYANG - Director (institution representative) SHUN TAI INVESTMENT - Chairman (institution representative) JIA FONG INVESTMENT, YUNG YUAN INVESTMENT, and DeHome Development - Supervisor (institution representative)	President	Weng, Hui-Li	Sister and brother	
Vice President	Republic of China	Stephen Chen	Male	2001.01.01	-	-	-	-	-	-	Law and Business School, National Chung Hsing University VP, Underwriting Department, Van Yu Securities Co., Ltd. before 1994	None				
Manager of Finance Department	Republic of China	Tina Huang	Female	1996.02.03	-	-	-	-	-	-	Department of Accounting & Statistics, Tamkang University of Science and Technology Manager, Auditing Department, Debutle Taiwan before 1993	None				
Branch Director of Taoyuan Branch (Note 2)	Republic of China	Li, Yi-Hua	Female	2016.03.01	-	-	-	-	-	-	Department of Social Work, Shih Chien School of Home Economics and Economics, Vice Manager, Printings Department, Same Co. Ltd	None				
	Republic of China	Kuo, Mei-Chia	Female	2021.04.01	-	-	-	-	-	-	Department of Comprehensive Commerce, Shih Hsin High School of Engineering and Business Branch Director, Tainan Group	None				

Note 1: appointed as the special assistant to the chairman on Jan. 1, 2011; appointed as the CFO (VP level) on July 5, 2012.

Note 2: On March 22, the Board of directors approved to appoint Kuo, Mei-Chia as the Director of Taoyuan Branch from April 1, 2021.

Note 3: The president or person of an equivalent post (the highest level manager) of the Company is not the chairman, his spouses, or relatives within the first degree of kinship

(III) The Chairman and the president or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonable, necessity thereof, and the measures adopted in response thereto: The president or person of an equivalent post (the highest level manager) of the Company is not the chairman, his spouses, or relatives within the first degree of kinship

III. Remuneration paid to directors, president and vice presidents for the recent years

(D) Directors' remunerations

Unit: NTD thousands

Title	Name	Directors' remunerations				Compensation to directors serving as employees				Sum of A, B, C, D, E, F and (G) as a percentage of after-tax profit % (Note 5)		Compensation from business other than subsidiaries or the parent company
		Remuneration (A) (Note 1)		Severance pay and pension (B)		Director's remuneration (C) (Note 2)		Fee for services rendered (Note 3)		Sum of A, B, C and D as a percentage of after-tax profit % (Note 4)		
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	
Chairman	SU CHIH-CHI	2,100	-	-	-	100	100	600	600	2.45	2.45	450
Corporate entity	L.N. INVESTMENT CO., LTD.	-	-	-	-	100	100	-	-	0.09	0.09	None
Director	Su, Chi-Wei	-	-	-	-	-	-	177	177	0.16	0.16	None
Director	Su, Yong-Chun	-	-	-	-	-	-	423	423	0.37	0.37	None
Corporate entity	JIN DUO LIH ENTERPRISES PTY. LTD.	-	-	-	-	400	400	-	-	0.35	0.35	None
Director	WENG CHUN-CHIE	-	-	-	-	-	-	600	600	0.53	0.53	None
Director	Weng, Ju-I	-	-	-	-	-	-	600	600	0.53	0.53	None
Director	Weng, Hua-Li	-	-	-	-	-	-	600	600	0.53	0.53	None
Director	Weng, Hsia-Tsang	-	-	-	-	-	-	600	600	0.53	0.53	None
Corporate entity	Jih-I Investment Co., Ltd.	-	-	-	-	100	100	-	-	0.09	0.09	None
Director	HUANG CHUNG-SHIENG	-	-	-	-	-	-	600	600	0.53	0.53	None
Independent Director	Lui, Yu-Ting	-	-	-	-	100	100	600	600	0.61	0.61	None
Independent Director	Yang, Wen-Chiang	-	-	-	-	100	100	600	600	0.61	0.61	None
Independent Director	Chou, Shen-Hua	-	-	-	-	100	100	600	600	0.61	0.61	None

1. The correlation between the policies, standards, and structure of the remuneration, and the responsibilities, risk and time undertook by the Independent Director:

On January 28, 2021, the Remuneration Committee convened the 9th meeting of the 4th term, and the review of the performance of directors and managerial officers, and the policies, standards, and structure of the remuneration is described as below:

- Note: I. The Company leases out its Taipei Branch, and operates a department store in Taoyuan. The profit is still stable. Therefore, the remuneration policy is extremely stable. The fixed salary is adjusted based on economic growth, peers' conditions, and company profitability. In terms of year-end bonuses, it is determined based on the profitability of the year and the performance of each managerial officer. In line with the Company Act, employees' remuneration and directors' remuneration are deemed as the expenses of the year. The Company's Articles of Incorporation stipulate that employees' remuneration shall not be less than 0.1%-4% of the pre-tax net profit before employees' remuneration and directors' remuneration expenses, and the payment shall be made based on the Procedures of Employees' Remuneration to managerial officers and employees.
- II. In addition to the monthly fixed monthly transportation fees, the directors' remuneration shall be distributed to the directors no more than 4% of the pre-tax net profit of the year before the remunerations of employees and directors, pursuant to the Company's Articles of Incorporation. Directors concurrently serving as managerial officers may receive monthly salaries, and two monthly bonuses will be paid at the end of each year, but no employee remuneration will be distributed.

2. The compensation received by directors for rendering services to all companies in the financial statements (e.g. as consultants not employee) in the most recent year: none

Remuneration range

Range of remuneration paid to each director	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies in the financial statements	The Company	Parent company as all re-invested business
Less than NTD\$1,000,000	UN INVESTMENT CO., LTD.; Jih-I Investment Co., Ltd.; JIN DUO LIH ENTERPRISES PTY. LTD.; Su, Chi-Wei; Su Yong-Chun Huang, Chung-Sheng; Weng, Chun-Chih Weng, Ju-I; Weng, Ju-I Weng Hua-Tiang; Lu Yu Ting Chan, Shen-Hua; Yang, Wen-Ching	UN INVESTMENT CO., LTD.; Jih-I Investment Co., Ltd.; JIN DUO LIH ENTERPRISES PTY. LTD.; Su, Chi-Wei; Su Yong-Chun Huang, Chung-Sheng; Weng, Chun-Chih Weng, Ju-I; Weng, Ju-I Lu Yu Ting; Chan, Shen-Hua Yang, Wen-Ching	UN INVESTMENT CO., LTD.; Jih-I Investment Co., Ltd.; JIN DUO LIH ENTERPRISES PTY. LTD.; Su, Chi-Wei; Su Yong-Chun Huang, Chung-Sheng; Weng, Chun-Chih Weng Hua-Tiang; Lu Yu Ting Chan, Shen-Hua; Yang, Wen-Ching	UN INVESTMENT CO., LTD.; Jih-I Investment Co., Ltd.; JIN DUO LIH ENTERPRISES PTY. LTD.; Su, Chi-Wei; Su Yong-Chun Huang, Chung-Sheng; Weng, Chun-Chih Lu Yu Ting; Chan, Shen-Hua Yang, Wen-Ching
NTD\$1,000,000 (inclusive) to NTD\$2,000,000 (exclusive)	-	-	-	-
NTD\$2,000,000 (inclusive) to NTD\$3,500,000 (exclusive)	SU CHIEN-I	Su, Chien-I; Weng Hua-Tiang	Su, Chien-I; Weng Hua-I Weng, Ju-I	Su, Chien-I; Weng Hua-I Weng, Ju-I; Weng Hua-Tiang
NTD\$3,500,000 (inclusive) to NTD\$5,000,000 (exclusive)	-	-	-	-
NTD\$5,000,000 (inclusive) to NTD\$10,000,000 (exclusive)	-	-	-	-
NTD\$10,000,000 (inclusive) to NTD\$15,000,000 (exclusive)	-	-	-	-
NTD\$15,000,000 (inclusive) to NTD\$30,000,000 (exclusive)	-	-	-	-
NTD\$30,000,000 (inclusive) to NTD\$50,000,000 (exclusive)	-	-	-	-
NTD\$50,000,000 (inclusive) to NTD\$100,000,000 (exclusive)	-	-	-	-
More than NTD\$100,000,000	-	-	-	-
Total	14	14	14	14

Note 1: These are the salary and bonus received by the chairman of the Company and the vice chairman of the subsidiary in 2020.

Note 2: These are the directors' remuneration for 2020. The distributed amount was resolved by the Board of directors on March 22, 2021, but has to be reported in the shareholders' meeting; as the remuneration has not been actually distributed, the estimated amount is calculated based on the actual distribution proportion in 2019.

Note 3: These are the transportation fees of the directors and the meal subsidies for the vice chairman of the subsidiary in 2020.

Note 4: These are and bonus received by the directors concurrently serving as employees in 2020.

Note 5: Net income after tax is the net income after tax of the 2020 parent-company only financial statements

(II) President's and Vice Presidents' remunerations

Unit: NTD thousand

Position	Name	Salary (A) (Note 1)		Severance pay and pension (B)		Bonuses, and special allowances, etc (C) (Note 2)		Remuneration to employees (D) (Note 3)				Sum of A, B, C and D as a percentage of after-tax profit % (Note 4)		Compensation from reinvested business other than subsidiaries or the parent company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash amount	Share amount	Cash amount	Share amount			
President	Weng, Hua-Li	1,200	1,200	-	-	200	200	-	-	-	-	1.23	1.23	None
Chief Finance Officer	Weng, Ju-I	1,200	1,200	-	-	200	200	-	-	-	-	1.23	1.23	None
Vice President	Stephen Chen	1,817	1,817	180	180	419	419	62	-	62	-	2.17	2.17	None

Remuneration range

Remuneration range paid to each president and vice president	Name of president and vice presidents	
	The Company	All companies in the financial statements
Less than NTD\$1,000,000	-	-
NTD\$1,000,000 (inclusive) to NTD\$2,000,000 (exclusive)	Weng, Hua-Li; Weng, Ju-I	Weng, Hua-Li; Weng, Ju-I
NTD\$2,000,000 (inclusive) to NTD\$3,500,000 (exclusive)	Stephen Chen	Stephen Chen
NTD\$3,500,000 (inclusive) to NTD\$5,000,000 (exclusive)	-	-
NTD\$5,000,000 (inclusive) to NTD\$10,000,000 (exclusive)	-	-
NTD\$10,000,000 (inclusive) to NTD\$15,000,000 (exclusive)	-	-
NTD\$15,000,000 (inclusive) to NTD\$30,000,000 (exclusive)	-	-
NTD\$30,000,000 (inclusive) to NTD\$50,000,000 (exclusive)	-	-
NTD\$50,000,000 (inclusive) to NTD\$100,000,000 (exclusive)	-	-
More than NTD\$100,000,000	-	-
Total	3	3

Note 1: These are the salaries and position allowance for 2020.

Note 2: These are the year-end bonuses, meal subsidies and bonuses of three festivals in 2020.

Note 3: It is the employees' remuneration in 2020. The distributed amount was resolved by the Board of directors on March 22, 2021, but has to be reported in the shareholders' meeting;

as the remuneration has not been actually distributed, the estimated amount is calculated based on the actual distribution proportion in 2019.

Note 4: Net income after tax is the net income after tax of the 2020 parent-company only financial statements

(III) Remunerations of top five managerial officers in terms of remunerations

Unit: NTD thousand

Position	Name	Salary (A) (Note 1)		Severance pay and pension (B)		Bonuses, and special allowances, etc (C) (Note 2)		Remuneration to employees (D) (Note 3)				Sum of A, B, C and D as a percentage of after-tax profit % (Note 4)		Compensation from reinvested business other than subsidiaries or the parent company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash amount	Share amount	Cash amount	Share amount			
President	Weng, Hua-Li	1,200	1,200	-	-	200	200	-	-	-	-	1.23	1.23	None
Chief Finance Officer	Weng, Ju-I	1,200	1,200	-	-	200	200	-	-	-	-	1.23	1.23	None
Vice President	Stephen Chen	1,817	1,817	180	180	419	419	62	-	62	-	2.17	2.17	None
Finance Department Manager	Tina Huang	1,139	1,139	120	120	294	294	49	-	49	-	1.40	1.40	None
Taoyuan Branch Director	Li, Yi-Hua	1,384	1,384	-	-	278	278	49	-	49	-	1.50	1.50	None

Note 1: These are the salaries and position allowance for 2020.

Note 2: These are the year-end bonuses, meal subsidies and bonuses of three festivals in 2020.

Note 3: These are the employees' remuneration for 2020. The distributed amount was resolved by the Board of directors on March 22, 2021, but has to be reported in the shareholders' meeting; as the remuneration has not been actually distributed, the estimated amount is calculated based on the actual distribution proportion in 2019.

Note 4: Net income after tax is the net income after tax of the 2020 parent-company only financial statements

(IV) Managerial officers to whom the employees' remuneration distributed to and the status

April 10, 2021; unit: NTD thousand

	Title	Name	Share amount	Cash amount (Note 1)	Total	Percentage of total amount to the net income after tax (%) (Note 2)
Managerial officer	President	Weng, Hua-Li	-	-	-	-
	Chief Finance Officer	Weng, Ju-I	-	-	-	-
	Vice President	Stephen Chen	-	62	62	0.05
	Manager of Finance Department	Tina Huang	-	49	49	0.04
	Director, Taoyuan Branch	Li, Yi-Hua	-	49	49	0.04

Note 1: These are the employees' remuneration for 2020. The distributed amount was resolved by the Board of directors on March 22, 2021, but has to be reported in the shareholders' meeting; as the remuneration has not been actually distributed, the estimated amount is calculated based on the actual distribution proportion in 2019.

Note 2: Net income after tax is the net income after tax of the 2020 parent-company only financial statements

(V) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial statements, as paid by the company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure

1. Total remuneration, as a percentage of net income stated in the parent company only financial statements

Name	The Company			All companies in the financial statements		
	2020	2019	Increase (decrease)	2020	2019	Increase (decrease)
Director	10.43%	10.71%	(2.61%)	11.70%	11.99%	(2.42%)
President and vice presidents	4.63%	4.78%	(3.14%)	4.63%	4.78%	(3.14%)

From January 1, 2011, pursuant to Article 24 of the Articles of Incorporation of the Company, the directors or shareholders of the Company or any company in the financial statements, who concurrently serve as the employees, are deemed as ordinary employees and paid with salaries; after evaluating the Company's current business scale and the remuneration over the years, the remuneration items of the Company and subsidiaries in 2020 and 2019 remained the status quo without major changes; however, the net profit after tax of the parent company-only financial statements in 2020 increased by about NT\$2,374 thousand comparing to 2019, and thus the remunerations of directors, president, and vice presidents paid by the Company as the percentage of the net profit after tax in the parent company-only financial statements decreased slightly from 2019.

2. Pursuant to Article 24 of the Articles of Incorporation of the Company, the directors or shareholders of the Company or any company in the financial statements, who concurrently serve as the employees, are deemed as ordinary employees and paid with salaries; also, pursuant to the amended Company Act in May 2015, and the amended Articles of Incorporation resolved by the AGM in June 2018, the Company provides for employee remuneration at 0.1%-4%, and director remuneration at no more than 4%, of current year's pre-tax profit before employee and director remuneration. The estimated employees' remuneration is NT\$1,000 thousand and directors' remuneration is NT\$1,000 thousand for 2020. These amounts were resolved to be paid in cash by the Board of directors on March 22, 2021, and will be reported to shareholders at the general shareholders' meeting, expected to be held on June 22, 2021. The remunerations of the president and vice presidents are handled pursuant to the Company's remuneration policy. The bonus is issued by referring to the Company's overall operating performance achievement rate. The reviews for the above-mentioned remuneration procedures and the Company's overall operating performance are subject to the deliberation of the Remuneration Committee before submitted to the Board of directors for approval.

IV. Operation of corporate governance

(I) Operation of Board of Directors

During the most recent year, eight (A) meetings were held by the Board of Directors. The attendance of directors and supervisors was as follows:

(2020/1/1~2021/4/10)

Title	Name	Attendance in person B	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 1)	Remarks
Chairman	SU CHIEN-I	8	0	100%	Re-elected on June 7, 2018
Director	UN INVESTMENT CO., LTD.				June 7, 2018; on March 17, 2020, the representative is replaced by Su, Yong-Chun
	Representative: Su, Chi-Wei	0	1	0%	
	Representative: Su Yong-Chun	7	0	100%	
Director	JIN DUO LIH ENTERPRISES PTY. LTD.				June 7, 2018; Re-elected
	Representative: Weng Chun-Chih	8	0	100%	
	Weng, Ju-I	8	0	100%	
	Weng, Hua-Tieng	8	0	100%	
Director	Jih-I Investment Co., Ltd.				Re-elected on June 7, 2018
	Representative: Huang Chung-Sheng	7	0	88%	
Independent Director	Lu, Yu-Ting	8	0	100%	June 7, 2018; Re-elected
Independent Director	Chan, Shen-Hua	8	0	100%	June 7, 2018; Re-elected
Independent Director	Yang, Wen-Ching	7	0	88%	June 7, 2018; Newly elected

Other matters that require reporting

- I. For Board of Directors meetings that meet any of the following descriptions, state the date, session, the discussed topics, Independent Directors' opinions and how the company has responded to such opinions:
 - (I) Conditions described in Article 14-3 of the Securities and Exchange Act: (please refer to the attached table 1)
 - (II) Other resolutions, except for the above-mentioned ones, in the board of directors meeting about which any independent director expresses dissent or reservation and a record or written statement is made: As of April 10, 2021, there has been no such thing in the Company.
- II. Implementation status of recusal due to conflict of interests
As of April 10, 2021, there has been no recusal due to conflict of interests
- III. Implementation of self- (or peer) appraisal of the Board of Directors (please refer to the attached table 2)
- IV. Goal for enhancement of board functions in the respective year and the most recent year and assessment of implementation conditions:
 1. On March 16, 2018, the Board of directors approved the "Regulations Governing Procedure for Board of Directors Meetings," to improve the information transparency and the managerial functions.
 2. The Company has set up three independent directors, also performing the duties of the Audit Committee and the Remuneration Committee, to strengthen the functions of the Board of directors, so that the Board of directors may make objective and independent judgments on the Company's finance and business, and improve the Company's system of directors and managerial officers' remuneration.

Note 1: Actual attendance (%) is calculated based on the meetings of the Board of Directors during the term of the office, and the times of in-person attendance.

Table 1

Meeting	Date	Proposal	Opinions of all independent directors and the Company's treatment to the independent directors' opinions
13th meeting/ 15th term	2020.03.23	Assessment of the independence and suitability of the appointed CPAs.	All independent directors approved the proposal as it was without dissent.
14th meeting/ 15th term	2020.05.11	2020 professional service fees to Deloitte Taiwan	
19th meeting/ 15th term	2021.03.22	Assessment of the independence and suitability of the appointed CPAs.	

Table 2

Implementation of the Board of Directors' appraisal

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Once per year	January 1 to December 31, 2020	Board of directors	Internal self-evaluation by the board	Participation in the operation of the company;
				Improvement of the quality of the board of directors' decision making;
				Composition and structure of the board of directors;
				Election and continuing education of the directors; and
				Internal control.
Once per year	January 1 to December 31, 2020	Individual board member	Self-evaluation of individual board member	Alignment of the goals and mission of the company;
				Awareness of the duties of a director;
				Participation in the operation of the company;
				Management of internal relationship and communication;
				Director's professionalism and continuing education; and
Internal control.				

(II) Operation of Audit Committee

1. The main function of the Audit Committee is to supervise the following matters:

- (1) Fair presentation of the financial reports of the Company
- (2) The hiring (and dismissal), independence, and performance of certificated public accountants
- (3) The effective implementation of the internal control system of the Company
- (4) Compliance with relevant laws and regulations by the Company
- (5) Management of the existing or potential risks of the Company

2. During the most recent year, five (A) meetings were held by the Audit Committee. The attendance of independent directors was as follows:

(2020/1/1~2021/4/10)

Title	Name	Attendance in person B	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 1)	Remarks
Independent Director	Lu, Yu-Ting	5	0	100%	June 7, 2018; Re-elected
Independent Director	Chan, Shen-Hua	5	0	100%	June 7, 2018; Re-elected
Independent Director	Yang, Wen-Ching	5	0	100%	June 7, 2018; Newly elected

Other matters that require reporting

I. For operation of the Audit Committee that meet any of the following descriptions, state the board meeting's date, session, the discussed topics, resolution adopted by the Audit Committee, and how the company has responded to such opinions:

(I) Conditions described in Article 14-5 of the Securities and Exchange Act: (please refer to the attached table 1)

(II) Other resolution that has not been passed by the Audit Committee but passed by two-thirds or more of all Directors: As of April 10, 2021, there has been no such thing in the Company.

II. If any independent director recused due to conflict of interest, the recused independent director's name, proposal, reason of recusal, and participation of voting:

As of April 10, 2021, there has been no proposal involved conflict of interest to be recused by any independent director.

III. Communication among the independent directors, internal audit officers and the CPAs (including the material matters, method, and outcomes related to the Company's finance and business):

1. The audit officer of the Company regularly report and submits audit work reports and audit reports to independent directors for inspection, and makes internal audit reports at the quarterly Audit Committee meetings. If there are major abnormalities, the audit officer will notify them in writing, but also convene a meeting to discuss and respond. However, there was no such abnormal situation in 2020. The independent directors of the Company and the internal audit officer have diversified and good communication channels with each other.

2. The Company's CPAs report the results of the quarterly audit or review of the financial statements and other communications required by relevant laws and regulations in the quarterly Audit Committee meetings. If there are special circumstances, they will also immediately report to the Audit Committee members. There is no such special situation in 2020. The Audit Committee communicates with the CPAs well.

The communicated matters between the independent directors and internal audit officers, or the CPAs: (please refer to attached table 2)

Note 1: Actual attendance (%) is calculated based on the meetings of the Board of Directors during the term of the office, and the times of in-person attendance.

Table 1

Meeting	Date	Proposal	All Audit Committee's opinions and the Company's treatment to such opinions
1st Term/ 7th Meeting	2020.03.23	2019 assessment for "effectiveness of the internal control system", and the "Statement of Internal Control System." 2019 parent company-only and consolidated financial statements Assessment of the independence and suitability of the appointed CPAs.	The Audit Committee approved the proposal as it was without dissent.
1st Term/ 8th Meeting	2020.05.11	2020 Q1 financial statements 2020 professional service fees to Deloitte Taiwan	
1st Term/ 9th Meeting	2020.08.06	2020 Q2 financial statements	
1st Term/ 10th Meeting	2020.11.09	2020 Q3 financial statements	
1st Term/ 11th Meeting	2021.03.22	2020 assessment for effectiveness of the internal control system, and the Statement of Internal Control System. 2020 parent company-only and consolidated financial statements Assessment of the independence and suitability of the appointed CPAs.	

Table 2

Summary of communications between the independent directors and internal audit officers in the recent two years are as following:

Date	Content	Independent Directors' opinions
2019.03.21	Internal audit report 2018 assessment for effectiveness of the internal control system, and the Statement of Internal Control System. Amendments to the internal control operation	Without dissenting opinion
2019.05.06	Internal audit report	Without dissenting opinion
2019.08.08	Internal audit report	Without dissenting opinion
2019.11.07	Internal audit report	Without dissenting opinion
2020.03.23	Internal audit report 2019 assessment for "effectiveness of the internal control system", and the "Statement of Internal Control System."	Without dissenting opinion
2020.05.11	Internal audit report	Without dissenting opinion
2020.08.06	Internal audit report	Without dissenting opinion
2020.11.09	Internal audit report	Without dissenting opinion
2021.03.22	Internal audit report 2020 assessment for effectiveness of the internal control system, and the Statement of Internal Control System.	Without dissenting opinion

Summary of communications between the independent directors and the CPAs in the recent two years are as following:

Date	Content	Independent Directors' opinions
2019.03.21	<p>Discussion regarding the audit of 2018 financial statements, including any audit problem, expected key audit matters of the annual report, and the reply from the management (closed-door meeting)</p> <p>Assessment of the independence and suitability of the appointed CPAs.</p> <p>Report of regulatory changes</p>	Without dissenting opinion
2019.05.06	<p>Discussion regarding the review of 2019 Q1 financial statements, including any audit problem, and the reply from the management (closed-door meeting)</p> <p>Report of regulatory changes</p>	Without dissenting opinion
2019.08.08	<p>Discussion regarding the review of 2019 Q2 financial statements, including any audit problem, and the reply from the management (closed-door meeting)</p> <p>Report of regulatory changes</p>	Without dissenting opinion
2019.11.07	<p>Discussion regarding the review of 2019 Q3 financial statements, including any audit problem, and the reply from the management (closed-door meeting)</p> <p>Report of regulatory changes</p>	Without dissenting opinion
2020.03.23	<p>Discussion regarding the audit of 2019 financial statements, including any audit problem, expected key audit matters of the annual report, and the reply from the management (closed-door meeting)</p> <p>Assessment of the independence and suitability of the appointed CPAs.</p> <p>Report of regulatory changes</p>	Without dissenting opinion
2020.05.11	<p>Discussion regarding the review of 2020 Q1 financial statements, including any audit problem, and the reply from the management (closed-door meeting)</p> <p>Report of regulatory changes</p>	Without dissenting opinion
2020.08.06	<p>Discussion regarding the review of 2020 Q2 financial statements, including any audit problem, and the reply from the management (closed-door meeting)</p> <p>Report of regulatory changes</p>	Without dissenting opinion
2020.11.09	<p>Discussion regarding the review of 2020 Q3 financial statements, including any audit problem, and the reply from the management (closed-door meeting)</p> <p>Report of regulatory changes</p>	Without dissenting opinion
2021.03.22	<p>Discussion regarding the audit of 2020 financial statements, including any audit problem, expected key audit matters of the annual report, and the reply from the management (closed-door meeting)</p> <p>Assessment of the independence and suitability of the appointed CPAs.</p> <p>Report of regulatory changes</p>	Without dissenting opinion

(III) Corporate Governance Implementation and Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Assessment criteria	Implementation		Deviations and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
I. Has the company established and disclosed its corporate governance principles based on the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?”	Yes		Based on the regulator’s requirements and actual needs of the Company, the amendment may be made timely
II. Shareholding structure and shareholders’ interests			
(I) Has the Company implemented a set of internal procedures to handle Shareholders’ recommendations, queries, disputes, and litigations?	Yes		No material deviation.
(II) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	Yes		No material deviation.

Assessment criteria	Implementation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
(III) Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with?	Yes	The Company established the "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises" on November 12, 2014, and approved by the Board of directors for enactment. On December 19, 2014, the President approved to establish the "Procedures of Supervisory and Managerial Operation to Subsidiaries," for establishing the risk control and firewalls among the affiliates.	No material deviation.
(IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	Yes	The amended "Procedures for Ethical Management and Guidelines for Conduct" approved by the Board of directors on March 21, 2019, and the enforcement rules established on February 12, 2015, clearly specify the prohibition of insider trading.	No material deviation.
III. Composition and responsibilities of the Board of Directors			
(I) Has the Board established and implemented policies to ensure the diversity of its members?	No	Although the Company has not formulated a policy for diversification of board members, each director has an average of more than 20 years of experience in his/her professional field, and with the assistance of accountants and lawyers appointed by the Company, it has actually reached the stage of diversification.	Based on the regulator's requirements and actual needs of the Company, the establishment may be made.
(II) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?	No	Currently the Remuneration Committee and Audit Committee have been set up as required by laws.	Based on the regulator's requirements and actual needs of the Company, other functional committees will be set up timely.

Assessment criteria	Implementation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	
(III) Has the Company established a set of policies and assessment methodology to evaluate the performance of the Board? Is regular performance evaluation conducted at least once a year, and the evaluation result is submitted to the Board to serve as a reference in determining the remuneration of individual Directors and a nomination for re-election?	Yes	The "Evaluation Procedures for the Board of Directors Performance" was approved by the Board of directors on November 9, 2020, and the self-evaluation in the Board of directors and of individual board member has been completed in January, 2021. Currently the Remuneration Committee regularly reviews the policies and standards for the annual and long-term performance of directors, as well as evaluates the achievement of the directors' performance objectives pursuant to its charter and authorities.	No material deviation.
(IV) Does the Company assess the independence of external auditors regularly?	Yes	The Company conducts self-assessment every year, and is discussed and approved by the board of directors on March 23, 2020 and March 22, 2021 (detailed in the attached table), and has obtained the declaration of independence issued by an accounting firm.	No material deviation.
IV. Does the TWSF/TPEx listed company dedicate competent managers or a sufficient number of managers to take charge of corporate governance, and designate supervisors thereof to oversee the corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, assisting the Board and Supervisors in legal compliance, convening Board/Shareholders' meetings in accordance with the law, applying for/changing company registry, and producing meeting minutes of Board/Shareholders' meetings)?	Yes	The Company's current corporate governance-related business is performed by the staff of the President's Office (including the Vice President and the secretary of the Board of directors) dedicatedly and the Financial Department concurrently. The Vice President is designated as the corporate governance officer.	No material deviation.

Assessment criteria	Implementation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
V. Has the Company established a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, et cetera) or created a stakeholder section on the Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	Yes	Pursuant to regulations, the Company has set up the complaint channel for the stakeholders as a dedicate section on the Company's website http://www.tonlin.com.tw , and has dedicated staff (such as a spokesperson or deputy spokesperson) to serve and respond various concerns and issues of various stakeholders.	No material deviation.
VI. Does the Company appoint the professional stock transfer agent to handle the affairs of the shareholders' meeting?	Yes	The Company has appointed Stock Affair Agency Department, Grand Fortune Securities Co., Ltd to handle affairs of shareholders' meetings on behalf of the Company, and has the "Regulations Governing the Administration of Shareholder Services" in place to regulate related affairs.	No material deviation.
VII. Information Disclosure			
(I) Has the company established a website that discloses financial, business, and corporate governance-related information?	Yes	Pursuant to regulations, the Company has set up the shareholder section on the website http://www.tonlin.com.tw , to disclose various information about finance, business and corporate governance.	No material deviation.
(II) Does the Company adopt other avenues for information disclosure (e.g. setting up an English website, designating specific personnel to collect and provide disclosure on the Company, implementing spokesperson system, disclosing the process of institutional investor conferences on the Company website and et cetera)?	Yes	The Company has a spokesperson and deputy spokesperson, and designated staff are in charge of the collection and disclosure of company information. The Company was invited to Grand Fortune Securities' investor conference on November 23, 2020. The presentation materials in both Chinese and English have been disclosed on the MOPS and the Company's website after the investor conferences.	No material deviation.
(III) Does the Company publicly announce and file the annual financial reports within two	Yes	The Company has completed the announcement and filing of annual financial reports, the first,	No material deviation.

Assessment criteria	Implementation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
months after the accounting year-end, and publicly announce and file the first, second and third quarterly financial reports and monthly operating status reports before the stipulated deadlines?		second and third quarterly financial reports and monthly operating status reports before the deadlines.	
VIII. Does the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of Employees, care for Employees, investor relations, relations with suppliers, relations with stakeholders, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors and supervisors)?	Yes	<p>1. Employees' interests The Company protects the employees' interests pursuant to the Labor Standard Act and other related laws and regulations.</p> <p>2. Employees' welfare The Company has established the Employee Welfare Committee, implemented the retirement system, set up the employee mailbox, handled various employee training courses and employee group insurance, and arranged employee health checks; it values harmonious labor relations.</p> <p>3. Investor and stakeholder relation: The Company's website, http://www.fonlin.com.tw has shareholders' section and complaint-filing section for stakeholders in place</p> <p>4. Supplier section: The Company maintains smooth communication channels with vendors and customers, and maintains a good relationship of mutual assistance and cooperation.</p> <p>5. Implementation of customer policy The Company has a customer service team to insist good service quality by upholding the operating philosophy as customers first.</p> <p>6. Purchase of liability insurance for directors: the Company's Articles of Incorporation has the related requirement and the insurance has been bought.</p>	The related information will be added if required by laws and investors

Assessment criteria	Implementation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	
IX. Please state the improvements made to the items in the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. of the latest year (2021), and indicate the enhancement and improvement measures for the items not yet improved.	Yes		The Company does not commission any professional institution to issue an evaluation report, but implements a self-evaluation report on corporate governance for the Company's governance situation every year. For the part of the self-assessment report on corporate governance that fail to meet the standards will be improved pursuant to laws and regulations in the future.
		<p>Improved matters, such as</p> <ol style="list-style-type: none"> 1. The Company has disclosed the communication among independent directors, internal audit officer, and accountants (such as the methods, matters and results of the communication regarding the Company's financial statements and finance and business status) on the Company's website since 2020. 2. The Company's website has disclosed the list of major shareholders, including shareholders with a shareholding percentage of 5% or more; when they are fewer than ten shareholders, the name, shareholding amount and proportion of the top ten shareholders will be disclosed. <p>Matter to be improve as the first priority in the future:</p> <ol style="list-style-type: none"> 1. From 2021, the Company will upload the agenda handbook and supplementary meeting information of the general shareholders' meeting in English 30 days prior to the convention date. 2. From 2021, the Company will upload the annual report in English seven days prior to the convention date. 	

Attached Table

Tonlin Department Store Co., Ltd.
Assessment of the CPA's Independence
2020

Assessment criteria	Assessment outcome	If the independence is achieved
1. Whether the members of the audit team, their spouses and dependent relatives have no direct or indirect significant financial interests with the Company.	Yes	Yes
2. Whether the members of the audit team, their spouses and dependent relatives have no commercial relationship with the Company, directors and managerial officers affecting their independence.	Yes	Yes
3. Whether the members of the audit team, their spouses and dependent relatives have not served as the Company's directors, managerial officers or positions that have a direct and significant influence on the audit work.	Yes	Yes
4. Whether the members of the audit team do not have a spouse, direct blood relative, immediate in-laws, or relatives within 2nd degree of kinship with the directors or managerial officers of the Company.	Yes	Yes
5. Whether the members of the audit team have not received gifts or presents of great value (the value of which does not exceed the standard of general social etiquette) from the Company or directors, managerial officers or major shareholders.	Yes	Yes
6. Whether the members of the audit team have implemented the necessary independence/conflict of interest procedures and have not found any violation of independence or unresolved conflicts of interest.	Yes	Yes

(IV) If the Remuneration Committee is established, the composition, functions, and operation shall be disclosed.

1. Information of Remuneration Committee members

Identity (Note 1)	Qualification	Having met one of the following professional qualifications, together with at least five years of work experience			Independence Criteria (Note 2)										No. of other listed companies serving as remuneration committee member concurrently	Remarks	
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who have passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Having work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10			
Independent Director	Chan, Shen-Hua			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Independent Director	Lu, Yu-Tung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Independent Director	Yang, Wen-Ching		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1: Indicate the identity as the director, independent director, or others

Note 2: Any member meeting any of the following conditions during the two years before the position and during the term of office

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.
- (4) Not a managerial officer mentioned in paragraph (1), or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship mentioned in paragraphs (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as its top five shareholders, or the designated representative pursuant to Article 27 Section 1 or 2 in the Company as director/supervisor. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (6) Not a director, supervisor, or employee of other companies with the Board seats or more than half of the voting shares under the control of one person. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (7) Not a Director, President or Employee of other company whose Chairman or president are the same person or spouse of the Company. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company. (The same does not apply, however, if specified company or institution possessing shareholdings of more than 20% and less than 50% of the total number of issued shares of the Company, and in cases where the person is an independent director of the company, its parent company, or any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that provides auditing services or for the past two years, has provided commercial, legal, financial, accounting services or consultation amounted to less than a cumulative NTD500,000 to the Company or any affiliate of the company, or a spouse thereof. However, this does not apply to members of the Compensation Committee, Public Tender Offer Review Committee or Special Merger and Acquisition Committee carrying out their duties in accordance with Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Does not meet any of the criteria described in Article 30 of the Company Act.

2. Functions of Remuneration Committee

The Company established the Remuneration Committee Charter on December 6, 2011; and the amendment thereof was approved for enactment by the Board of directors on March 21, 2019. Pursuant to Article 7 of the Charter, the functions are as the following:

- (1) Periodically reviewing this Charter and making recommendations for amendments.
- (2) Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors and managerial officers of the Company
- (3) Periodically assessing the degree to which performance goals for the directors and managerial officers of the Company have been achieved, setting the types and amounts of their individual compensation accordingly.

3. Operation of the Remuneration Committee

- (1) There are total three members of the Remuneration Committee
- (2) Term of office for the 4th Term members: from August 8, 2018 to June 6, 2021. During the most recent year, five (A) meetings were held by the Remuneration Committee. The attendance and qualification of members was as follows:

(2020/1/1~2021/4/10)

Title	Name	Attendance in person (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Chan, Shen-Hua	5	0	100%	2018.6.7 Re-elected
Member	Lu, Yu-Ting	5	0	100%	2018.6.7 Re-elected
Member	Yang, Wen-Ching	4	0	80%	2018.6.7 Newly elected

Other matters that require reporting

- I. If the board of directors does not accept or modify the suggestions from the Remuneration Committee, the date and the number of times of the meeting, contents of the proposal, the board of directors' resolution, and the response of the Company to the suggestions shall be stated. (If the remuneration approved by the board of directors is higher than the Remuneration Committee suggests, the difference and the reason shall be stated.) :
As of April 10, 2021, there has been no such thing in the Company.
- II. If there is a discussed matter in the Remuneration Committee opposed by the members, or a matter the members hold qualified opinions on, which had record or statement in writing, the date and the number of times of the meeting, contents of the proposal, opinions of all members and the response to the opinions shall be stated: please refer to the attached table.

Note 1: Actual attendance (%) is calculated based on the meetings of the Remuneration Committee during the term of the office, and the times of in-person attendance.

Attached Table

Meeting	Date	Proposal	All Remuneration Committee members' opinions and the Company's treatment to such opinions
4th Term/ 6th Meeting	2020.01.13	<p>2020 working plan of the Remuneration Committee</p> <p>Review the scope of applicable managerial officers that the Company should submit to the Remuneration Committee for remuneration pre-review.</p> <p>Review the various salary and remuneration projects that the Company plans to implement in 2020.</p> <p>Review the policies, systems, standards and structure of directors and managerial officers' performance evaluation and remuneration.</p> <p>2019 year-end bonus for managerial officers.</p>	The Remuneration Committee approved the proposal as it was without dissent.
4th Term/ 7th Meeting	2020.03.23	Proposal of 2019 allocation of employee remuneration and director remuneration.	
4th Term/ 8th Meeting	2020.05.11	Proposal of 2019 allocation of employee remunerations to managerial officers, and directors and supervisors' remunerations.	
4th Term/ 9th Meeting	2021.01.28	<p>2021 working plan of the Remuneration Committee</p> <p>Review the scope of applicable managerial officers that the Company should submit to the Remuneration Committee for remuneration pre-review.</p> <p>Review the various salary and remuneration projects that the Company plans to implement in 2021.</p> <p>Review the policies, systems, standards and structure of directors and managerial officers' performance evaluation and remuneration.</p> <p>2020 year-end bonus for managerial officers.</p>	
4th Term/ 10th Meeting	2021.03.22	<p>Proposal of 2020 allocation of employee remuneration and director remuneration.</p> <p>Change of the managerial officer for the Taoyuan Branch.</p>	

(V) Fulfillment of Corporate Social Responsibility (CSR) and Differences with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons

Assessment criteria	Implementation		Deviations with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
I. Does the company assess the risk of the environment, society, and issue of management of the company and set up a policy or strategy of risk management, according to principle of importance?	No	There is currently no written system, but each unit will implement it within its responsibilities.	Based on the regulator's requirements and actual needs of the Company, the establishment may be made.
II. Does the company set up a unit to promote CSR, and authorized managerial level to handle by the board of the director, and report to the board of the director?	No	Currently, there is no dedicated unit established, but each unit will implement it within its responsibilities.	Based on the competent authority's requirements and actual needs of the Company, the establishment and implementation may be made timely.
III. Environmental Issue			
(I) Does the company set up an appropriate environmental management system, according to the feature of the industry?	Yes	The Company has the Administration Department responsible for maintaining environmental safety, energy saving and carbon reduction, and pursuant to relevant laws and regulations, formulating like the reporting system for indoor air quality maintenance management plans.	In the future, the management will be strengthened and a written management system will be established.
(II) Does the company dedicate in promoting efficiency of the usage of any sources, and use renewable materials that have low impact to the environment.	Yes	The Company closed the entire building for renovation from 2017-2018, fully adopting green building materials; in addition, it continues to promote waste sorting, resource recycling, water-saving and power-saving measures, complying with laws and regulations to ensure that the environment is pollution-free. For example, the restaurants do not provide disposable tableware, the Company implements the paperless program and promotion to save paper.	No material deviation.

Assessment criteria	Implementation		Deviations with Corporate Governance Best Practice Principles Listed Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	
(III) Does the company assess the risks and chances that the climate change makes to the present and the future of the company, and adapt measures against the climate issue?	Yes	<p>The Company has lowered the contracted enterprise capacity of power. The stores use energy-saving lamps and the inverter air-conditioning systems to save energy and reduce electricity consumption for reducing carbon emissions.</p> <p>The Company regularly promotes and takes measures to save electricity and water. It seeks to be able to reduce the impact of operating activities on the environment, and work together to protect the environment.</p>	No material deviation.
(IV) Does the company calculate the emission of green house gas, water consumption, and the amount of waste, and set up a managerial policy of energy saving and carbon reduction, reducing green house gas, reducing using water, or other waste?	Yes	<ol style="list-style-type: none"> 1. The Company reduces electricity consumption by 1% every year pursuant to regulations to reduce gas emissions. 2. The water-saving devices are installed to reduce the consumption of tap water on the operating floors. 3. The qualified vendors are contracted for waste treatment and recycling, and make a monthly declaration for business waste treatment. <p>Every year, the Company must count and execute the declaration of electricity saving, energy CO2 emissions, energy saving measures implementation plan and specific effect analysis of energy saving improvement plans pursuant to the regulations.</p>	No material deviation.
IV. Social Issues			
(I) Does the Company establish policies and procedures in compliance with regulations and internationally recognized human rights principles?	Yes	Pursuant to labor laws and related personnel regulations, the Company has established employee work rules for management and employees to comply with, as protections of the legitimate rights of employees.	No material deviation.

Assessment criteria	Implementation		Deviations with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
(II) Has the Company established and implemented reasonable employee welfare measures (including remuneration, vacation and other benefits) and appropriately reflected the business performance or results in the employee remuneration policy?	Yes	<p>The Company has the Employee Welfare Committee in place.</p> <p>The Company has established employee remuneration procedures, performance appraisal procedures, and employee remuneration disbursement procedures to clarify and regulate the remuneration, and rewards and punishment standards.</p> <p>The Company's Articles of Incorporation stipulate that if the Company makes a profit in a year, 0.1%-4% shall be appropriated as employees' remuneration. The employees' remuneration may be paid in shares or cash, and the receivers may include employees of subordinate companies who meet certain conditions</p>	No material deviation.
(III) Has the Company provided employees with a safe and healthy working environment and regularly conducted safety and health training?	Yes	<p>The Company has insured employer accident liability insurance and employer accident group insurance.</p> <p>The Company organizes the employee health check every year pursuant to relevant regulations, such as the employee health check conducted during Nov-Dec 2020; it also implements labor safety and health educational training, fire protection seminars and drills for employees, as the implementation of a safe and healthy working environment for employees.</p>	No material deviation.
(IV) Has the Company established an effective career development training program for employees?	Yes	<p>The Company's employee welfare program has provisions of subsidies for employees to participate classes in their spare time, and from time to time internal training courses are held and external professional education and training are assigned, to enhance the career development of employees.</p>	No material deviation.

Assessment criteria	Implementation		Deviations with Corporate Governance Best Practice Principles Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
(V) Has the Company complied with the relevant regulations and international standards and formulated policies for consumer protection and grievance procedures with respect to consumer health and safety, customer privacy, marketing and labeling of products and services?	Yes	The Company's business operations are handled pursuant to relevant laws and international standards. The Company's website has a mailbox for stakeholders filing complaints, and to protect the rights of consumers, there is a toll-free hotline: 0800311688, for consumers to consult and communicate immediately. In addition, the Taoyuan Department Store has a service desk to provide customers with various service consultation and complaint-filing channels.	No material deviation.
(VI) Has the Company established supplier management policies which require suppliers to comply with regulations on environmental protection, occupational safety and health or labor rights, and reported the implementation?	Yes	The Company conducts relevant evaluations of suppliers for setting up counters, and based on the Company's ethical corporate management operational procedures, vendors must sign an ethical commitment declaration when signing contracts. In the future, the Company will research to strengthen the inspection whether a supplier has any history affecting the environment and society.	Based on the regulator's requirements and actual needs of the Company, the enforcement of regulations may be established.
V. Has the Company referred to international reporting standards or guidelines in its preparation of corporate social responsibility reports and other reports which disclose the Company's non-financial information? Have the abovementioned reports obtained the verification or assurance opinions from third-party certification organizations?	No	All related information is disclosed on the Company's website. The disclosure of CSR related information will be enhanced in the future.	Based on the regulator's requirements and actual needs of the Company, the establishment may be made.
VI. If the company has its own Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, please describe the difference between its operation and the established Principles: The Company has not yet formulated related written system but will handle timely based on the regulator's requirements and actual needs of the Company			

Assessment criteria	Implementation		Deviations with Corporate Governance Best Practice Principles for TWSF/TPEX Listed Companies and reasons
	Yes	No	
<p>VII. Other important information to help understand the operation of corporate social responsibility: In order to implement environmental protection, community engagement, social contribution, social welfare, social welfare, consumer rights, human rights, safety and health, and other social responsibility activities, the Company has the sales and planning units of the department store department to plan related activities, seeking to drive social and cultural connotations, for achieving the sustainable goal of coexistence and co-prosperity. In addition, the Planning Department organizes social welfare activities from time to time, such as cooperating with vendors' charity donations by reducing commission. Relevant information are regularly disclosed on the company's website.</p>		Summary	
<p>VII. If the CSR reports have passed the validation criteria of any related validation agency, please specify: The Company has not yet formulated related written system but will handle timely based on the regulator's requirements and actual needs of the Company</p>			

(VI) Implementation of Ethical Corporate Management and Differences with Ethical Corporate Management Best Practice Principles for for TWSE/TPEx Listed Companies and reasons

Assessment criteria	Implementation		Deviations with Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	
I. Setting ethical management policies and programs			
(I) Does the company establish ethical management policies approved by the board and have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures and the commitment regarding the implementation of such policy from the board and the executive management team?	Yes	The Company specifies the ethical management policy in the internal regulations and external documents, and the Board of directors and management actively implement accordingly. For example, the "Procedures for Ethical Management and Guidelines for Conduct" are established and approved by the Board of directors, and implemented thoroughly in the internal management and external commercial activities, such as indicated in the contracts, or the suppliers are required to furnish the Ethical Commitment Declarations.	No material deviation.
(II) Has the Company established a risk assessment mechanism against unethical conduct, analyzed and assessed on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and established prevention programs accordingly which at least cover the prevention measures against the conducts listed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?	Yes	Pursuant to the "Procedures for Ethical Management and Guidelines for Conduct", the "Enforcement Rules of Ethical Corporate Management," the "Code of Ethical Conducts," and the "Procedures of Whistle-Blowing and Punishment," to regulate the relevant operating procedures, such as the handling of unethical conducts by the Company's personnel and the handling of unethical conducts by others to the Company, for establishing the evaluation of ethical management before the establishment of a business relationship and appropriate review procedures, and implemented accordingly.	No material deviation.

Assessment criteria	Implementation		Deviations with Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	
(III) Has the Company defined operating procedures, conduct guidelines, disciplinary penalties and grievance process in the program preventing unethical conduct and put them in practice, and regularly reviewed and amended the program?	Yes		Pursuant to the "Procedures for Ethical Management and Guidelines for Conduct", the "Enforcement Rules of Ethical Corporate Management," the "Code of Ethical Conducts," and the "Procedures of Whistle-Blowing and Punishment," to prevent business activities with a higher risk of unethics within the business scope and implement accordingly.
II. Implementation of ethical management			
(I) Does the Company evaluate the ethic records of the transaction object and conclude the terms regarding the ethic conducts in the agreement signed with them?	Yes		When the Company signs a contract with others, it should fully understand the other party's ethical management status, and incorporate compliance with ethical management into the contract terms, and sign an ethical commitment declaration.
(II) Has the Company established a specialized unit under the board responsible for the promotion of corporate ethics management, which regularly (at least once a year) reports policies on ethical operations, programs on prevention of unethical conduct and the status of supervision to the board?	Yes		The Company has assigned the President's Office as the dedicated unit to promote the ethical management, and it reports to the Board of directors from time to time.
(III) Does the Company prepare the policies against interest conflict and provide and implement the proper statement channel?	Yes		Pursuant to the "Procedures for Ethical Management and Guidelines for Conduct", the "Enforcement Rules of Ethical Corporate Management," the "Code of Ethical Conducts," and the "Procedures of Whistle-Blowing and Punishment", the policy preventing conflicts of interest is establish and implemented accordingly.

Assessment criteria	Implementation		Deviations with Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	
(IV) Has the Company established an effective accounting and internal control system to put ethical operations management into practice and arranged for the internal audit unit to formulate audit plans based on the risk assessment of unethical conduct and audit the compliance to prevent unethical conduct, or commissioned independent auditors to conduct the audit?	Yes	Pursuant to the "Procedures for Ethical Management and Guidelines for Conduct", the "Enforcement Rules of Ethical Corporate Management," the "Code of Ethical Conducts," and the "Procedures of Whistle-Blowing and Punishment," are established, to establish the internal control system effectively preventing unethical conducts, and the internal auditors render necessary audits.	No material deviation.
(V) Does the Company hold regular internal and external education trainings on ethical management regularly?	No	Other than promoting in meetings, it will be included in the training courses from time to time.	Other than promoting in meetings, it will be included in the training courses from time to time.
III. Operation of the Company's whistle-blowing system			
(I) Does the Company prepare the specific whistle-blowing and award & punishment system, establish the convenient whistle-blowing channel and designate a person to deal with the accused?	Yes	The Company has the "Code of Ethical Conducts" and the "Procedures of Whistle-Blowing and Punishment." The Company's website has a complaint-filing channel for stakeholders and a toll-free line, and the President's Office is responsible for handling related affairs pursuant to the procedures and regulations.	No material deviation.

Assessment criteria	Implementation		Deviations with Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	
(II) Does the Company establish standard operating procedures for investigating the complaints received, follow-up measures to be adopted and the related confidentiality measures after investigation?	Yes	The Company has the "Code of Ethical Conducts" and the "Procedures of Whistle-Blowing and Punishment." The Company has established relevant investigations and handling measures in the regulations and operating procedures, and the confidentiality mechanism for accepting reports.	No material deviation.
(III) Does the Company take measures for protecting the whistle-blower from being punished improperly?	Yes	The Company has the "Code of Ethical Conducts" and the "Procedures of Whistle-Blowing and Punishment." The Company specifies in the operational procedures that the Company will make the best efforts to protect the safety of the informant and protect them from retaliation and improper handling due to the whistle-blowing.	No material deviation.
IV. Strengthening of information disclosure			
(I) Does the company disclose the contents of its Ethical Corporate Management Best Practice Principles and the effectiveness on its website and MOPS?	Yes	The Company has disclosed the content and information related to the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethical Conducts" on the Company's website and MOPS.	No material deviation.
V. If the company has its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the difference between them: The Company implements pursuant to laws and regulations; no material deviation.			
VI. Other important information that helps to understand the company's ethical management operation: (e.g. the review and amendment to the established Ethical Corporate Management Best Practice Principles) 1. The Company amends the the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethical Conducts" timely based on the			

Assessment criteria	Implementation		Deviations with Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	
<p>requirements of competent authorities and actual needs of the Company, while disclosing on the Company's website and MOPS for compliance and operation.</p> <p>2. In the Company's "Regulations Governing Procedure for Board of Directors Meetings," the system of recusal due to conflict of interest for directors is specified. A director who has a personal (or the institution he/she represents) interest in the matter under discussion at a meeting, which may impair the interest of the company, shall not discuss and vote nor exercise the voting right on behalf of another director.</p>			

(VII) Disclosure of Inquiry Ways in Case of any Formulation of Corporate Governance Rules and Relevant Regulations by the Company:

The "Corporate Governance Best-Practice Principles," the "Code of Ethical Conducts," the "Procedures of Whistle-Blowing and Punishment," and the "Procedures of Handling Internal Material Information" have been established; please refer to the Company's website at <http://www.tonlin.com.tw>.

(VIII) Other important information that is sufficient to enhance the understanding of the operation of corporate governance
Please refer to the Company's website at <http://www.tonlin.com.tw>.

(IX) Internal control systems implementation shall disclose the following:

1. Statement of Internal Control System

Tonlin Department Store Co., Ltd.

Statement of Internal Control System

Representing that both design and implementation are effective

(The statement is applicable when all laws and regulations are complied with)

Date March 23, 2021

The Company declares the following concerning its internal control system during the fiscal year 2020, based on the findings of a self-assessment:

- I. The Company acknowledges that the establishment, implementation, and maintenance of the internal control system are the responsibilities of the Board of Directors and Managers of the Company. As such, the Company has established the aforementioned system. Its objectives are to provide reasonable assurance for the effectiveness and efficiency of its operations (including profitability, performance, and the guarantee of assets safety, etc.), reliable, timely and transparent reporting, and conformity to applicable rules, regulations, and laws.
- II. The internal control system has its inherent limitations. Regardless of how exhaustive the design is, an effective internal control system can only provide reasonable assurance for the achievement of the aforementioned three objectives. Further, due to changes in the environment or circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Company's internal control system has set up a self-supervision mechanism. Once a deficiency has been identified, the Company will take the remedial actions immediately.
- III. In accordance with the determining criteria for the effectiveness of the internal control system prescribed in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereafter the "Regulations"), the Company evaluated the effectiveness of the design and execution for its internal control system. The determining criteria of the internal control system prescribed in the "Regulations" are based on the process of management control, dividing the internal control system into five composite factors: 1. control of the environment, 2. risk evaluation, 3. control of operations, 4. information and communication, and 5. supervision. The composition of each element also includes several items. Please refer to the "Regulations" for the aforesaid items.
- IV. The Company has adopted the aforementioned determining criteria of the internal control system to evaluate the effectiveness of design and execution for its own internal control system.
- V. Based on the evaluation result of the preceding paragraph, the Company believes that its internal control system (including the supervision and management of its subsidiaries) as of December 31, 2020, including understanding the achievement for the objectives of effectiveness and efficiency of its operations, reliability, timeliness and transparency of its reporting and compliance with the applicable law and regulations, was effective in design and execution, and can be reasonably assured of the achievement of the aforementioned objectives.
- VI. This statement will serve as the main content of the Company's annual report and prospectus and will be made available to the public. If the aforesaid public content has any illegal events including falseness or concealment, it shall be liable to the legal liabilities stipulated in Article 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement has been passed by the Board of Directors Meeting of the Company held on March 22, 2021, where none of the ten attending Directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Tonlin Department Store Co., Ltd.

Chairman: Su Chien-I Signatur/Seal

President: Weng Hua-Li Signatur/Seal

2. If any CPA is entrusted to perform a special audit on the internal control audit report, such CPA's audit report shall be disclosed: none

(X) For the most recent year until the publication date of the annual report, penalties imposed against the Company and its staff, or penalties imposed by the company against its staff for violations of internal control or regulations. State any corrective actions are taken in the most recent years up to the date of the annual report: None.

(XI) For the most recent year until the publication date of the annual report, major resolutions made in Shareholders' and Board meetings:

Shareholders' meeting

Date	Matter	Proposal	Resolution	Implementation
2020.06.22	Report	Report on 2019 business performance.	Approved	
	Report	2019 Audit Committee's Review Report.	Approved	
	Report	Report on allocation of employee remuneration and director remuneration.	Approved	Distributed on May 20, 2020
	Report	Report on distribution of cash dividends from earnings.	Approved	Distributed on May 20, 2020
	Ratified	Ratification of 2019 year-end accounts.	Approved	Implemented as the resolution
	Ratified	Proposal of 2019 earnings distribution	Approved	Implemented as the resolution
	Discussed	Amendment to the Rules of Procedure for Shareholder Meetings	Approved	Implemented as the resolution

Board of Directors

Date	Matter	Proposal	Resolution	Implementation
2020.1.13 15th Term/ 12th Meeting	Discussed	year-end bonus	The second proposal was adopted.	Disbursed on January 17, 2020.
	Discussed	2020 business plan	Approved	
2020.3.23 15th Term/ 13th Meeting	Report	the Company's capability to prepare the financial statements	Approved for reference.	
	Report	The CPAs furnished the Suggestions to 2019 Internal Control	Approved for reference.	
	Discussed	2019 assessment for "effectiveness of the internal control system", and the "Statement of Internal Control System."	Approved	Reported on March 26, 2020
	Discussed	2019 parent company-only and consolidated financial statements	Approved by the Audit Committee and submitted for Board of Directors' discussion	Submitted to the shareholders' meeting for discussion on June 22, 2020
	Discussed	2019 business report	Approved by the Audit Committee and submitted for Board of Directors' discussion	Submitted to the shareholders' meeting for discussion on June 22, 2020
	Discussed	2019 distribution of employees' and directors' remunerations suggested by the Remuneration Committee	Approved to distribute NT\$1,000 thousand each for the employees' and directors' remunerations	Submitted to report to the shareholders' meeting on June 22, 2020
	Discussed	Proposal of 2019 earnings distribution	Approved by the Audit Committee and submitted for Board	Submitted to the shareholders' meeting for

Date	Matter	Proposal	Resolution	Implementation
			of Directors' discussion	discussion on June 22, 2020
	Discussed	to determine the ex-dividend base date and related affairs	Approved the ex-dividend trade date as April 22, 2020; ex-dividend base date as April 28, 2020; and distribution date as May 20, 2020.	Dividends were distributed on May 20, 2020.
	Discussed	The proposal of 2020 budget	Approved	Implemented as the resolution
	Discussed	Amendment to the "Rules of Procedure for Shareholder Meetings"	Approved	Submitted to the shareholders' meeting for discussion on June 22, 2020
	Discussed	Affairs related to the convention of 2020 AGM	Approved	2020/3/23 Announced.
	Discussed	Affairs related to accepting shareholders' proposal and nominations of 2020 AGM	Approved	Proposal acceptance period: April 14, 2020 to April 24, 2020
	Discussed	Assessment of the independence and suitability of the appointed CPAs.	Approved by the Audit Committee and submitted to Board of Directors; and approved by Board of Directors	
2020.5.11 15th Term/ 14th Meeting	Report	Results of the 6th Term of Corporate Governance Evaluation	Approved for reference.	
	Discussed	2020 Q1 financial statements	Approved	Announced on May 14, 2020.
	Discussed	2020 professional service fees to Deloitte Taiwan	Approved	Implemented as the resolution
	Discussed	Proposal of 2019 allocation of employee remunerations to managerial officers, and directors' remunerations.	Approved	Distributed on May 20, 2020
2020.8.6 15th Term/ 15th Meeting	Report	The liability insurance bought for the directors and key staffs.	Approved Authorized the chairman to handle.	
	Discussed	2020 Q2 financial statements	Approved	Reported on August 11, 2020
2020.11.9 15th Term/ 16th Meeting	Report	Progress of the operation of information security management	Approved for reference.	Implemented as the resolution
	Discussed	2020 Q3 financial statements	Approved	Reported on November 9, 2020
	Discussed	2021 audit plan	Approved	Reported before the deadline
	Discussed	the proposal of establishing the "Evaluation Procedures for the Board of Directors Performance"	Approved	Announced on November 9, 2020
2020.12.28 15th Term/ 17th Meeting	Discussed	the 2021 business plan	Approved	Implemented as the resolution

Date	Matter	Proposal	Resolution	Implementation
	Discussed	Amendments to the Company's "Code of Ethical Conducts."	Approved	Announced on Dec. 29, 2020 internally, and promoted for all employees implemented accordingly
	Discussed	the proposal of establishing the "Procedures of Whistle-Blowing and Punishment."	Approved	Announced on Dec. 29, 2020 internally, and promoted for all employees implemented accordingly
	Discussed	the proposal of establishing the "Procedures of Handling Internal Material Information."	Approved	Implemented pursuant to the approved regulations.
	Discussed	the proposal of establishing the "Corporate Governance Best Practice Principles."	Approved	Implemented pursuant to the approved regulations.
	Discussed	the proposal of establishing the "Corporate Social Responsibility Best Practice Principles."	Approved	Implemented pursuant to the approved regulations.
2021.01.28 15th Term/ 18th Meeting	Report	the construction payment of Meifu	Approved	
	Discussed	year-end bonus	The second proposal was adopted.	Disbursed on February 1, 2021.
	Discussed	the revision of the Company's organizational chart.	Approved	Implemented as the resolution
	Discussed	change of the managerial officer for the Taoyuan Branch.	Approved to replace Weng, Hua-Li by Stephen Chen	Implemented as the resolution
2021.03.22 15th Term/ 19th Meeting	Report	the Company's capability to prepare the financial statements	Approved for reference.	
	Report	the implementation of the Company's ethical corporate management principles.	Approved for reference.	
	Report	the results of the Board of Directors and members' performance evaluation for 2020.	Approved for reference.	
	Discussed	2020 assessment for effectiveness of the internal control system, and the Statement of Internal Control System.	Approved	
	Discussed	2020 parent company-only and consolidated financial statements	Approved by the Audit Committee and submitted for Board of Directors' discussion	Submitted to the shareholders' meeting for discussion on June 22, 2021.
	Discussed	2020 business report	Approved by the Audit Committee and submitted for Board of Directors' discussion	Submitted to the shareholders' meeting for discussion on June 22, 2021.
	Discussed	2020 distribution of employees' and directors' remunerations suggested by the Remuneration Committee	Approved to distribute NT\$1,000 thousand each for the employees' and directors' remunerations	Submitted to report to the shareholders' meeting on June 22, 2021.
	Discussed	Proposal of 2020 earnings distribution	Approved by the Audit Committee and	Submitted to the shareholders'

Date	Matter	Proposal	Resolution	Implementation
			submitted for Board of Directors' discussion	meeting for discussion on June 22, 2021.
	Discussed	to determine the ex-dividend base date and related affairs	Approved the ex-dividend trade date as April 22, 2021; ex-dividend base date as April 28, 2021; and distribution date as May 20, 2021.	
	Discussed	the proposal of 2021 budget	Approved	Implemented as the resolution
	Discussed	on amendments to the Company's "Directors Election Policy."	Approved	Implemented as the resolution
	Discussed	the re-election of the Company's directors.	Full re-election for ten seats of directors, three seats of independent directors included	Re-election to be held in the shareholders' meeting on June 22, 2021
	Discussed	the nomination of directors' candidates for resolution	Approved the list of nominated directors' candidates	The list of nominated directors' candidates is submitted to the shareholders' meeting on June 22, 2021 for election
	Discussed	on the removal of restrictions on competing business involvement for new directors and representatives.	Approved	Submitted to the shareholders' meeting for discussion on June 22, 2021.
	Discussed	affairs related to the convention of 2021 AGM	Approved to convene the 2021 AGM at B2, No.61, Zhongzheng Rd., Taoyuan District, Taoyuan City at 9:00 am, June 22, 2021.	Implemented as the resolution Proposal acceptance period: April 16, 2021 to April 26, 2021
	Discussed	Assessment of the independence and suitability of the appointed CPAs.	Approved by the Audit Committee and submitted to Board of Directors; and approved by Board of Directors	
	Discussed	the renovation project at the rear of the Taipei headquarter.	Approved	Implemented as the resolution
	Discussed	Change of the managerial officer for the Taoyuan Branch.	Approved	Implemented as the resolution
	Discussed	the change of the Company's organizational chart.	Approved	Implemented as the resolution

(XII) Any director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof:

During the recent year and up to the publication date of annual reports, for all the resolutions adopted in the meetings convened by the Board of Directors, have not been objected by the independent directors, nor any reserved opinions of them.

(XIII) In most recent year and as of the end of this annual report is printed out, the resignation summary of the company's chairman, president, accounting, financial, internal audit, management officers and R&D executives: none.

V. Professional service fee of CPAs

Professional Service Fees to CPAs by Fee Range

Name of the accounting firm	Name of CPAs		Duration of audit	Remarks
Deloitte Taiwan	Huang, Hsiu-Chun	Jeff Chen	2020 Q1 to Q4	None

Unit: NTD thousand

Fee Range/ Service Fee Item		Audit fee	Non-audit fee	Total
1	Below NT\$2,000 thousand	0	418	418
2	NT\$2,000 thousand (inclusive) to NT\$4,000 thousand	2,205	0	2,205
Total		2,205	418	2,623

(I) When non-audit fees paid to the CPAs, to the accounting firm of the CPAs, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed:

Unit: NTD thousand

Name of the accounting firm	Name of CPAs	Audit fee	Non-audit fee					Duration of Audit	Remarks
			System Design	Business Registration	Human Resources	Others	Subtotal		
Deloitte Taiwan	Huang, Hsiu-Chun	2,205		9		1. Taxation service fee 260 2. Non-management full time employee pay roll information 30 3. Review of appraisal reports of investment property 50 4. Advanced money 69	418	2020 Q1 to Q4	
	Jeff Chen								

(II) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: not applicable.

(III) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: not applicable.

VI. Information on replacement of certified public accountant: not applicable.

(I) Regarding the former CPAs

Date of Replacement	2018.5.11		
Reason for replacement	Internal rotation of the accounting firm		
Specifying whether it was the CPA that voluntarily ended the engagement or declined further engagement, or the company that terminated or discontinued the engagement.	Appointee	CPA	The Company
	Situation		
	Voluntarily ended the engagement	-	-
Discontinues the engagement	-		-
Have the CPA issued an audit report expressing other than an unqualified opinion during the 2 most recent years, furnish the opinion and reason	None		
Disagreement with the company	Yes	-	Accounting principle or practice
		-	Disclosure of financial statements
		-	Audit scope or steps
		-	Others
	None	None	
Explanation			
Other disclosure (Circumstances to be disclosed as specified in Article 10, paragraph 6, subparagraph 1-4 to 1-7 of the Regulations)	None		

(II) Regarding the successor CPAs

Name of the accounting firm	Deloitte Taiwan
Name of CPAs	CPA Huang Hsiu-Chun and CPA Jeff Chen
Date of appointment	2018.5.11
Prior to the formal engagement, the Company consulted the newly engaged CPAs regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the company's financial report	None
Written views from the successor CPAs regarding the matters on which the company did not agree with the former CPAs	None

(III) The reply from the former CPAs, making pursuant to Article 10, paragraph 6, subparagraph 1, and 2-3 of the Regulations: not applicable

VII. the company's Chairman, President, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: no such thing in the Company

VIII. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report.

(I) Stake changes of director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent:

Title	Name	2020		Current year up to April 10	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	SU CHIEN-I	(100,000)	-	(100,000)	-
Director (Note 1)	UN INVESTMENT CO., LTD. Representative: Su, Chi-Wei Representative: Su, Yong-Chun	(70,000)	(725,000)	(141,000)	-
Director	Jih-I Investment Co., Ltd. Representative: Huang Chung-Sheng	-	-	-	-
Director	JIN DUO LIH ENTERPRISES PTY. LTD. Representative: Weng Chun-Chih Weng, Ju-I Weng, Hua-Tieng Weng, Hua-Li	-	-	-	-
Independent Director	Lu, Yu-Ting	-	-	-	-
Independent Director	Chan, Shen-Hua	-	-	-	-
Independent Director	Yang, Wen-Ching	-	-	-	-
President	Weng, Hua-Li	400,000	-	433,000	-
Chief Finance Officer	Weng, Ju-I	302,000	-	533,000	-
Vice President	Stephen Chen	-	-	-	-
Managerial Officer	Li, Yi-Hua	-	-	-	-
Managerial Officer	Tina Huang	-	-	-	-
Major shareholder	SHUEN SHYANG CO., LTD.	-	-	-	-
Major shareholder	Weng Chun-Chih	(1,000,000)	-	(585,000)	-

Note 1: On March 17, 2020, Representative Su, Chi-Wei was discharged and replaced by Su, Yong-Chun

(II) Stake changes of director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent, and the counterparty is a related party:

Name	Reason of transfer	Date of Transaction	Counterparty of transaction	Relationship of the counterparty with the Company, director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent	Shares	Transaction price (NTD)
SU CHIEN-I	Gift	2020.04.13	Su, Andy	Father and son	100,000	23.75
WENG CHUN-CHIH	Gift	2020.04.14	Weng-Kuo, Jin-Ying	Spouse	600,000	23.75
WENG CHUN-CHIH	Gift	2020.04.14	Weng, Hua-Li	Father and son	400,000	23.75
Weng, Ju-I	Gifted	2020.04.14	Weng-Kuo, Jin-Ying	Mother and daughter	400,000	23.75
Weng, Ju-I	Transfer by market transaction	2020.04.17	U-Chen Information Co., Ltd.	Person in charge of that company	98,000	
SU CHIEN-I	Gift	2021.04.06	Su, Andy	Father and son	100,000	31.55
Weng, Ju-I	Gifted	2021.04.06	Weng-Kuo, Jin-Ying	Mother and daughter	480,000	31.55
WENG CHUN-CHIH	Gift	2021.04.13	Weng, Hua-Li	Father and son	380,000	31.55
WENG CHUN-CHIH	Gift	2021.04.13	Weng, I-Sheng	Grandparent	100,000	31.55
WENG CHUN-CHIH	Gift	2021.04.13	Weng, Kai-Ning	Grandparent	35,000	31.55
WENG CHUN-CHIH	Gift	2021.04.13	Weng, Shih-Cheng	Grandparent	35,000	31.55
WENG CHUN-CHIH	Gift	2021.04.13	Weng, Shih-Tsung	Grandparent	35,000	31.55

(III) Stake pledge of director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent, and the counterparty is a related party

No counterparty is a related party

IX. Information on top ten shareholders and their mutual relationship as spouse or blood relative within the second degree:

Name	Shares held by one's own		Shares held by spouse and child of minor age		Total shares held under others' names		Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another		Remarks
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Name	Relationship	
SHUEN SHYANG CO., LTD.	35,913,664	17.21%	-	-	-	-	JIN DUO LIH ENTERPRISES PTY. LTD.; GUAN QUAN INVESTMENT	Share the same chairman	-
Representative: Weng Chun-Chih	22,515,920	10.79%	4,162,991	1.99%	-	-	Weng, Ju-I	Father and daughter	-
JIN DUO LIH ENTERPRISES PTY. LTD.	22,936,442	10.99%	-	-	-	-	SHUEN SHYANG GUAN QUAN INVESTMENT	Share the same chairman	-
Representative: Weng Chun-Chih	22,515,920	10.79%	4,162,991	1.99%	-	-	Weng, Ju-I	Father and daughter	-
Weng Chun-Chih	22,515,920	10.79%	4,712,991	1.99%	-	-	Weng, Ju-I	Father and daughter	-
FlySun Development Co., Ltd.	12,579,333	6.03%	-	-	-	-	-	-	-
Representative: Huang-Jiang Shu	426	0.00%	-	-	-	-	HUANG CHUNG-SHENG	Mother and son	-
JIA FONG INVESTMENT CO., LTD.	8,767,000	4.20%	-	-	-	-	-	-	-
Representative: Huang Chung-Sheng	6,369,544	3.05%	21,780	0.01%	-	-	Huang-Jiang Shu	Mother and son	-
GUAN QUAN INVESTMENT	8,750,000	4.19%	-	-	-	-	SHUEN SHYANG JIN DUO LIH ENTERPRISES PTY. LTD.;	Share the same chairman	-
Representative: Weng Chun-Chih	22,515,920	10.79%	4,162,991	1.99%	-	-	Weng, Ju-I	Father and daughter	-
SHUN TAI INVESTMENT CO., LTD.	8,439,000	4.04%	-	-	-	-	-	-	-
Representative: Weng, Ju-I	3,944,309	1.89%	-	-	718,000	0.34%	WENG CIJUN-CHIH	Father and daughter	-
YUNG YUAN INVESTMENT CO., LTD.	7,366,000	3.53%	-	-	-	-	-	-	-
Representative: Su Chen-I	5,581,075	2.67%	-	-	-	-	-	-	-
UN INVESTMENT CO., LTD.	6,836,060	3.28%	-	-	-	-	-	-	-
Representative: Su Yong-Chuu	1,537,241	0.74%	-	-	-	-	-	-	-
Huang Chung-Sheng	6,369,544	3.05%	21,780	0.01%	-	-	Huang-Jiang Shu	Mother and son	-

X. Number of shares and consolidate percentage of the company, directors, supervisor, managers and the businesses that are controlled by the company directly or indirectly on the invested company

December 31, 2020

Reinvested business (Note)	Invested by the Company		Held by Directors, Supervisors, managerial officers, and directly/indirectly controlled entities		Aggregated investment	
	Shares	Aggregated investment%	Shares	Aggregated investment%	Shares	Aggregated investment%
DeHome Development Co., Ltd.	60,000,000	100	-	-	60,000,000	100
GUAN QUAN INVESTMENT CO., LTD.	35,000,000	100	-	-	35,000,000	100
JIA FONG INVESTMENT CO., LTD.	35,000,000	100	-	-	35,000,000	100
YUNG YUAN INVESTMENT CO., LTD.	35,000,000	100	-	-	35,000,000	100
SHUN TAI INVESTMENT CO., LTD.	35,000,000	100	-	-	35,000,000	100
Chung Hsiao Enterprise Co., Ltd.	3,776,000	20	7,929,600	42	11,705,600	62

Note: Investments by the equity method.

Four. Information on capital raising activities

I. Capital and shares

(I) Source of share capital

1. Type of shares

April 10, 2021; Unit: shares

Type of shares	Approved share capital			Remarks
	Outstanding shares (listed)	Unissued shares	Total (shares)	
Ordinary share	208,725,000	-	208,725,000	Listed shares

2. Formation of share capital

April 10, 2021

Month/Year	Issuance Price (NTD)	Approved share capital		Paid-up share capital		Remarks		
		Shares (thousand shares)	Amount (NT\$ thousand)	Shares (thousand shares)	Amount (NT\$ thousand)	Source of share capital (NT\$ thousand)	Property other than cash provided as capital contributions	Approved date and reference No. for capital increase
1982.08	10	7,000	70,000	2,240	22,400	Share capital when established-cash	None	
1983.09	10	8,200	82,000	8,200	82,000	Capital increase in cash 59,600	"	
1984.08	10	12,000	120,000	12,000	120,000	Capital increase in cash 38,000	"	
1992.03	10	19,800	198,000	19,800	198,000	Capital reserve transferred to capital increase 78,600	"	
1992.12	10	22,770	227,700	22,770	227,700	Capital reserve transferred to capital increase 19,602 Surplus transferred to capital increase 10,098	"	Approved with (81) Tai-Cai-Zheng (I) No.02345, dated Sep. 14, 1992, for reference
1993.12	10	30,000	300,000	30,000	300,000	Capital reserve transferred to capital increase 22,600 Surplus transferred to capital increase 49,700	"	Approved with (82) Tai-Cai-Zheng (I) No.40584, dated Oct. 22, 1993, for reference
1994.10	10 26	60,000	600,000	60,000	600,000	Capital reserve transferred to capital increase 265,000 Capital increase in cash 35,000	"	Approved with (83) Tai-Cai-Zheng (I) No.32680, dated Aug. 1, 1994, for reference
1995.07	10	72,000	720,000	72,000	720,000	Capital reserve transferred to capital increase 120,000	"	Approved with (84) Tai-Cai-Zheng (I) No.32816, dated June 5, 1995, for reference
1996.06	10	90,000	900,000	90,000	900,000	Capital reserve transferred to capital increase 122,400 Surplus transferred to capital increase 57,600	"	Approved with (85) Tai-Cai-Zheng (I) No.33464, dated May 25, 1996, for reference
1997.09	10 39	160,000	1,600,000	138,000	1,380,000	Capital reserve transferred to capital increase 133,000 Surplus transferred to capital increase 162,000 Capital increase in cash 165,000	"	Approved with (86) Tai-Cai-Zheng (I) No.45548, dated June 21, 1997, for reference
1998.08	10	195,000	1,950,000	172,500	1,725,000	Capital reserve transferred to capital increase 162,495 Surplus transferred to capital increase 182,505	"	Approved with (87) Tai-Cai-Zheng (I) No.55409, dated June 25, 1998, for reference
1999.08	10	195,000	1,950,000	189,750	1,897,500	Capital reserve transferred to capital increase 112,125 Surplus transferred to capital increase 60,375	"	Approved with (88) Tai-Cai-Zheng (I) No.57198, dated June 22, 1999, for reference
2000.08	10	208,725	2,087,250	208,725	2,087,250	Capital reserve transferred to capital increase 151,800 Surplus transferred to capital increase 37,950	"	Approved with (89) Tai-Cai-Zheng (I) No.55264, dated June 27, 2000, for reference

(II) Shareholder structure

April 24, 2021

Shareholder structure Quantity	Governmental agencies	Financial institution	Other institution	Individuals	Foreign institutions and foreigners	Total
Number of shareholders	0	0	23	1,372	14	1,409
No. of shares held	0	0	128,260,580	80,008,420	456,000	208,725,000
Shares Ratio	0.00%	0.00%	61.45%	38.33%	0.22%	100.00%

(III) Share ownership distribution

Face value NT\$ 10 per share

April 24, 2021

Classification of shareholding	Number of shareholders	No. of shares held	Shareholding percentage (%)
1-----999	1,065	85,279	0.04
1,000-----5,000	257	448,928	0.23
5,001-----10,000	13	91,614	0.04
10,001-----15,000	6	72,452	0.04
15,001-----20,000	1	18,000	0.00
20,001-----30,000	4	98,780	0.05
30,001-----40,000	4	139,817	0.07
40,001-----50,000	2	89,100	0.04
50,001-----100,000	4	319,000	0.15
100,001-----200,000	8	922,709	0.44
200,001-----400,000	5	1,275,000	0.61
400,001-----600,000	6	2,776,035	1.33
600,001-----800,000	5	3,410,106	1.63
800,001-----1,000,000	1	1,000,000	0.48
More than 1,000,001	28	197,978,180	94.85
Total	1,409	208,725,000	100.00

Note: The Company issued no preference share

(IV) List of major shareholders

April 24, 2021

Name of major shareholders	Shares	Shares held (shares)	Shareholding percentage (%)
SHUEN SHYANG CO., LTD.		35,913,664	17.21
JIN DUO LIH ENTERPRISES PTY. LTD.		22,936,442	10.99
Weng Chun-Chih		22,515,920	10.79
FlySun Development Co., Ltd.		12,579,333	6.03
JIA FONG INVESTMENT CO., LTD.		8,767,000	4.20
GUAN QUAN INVESTMENT CO., LTD.		8,750,000	4.19
SHUN TAI INVESTMENT CO., LTD.		8,439,000	4.04
SONG YUAN INVESTMENT CO., LTD.		7,366,000	3.53
UN INVESTMENT CO., LTD.		6,836,060	3.28
Huang Chung-Sheng		6,369,544	3.05

Note: List all shareholders with a stake of 5 percent or greater, or top 10 shareholders in shareholding percentage

(V) Market share price, net worth, earnings, dividend and relevant information for the most recent two years
Unit: NTD \$

Item		Year			
		2020	2019	Current year up to April 10, 2021 (Note 6)	
Market price per share (Note 1)	Highest	52.90	39.90	51.90	
	Lowest	23.25	24.10	31.15	
	Average	33.05	27.63	33.95	
Net value per share	Before distribution	13.47	13.53	-	
	After distribution (Note 2)	Not distributed yet	12.70	-	
Earnings per share (EPS)	Weighted average outstanding shares (thousand shares) (Note 7)	175,403	175,403	175,403	
	Earnings per share (EPS)	0.65	0.64	-	
Dividend per share	Cash dividends		Not distributed yet	0.70	-
	Bonus Share dividend	Shares dividend from surplus	Not distributed yet	-	-
		Share dividend from capital reserve	Not distributed yet	-	-
	Cumulative unpaid dividends		-	-	-
Return on investment analysis	Price to earnings ratios (Note 3)		50.85	43.17	-
	Price to dividend ratio (Note 4)		Not distributed yet	39.47	-
	Dividend Yield (Note 5)		Not distributed yet	2.53	-

Note 1: The highest and lowest market prices of common stocks in each year, and the average market price of each year based on the transaction value and volume of each year.

Note 2: Based on the number of issued shares at the end of the year, and calculated based on the distribution resolved in the shareholders meeting in the following year

Note 3: Price/Earnings Ratio = Average Closing Price for the Year / Earnings per Share

Note 4: Price to dividend ratio = Average closing price for the period / Cash dividend per share.

Note 5: Dividend Yield = Cash dividend per share / Average closing price for the period.

Note 6: As of the publication date of the annual report, the latest financial information has not been reviewed by the CPAs

Note 7: Pursuant to the "Standards to Handle Treasury Shares," the parent company's shares held by subsidiaries are treated as treasury shares.

If these shares are not deemed as treasury shares but the investment, the pro forma information is as the following:

	2020	2019
Weighted average outstanding shares	208,725 thousand shares	208,725 thousand shares
Total shareholders' equity	NT\$3,210,638 thousand	NT\$3,244,494 thousand
Net value per share	NT\$15.38	NT\$15.54
Earnings per share (EPS)	NT\$0.55	NT\$0.54
Price to earnings ratios	60.09 times	51.17 times

(VI) The Company's Dividend Policy and Implementation Status:

1. Dividend policy

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.

The Company passed a resolution during the shareholder meeting dated June 28, 2019 to amend its Articles of Incorporation. In addition to the terms described in the preceding paragraph, any cash distribution of dividend, profit, statutory reserve, or additional paid-in capital, 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.

2. The proposed distribution of dividends in this AGM

2020 Earnings Appropriation Table

Unit: NTD \$

Beginning 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' cash dividends (NT\$0.50 cash per share)	104,362,500
Unappropriated retained 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.

(3) When material change to the dividend policy is expected: The Company expects no material change to the dividend policy

(VII) The impact on the operating performance of the Company and earnings per share by the proposal of the Shareholders' Meeting to issue bonus shares.

Item		2021 (Estimate)	
Beginning paid-up capital (NT\$ thousand)		2,087,250	
Distribution of shares and dividend for 2020 (Note 1)	Cash dividends per share (NT\$)	0.50	
	Share dividend per share for the surplus transferred to capital increase	-	
	Share dividend per share for the capital reserve transferred to capital increase	-	
Change of operating performance	Operating profit	Not applicable (Note 2)	
	Increase (decrease) percentage of operating profit from the previous year		
	Net income after tax		
	Increase (decrease) percentage of net income after tax from the previous year		
	Earnings per Share		
	Increase (decrease) percentage of EPS from the previous year		
Pro forma EPS and P/E ratio	If all surplus transferred to capital increase distributed as cash dividends in full amount	Pro forma EPS (NT\$)	Not applicable (Note 3)
		Pro forma average annual ROI	
	If the capital reserve transferred to capital increase is not conducted	Pro forma EPS (NT\$)	
		Pro forma average annual ROI	
	If the capital reserve and surplus transferred to capital increase is not conducted, and distributed as cash dividends	Pro forma EPS (NT\$)	
		Pro forma average annual ROI	

Note 1: It is the distribution resolved by the Board of directors on March 22, 2021, 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.

Note 2: Pursuant to the "Regulations Governing the Publication of Financial Forecasts of Public Companies," the Company is not required to disclose the financial forecast of 2021; therefore not applicable

Note 3: No bonus share will be distributed this year, so not applicable.

(VIII) Employees' and directors' remunerations

- Employees' and directors' remunerations policies as stated in the Articles of Incorporation: The Articles of Incorporation specify that 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 estimation basis of the remuneration for employees, and Directors for the current period, the computation basis for employees' remuneration distributed in shares, and accounting treatments for any discrepancies between the amounts estimated and the amounts disbursed: Pursuant to the amended Company Act in May 2015, and the amended Articles of Incorporation resolved by the AGM in June 2018, the Company provides for employee remuneration at 0.1%-4%, and director remuneration at no more than 4%, of current year's pre-tax profit before employee and director remuneration. The estimated employees' and directors' remunerations for 2020 were based on the Articles of Incorporation and the possible distributed amount in the past. If before the release date of the annual parent company-only financial statements, there is a significant change in the distribution amount approved by the Board of directors, the change will adjust the originally listed annual expenses. If the amount still changes after the release date of the annual parent company-only financial statements, such changes will be treated as the change in accounting estimates, and accounted the adjustment in the following year. If the Board of directors resolves to pay employee remuneration in shares, the number of shares is calculated by dividing the resolved amount by the

closing price on the day before the Board of directors' resolution.

3. Remuneration distribution approved by the Board of Directors
 - a. Employees' and directors' remunerations paid in cash or shares. If any discrepancy from the recognized annual estimated amount, the difference, reasons, and treatment shall be disclosed. The estimated employees' remuneration of NT\$1,000 thousand (0.63%) and directors' remuneration of NT\$1,000 thousand (0.63%) for 2020, were approved by the Board of directors on March 22, 2021 to be distributed in cash. It is expected to be reported on June 22, 2021 in the general shareholders' meeting.
 - b. The amount of employees' remuneration distributed by shares and its proportion to the sum of parent company-only or individual financial statement net profit after-tax and total employee remuneration for the current period:
The employees' remuneration to be distributed for 2020 has been resolved to paid in cash fully; no distribution in shares.
4. Actual disbursement of employee bonus and remuneration to Directors for the preceding year (including employee stocks, cash disbursement and share prices). In circumstances where any differences between the actual distributed and recognized amount, the difference, reasons and handling of such matter shall be stated as follows:
On March 23, 2020, the Board of directors resolved to distribute NT\$1,000 thousand (0.74%) as employees' remuneration of and NT\$1,000 thousand (0.74%) as directors and supervisors' remuneration of 2019, which were not different from the recognized amount in the parent company-only financial statements of 2019.

(IX) Share repurchase by the Company: none

II. Corporate bonds: none

III. Preference share: none

IV. Global depository receipts: none

V. Employee stock warrants: none

VI. Employee stock warrants: none

VII. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: none

VIII. Status of implementation of capital allocation plans:

As of the publication date of the annual report, the Company has no incomplete capital allocation plan, or completed capital allocation plan without effect shown.

Five. Overview of operations

I. Description of the business

(I) Scope of business:

1. Major lines of business:

- (1) Trader, exporter and importer of various goods.
- (2) Operating restaurant business and production and sales of Chinese and Western dishes.
- (3) Exporter, importer, agency, distributor, bidder of the products mentioned in the preceding paragraph.
- (4) Leasing of related stalls
- (5) The operation of supermarkets and parking lots.
- (6) Commissioning construction companies to build citizen residence and commercial buildings for leasing and sales.
- (7) General investment.

2. Weight of major business

Item	Amount (NT\$ thousand)	Percentage (%)
Department store segment - Taoyuan Branch	282,363	50.93
- Taipei Branch	206,639	37.27
Construction Segment	59,669	10.76
Investment Segment	5,769	1.04
Total	554,440	100.00

3. Current services

- (1) Retailing as a department store.
- (2) Food and beverages.
- (3) Building leasing.
- (4) Construction and sales of real estates.
- (5) General investment.

4. New products development (service)

- (1) Due to the declining operating performance of the traditional department store counters, the Board of directors approved the proposal of refurbishing Taoyuan Branch on October 24, 2016. The Taoyuan Branch has started the trial operation on September 15, 2018, and officially opened on October 3, 2018. In addition to retaining some of the existing vendors with outperformance, the Company also introduced famous brands of fast fashion, restaurants, sports and leisure, amusement park and movie theaters for joint operation.
- (2) Actively promote the construction and sales of real estates of the subsidiary, DeHome Development Co., Ltd.

(II) Industry overview

1. Department store segment

(1) Current and future industry prospects

Department stores have gradually grown from small stores to large-scale shopping malls. In recent years, the large shopping malls integrating catering, movie theaters, entertainment and fitness joined the competition. In response to the trend, leisure, travelling, apparel, and catering and entertainment facilities and movie theaters have been added to the branches to cope with the trend and increase business performance.

(2) Links between the upstream, midstream, and downstream segments of the industry supply chain

Upstream	Midstream	Downstream
The counter operators and self-operated product suppliers, such as: cosmetics, lingerie, apparel and other suppliers.	Department store services, such as: large department stores, large shopping malls, hypermarkets and retailing stores.	Consumers, such as: companies and individuals.

(3) Development trends and competition for the company's products

Due to the increasing large-scale shopping malls, the convenience of one-stop shopping is more attractive to customers for revisiting. The smaller business stores as in the past have been no longer favored by consumers, and multi-functional complex stores have gradually become the mainstream. It is obvious as the performances of the larger departments stores have grown steadily. Currently, large-scale lands suitable for development into a department store have become fewer and fewer, and the costs are high; the development difficulty is relatively high. To respond the changes of modern trends, and more and more competitors of emerging channels, such as hypermarket and specialty stores, the Board of directors approved the proposal of refurbishing Taoyuan Branch on October 24, 2016. The Taoyuan Branch has started the trial operation on September 15, 2018, and officially opened on October 3, 2018. In addition to

retaining some of the existing vendors with outperformance, the Company also introduced famous brands of fast fashion, restaurants, sports and leisure, amusement park and movie theaters for joint operation.

2. Construction Segment

(1) Current and future industry prospects

Taiwan's construction industry has been rising in the past decade. Housing prices and land prices have reached new highs continuously. However, the government has been tightening the control over the real estates, coupled with the slowdown in the economic growth, the decline in population growth, and the increase in the rate of self-owned housing, in the short-term, the housing prices tend to fall as the future development of real estate.

(2) Links between the upstream, midstream, and downstream segments of the industry supply chain

Upstream	Midstream	Downstream
Construction companies and building materials suppliers, such as construction engineering companies and building materials companies.	Small and medium construction companies.	Companies and individuals.

(3) Development trends and competition for the company's products

Due to elevated land prices and scarcity of lands in urban prime areas, with the difficulty of integration in terms of urban renewal, land acquisition costs will increase in the future. As the clients make informed choice of products when information is getting more transparent, the prices of the builder's products will be more consistent to the current market conditions. Due to the decline in the size of families, the increasing housing prices, and the higher concentration of wealth comparing to the past, the products will tend to the development of luxury residences with large space, and core family residences or suites with smaller space. The builders will differentiate products based on market and products to maximize the profits.

(III) Overview of the company's technologies and its research and development

1. The keys of success for operating general retail industry are the location and the size of the store area. These factors have been determined at the time of establishment, so the operation mainly depends on the adjustment of the product structure and promotion activities to improve performance.

Due to the above characteristics, the department store industry does not have as much investment as in technology and R&D like traditional industries, high-tech industries, or new-type service industries. The Company enhance the sales mainly by adjusting the product structure, strengthening customer service, making full use of the main customer's consumption information, with promotional activities along with festivals and seasons.

2. The laws and regulations of construction industry require relatively high earthquake-proof requirements, the increasing innovations in construction methods shorten the construction period, and building materials tend to be green and environmentally friendly. The Company will closely cooperate with architects based on market trends and product planning.

(IV) Long- and short-term business development plans

Long-term business development plans:

- a. The refurbished Taoyuan branch started trial operation on September 15, 2018, and officially opened on October 3, 2018, transforming into a shopping mall combining the cinema, medium and large restaurants, sports and leisure, and the bookstore to provide customers with a good shopping environment.
- b. 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.
- c. Recover funds from reinvested businesses like the venture capital companies, to reduce debt and strengthen financial structure.
- d. Continue to buy lands for the joint-construction with DeHome Development.

Short-term business development plans:

- a. The refurbished Taoyuan branch started trial operation on September 15, 2018, and officially opened on October 3, 2018.
- b. With respect to leasing, the Company will strive to increase rental income by adjusting rent rates or tenants as lease agreements expire.
- c. Actively sell the Yangmingshan construction project and Jiaoxi construction project to increase revenue.

II. Overview of market and sales

(I) Market analysis

1. Department store segment

(1) Geographic areas where the main products (services) of the company are provided

Unit: NT\$ thousand; %

Geographic areas of sales	2020		2019	
	Amount	Ratio	Amount	Ratio
Taoyuan Branch-revenue of department store	247,027	50.52	217,124	47.88
-General leasing	35,336	7.22	37,823	8.34
Taipei Branch-leasing	206,639	42.26	198,562	43.78
Total	489,002	100.00	453,509	100.00

The Company's department store business currently has only one store in Taoyuan, and its sales area is mainly in Taoyuan City and its suburbs; the original store in eastern Taipei is mainly for real estate leasing. The turnover of 2020 years was NT\$489,002 thousand, an increase of approximately NT\$35,493 thousand comparing to the turnover of NT\$453,509 thousand in 2019. This was mainly due to the refurbishment of the entire Taoyuan store, which was officially opening on October 3, 2018. Affected by COVID-19, Taoyuan Branch's revenue in 2020 only slightly increased by about NT\$27,416 thousand from 2019. Although Taipei Branch is currently fully leased, the lease income was also affected by COVID-19, due to the partial reduction of rents granted to tenants, resulting in a small increase in leasing income for approximately NT\$8,077 thousand.

(2) Market share, demand and supply conditions for the market in the future:

In the past few years, Taipei Xinyi District has Shin Kong Department Store's 3rd and 4th buildings, the large-scale 101 Mall, Eslite Flagship Store, and Uni-President Taipei. Now Breeze Center and the Fareast have joined the competition. However, Taipei Branch has been leased, so the impact is relatively small. In Taoyuan, Tonlin, Fareast and Shin Kong are in the CBD in front of Taoyuan Station, and Taimall and MetroWalk are at the off-skirt. The market is roughly in supply-demand balance.

(3) Market's growth potential, the company's competitive niche

Due to the decline in the population growth rate, it is difficult to expand the market for department stores in Taoyuan. The refurbished Taoyuan Branch re-opened in October 2018, and the performance of 2019 remained stable. However, since the beginning of 2020, due to the severe impact of COVID-19 pandemic, the government and various research institutes have lowered their economic growth rate forecasts. Not only the severe impact on the revenue of the department store operated by the Company, the rents were also reduced temporarily for tenants to overcome the plight. It is hoped when the pandemic is eased and vaccine is developed, the promotions of the Company will increase the sales.

(4) Positive and negative factors for future development, and the company's response to such factors.

A. Positive factors

- ① The location of the store is in the elite area, with crowds and good consumption potential.
- ② Department stores are all self-owned, may be operated sustainably, with the potential for asset appreciation.
- ③ After the Zhongxiao Store is leased out, stable profits is helpful to the fund utilization.

B. Negative factors

- ① The peers have been expanding branches, and large shopping malls have been developed, to share the retail market. The competition will become more fierce in the future.

②Stores have been developing towards large-scale, but the investment and development costs of the urban elite areas are too high, with very long period of payback; the branch expansion is becoming more and more difficult.

C. Response:

①Taoyuan Branch was refurbished and officially operated. It has been transformed into a shopping mall with a combination of movie theaters, medium and large restaurants, sports and leisure, and bookstore to provide customers with a good shopping environment.

②The Taipei Branch maintains a full lease. When the contract expires, the rent or tenants will be adjusted according to market supply and demand. Before the expiration, the rent will be increased according to the percentage set forth in the contract.

2. Construction Segment

(1) Geographic areas where the main products of the company are provided

A. Yuyangming construction project at Yangming Mountain in Taipei been completed, and the sales have reached 36% so far.

B. The Jiaoxi construction project was completed in the third quarter of 2017, and sales began in the fourth quarter of the same year. So far it has sold 45%

(2) Market share, demand and supply conditions for the market in the future:

The subsidiary, DeHome Development only has the sales amount less than NT\$2 billion from construction project, with the limited market share. For the Yuyangming construction project at Yangming Mountain, as only very few construction projects in Yangming Mountain, without specific supply, it mainly provides second housing or potential customer who can live in a natural environment. The Jiaoxi construction project focuses on providing small-scale leisure and vacation residences.

(3) Market's growth potential, the company's competitive niche

Due to the difficulty of obtaining land, except that the Yangming Mountain project has been completed and begun to sale, Jiaoxi has also increased revenue by joint construction and unit sharing. Meanwhile, the Company actively discusses joint construction with landlords in the Greater Taipei area to expand its business. The shareholders of the Company have been engaged in the construction industry for more than 30 years, and their competitiveness has been able to gain a foothold in the market by being cautious and conservative together with the supports of Tonlin's funds.

(4) Positive and negative factors for future development, and the company's response to such factors.

A. Positive factors

①The directors have more than 30 years of experience in the construction industry.

②The parent company, Tonlin, makes stable profits and provides the funds needed for development.

B. Negative factors

①Land prices have been rising and it is not easy to obtain them.

②The government's control measures on real estate have caused home buyers to wait and see.

C. Response:

①The Company will focus on prudently evaluating the differences in joint construction and product planning, in order to continue development and reduce future sales risks.

②Strengthen product planning and control construction costs.

(II) Usage of major products

1. Department store segment

The Company's department stores operate as a shopping mall that combines movie theaters, medium and large restaurants, sports and leisure, and bookstore, to meet the daily needs and the pursuit of high-quality life of consumers, while providing additional social functions such as leading popular and leisure culture.

2. Construction Segment

The Company's current products are mainly in the residential market, providing consumers with residential products.

(III) Supply situation for the company's major raw materials

1. Department store segment:

Operation of the Company: Cosmetics, lingerie, and sleepwear.

Counters: Counters are set up by medium and large catering, domestic manufacturers and wholesalers or importation agencies. The operation is on a commission basis.

2. Construction Segment:

Mainly contract to well-known domestic and foreign construction companies in the manner of including labor and materials.

(IV) List of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in the 2 most recent fiscal years

1. Clients accounting for 10 percent or more of the company's total sales:

① For the department store segment, Taoyuan Branch's sales are targeted at general consumers.

Because the amount is small and customers are many, customers with more than 10% of the total sales are not listed.

② For the leasing business under the department store segment, customers accounted for more than 10% and their amounts:

Unit: NT\$ thousand

2020				2019				2021, up to the previous quarter (Note 1)			
Name of client	Amount	Percentage (%)	Relationship with the issuer	Name of client	Amount	Percentage (%)	Relationship with the issuer	Name of client	Amount	Percentage (%)	Relationship with the issuer
A	122,497	50.59	None	A	104,171	44.07	None				
B	39,591	16.36	None	B	38,813	16.42	None		Not applicable		
C	18,947	7.83	None	C	22,825	9.65	None				
Others	61,030	25.22	None	Others	70,576	29.86	None				
Total	241,975	100.00		Total	236,385	100.00					

Note 1: the financial information has not been reviewed by the CPAs.

③ Construction segment: Yuyangming construction project at Yangming Mountain has been on sale since 2014, three units were sold before 2018, two units were sold in 2019, and there was no sales amount in 2020. The Jiaoxi Xien-Xien construction project has been on sale since the fourth quarter of 2017. Ten units were sold before 2018, three units were sold in 2019, and six units were sold in 2020.

Unit: NT\$ thousand

2020				2019				2021, up to the previous quarter (Note 1)			
Name of client	Amount	Percentage (%)	Relationship with the issuer	Name of client	Amount	Percentage (%)	Relationship with the issuer	Name of client	Amount	Percentage (%)	Relationship with the issuer
A	13,206	22.13	None	A	90,707	47.54	None				
B	10,742	18.00	None	B	69,719	36.54	None		Not applicable		
C	9,492	15.91	None	C	10,378	5.44	None				
D	9,347	15.67	None	D	10,182	5.34	None				
Others	16,882	28.29	None	Others	9,810	5.14	None				
Total	59,669	100.00		Total	190,796	100.00					

Note 1: the financial information has not been reviewed by the CPAs.

2. Suppliers accounting for 10 percent or more of the company's total procurement:

① Department store segment:

Unit: NT\$ thousand

2020				2019				2021, up to the previous quarter (Note 1)			
Name	Amount	Percentage to the net purchase of goods (%)	Relationship with the issuer	Name	Amount	Percentage to the net purchase of goods (%)	Relationship with the issuer	Name	Amount	Percentage to the net purchase of goods (%)	Relationship with the issuer
A	79,884	9.36	None	A	73,406	8.09	None				
B	57,601	6.75	None	B	63,872	7.04	None		Not applicable		
C	53,371	6.25	None	C	40,513	4.46	None				
D	39,740	4.66	None	D	38,220	4.21	None				
E	37,311	4.37	None	E	36,351	4.00	None				
F	34,483	4.04	None	F	33,726	3.72	None				
Others	551,188	64.57	None	Others	621,539	68.48	None				
Net purchase of goods	853,578	100.00		Net purchase of goods	907,627	100.00					

Note 1: the financial information has not been reviewed by the CPAs.

② Construction Segment:

Yuyangming construction project at Yangning Mountain: It was self-built on the self-owned land, started construction in November 2011, and was completed in April 2013.

Jiaoxi Xien-Xien construction project: It is a joint-construction with unit-sharing project with the landlord. The construction started in March 2015 and completed in 2017.

(V) Production volume and value in the recent two years

Unit: NT\$ thousand

Year	2020 production value	2019 production value
Main products		
Cost of sales	79,125	35,470
Cost of leasing	39,224	40,241
Cost of construction and engineering service sales (Note)	55,133	224,095
Other operating costs	16,529	24,144
Total	190,011	323,950

Note: The 2020 figure is purely the sales and construction cost of Jiaoxi Xien-Xien project; the 2019 figure includes the sales and construction cost of Yuyangming for NT\$193,138 thousand, sales and construction cost of Jiaoxi Xien-Xien project for NT\$27,957 thousand, and the listed depreciation loss of Yuyangming for NT\$3,000 thousand.

(VI) Sales value in the recent two years (all domestic sales)

Unit: NTD thousand

Main products	Year	2020 Sales value	2019 Sales value
	Net sales revenues		201,207
Lease incomes		247,744	242,256
Construction incomes (Note)		59,669	190,796
Other operating revenues		45,820	54,130
Total		554,440	650,176

Note: The 2020 figure is purely the sales revenue of Jiaoxi Xien-Xien project; the 2019 figure includes the sales revenue of Yuyangming for NT\$160,426 thousand, and sales revenue of Jiaoxi Xien-Xien project for NT\$30,370 thousand

III. Employees

Year	2020	2019	Current year up to April 10, 2021
Number of employees	85.5	84.08	85.75
Average age (year)	44.31	43.63	42.12
Average years of service (year)	12.52	11.81	12.18
Distribution of academic qualifications	PhD	0.00	0.00
	Master	4.68	4.76
	College	68.42	67.89
	Senior high school	26.90	27.35
	Lower than senior high school	0.00	0.00
	Total	100.00	100.00

IV. Disbursements for environmental protection

- (I) Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents: none.
- (II) Response and possible expenditure:
Up to now, the Company and subsidiaries have not sustained any compensation or losses due to environmental pollution incidents.

V. Labor relations

(I) Employee benefit plans

1. The department store business segment of the Company's establishment of the Employee Welfare Committee was approved with the Letter (81 Bei-Shi-Fu-Lao (3)Zhi No.17962 on September 23, 1992. Therefore, all relevant employee welfare measures have been coordinated and handled the Welfare Committee.
2. The Company values the health of employees, so it cooperates with relevant medical institutions and health examination centers to organize health check for in-service employees pursuant to laws and regulations.
3. The subsidiaries do not have any employee welfare committee, but their employees are entitled to three festival bonuses, weddings and funerals subsidies, and year-end parties.

(II) Employees' education and trainings

1. Employees can may participate continuing education courses like English, Japanese, computer in their spare time. The subsidies are available with the tuition receipts.
2. The Company regularly organizes training every month for the new employees. Employees are educated about the Company's business philosophy, how to fulfill their duties in daily work, implementation and expression of Tonlin's spirit, and establish a good relationship of mutual assistance. For professional functions, each department may apply for external training based on actual needs.

(III) Retirement system and implementation

For the department store segment, the Labor Standards Act has been applied since March 1, 1998. Other than the enactment of the Labor Standards Act, the Company also revised all related regulations to comply with the Labor Standards Act and related requirements. Starting from July 2005, the pension is handled based on the employees' choice of contribution under the new or old pension scheme. The subsidiary belongs to the construction industry; the retirement is handled pursuant to the Labor Standards Act, and pensions are contributed based on the new system.

(IV) Other important agreements

The Company has a employee suggestion box; the regular management meetings are also held. The communication channels between labor and management are smooth, and the relationship is harmonious. So far, there have been no major labor disputes.

(V) Any losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes, and response and possible expenditure in the future:

During the current year up to the publication date of the annual report, the Company has not sustained any loss due to labor disputes

VI. Important contracts

Nature of contract	Counterparty	Commencement dates and expiration dates	Key content	Restrictive terms
Lease contract	Uni-Wonder Corporation	2013.01.01~2021.12.31	1F	None
Lease contract	Caesar Trading, Niche Marketing International Trading, Yu-Ru, and Ju-Heng Limited	2021.01.01~2026.12.31	7F	None
Lease contract	World Fitness Asia Limited (H.K.) Taiwan Branch	2017.07.22~2023.07.21	3F、4F	None
Lease contract	ITX Taiwan B.V. Taiwan Branch (THE NETHERLANDS)	2011.08.10~2034.11.23	B1、1F、2F	None
Lease contract	The Loop Production Co., Ltd.	2021.01.01~2026.12.31	10F-7	None
Lease contract	Caeser Empiror's Estate Limited, 8th Floor Branch	2021.01.01~2026.12.31	8F-9	None
Lease contract	Shang Yu Property Management Consultancy Co., Ltd.	2017.12.16~2023.12.31	13F-1	None
Lease contract	ITX Taiwan B.V. Taiwan Branch (THE NETHERLANDS)	2014.07.29~2026.08.21	9F-11	None
Lease contract	Championtek Co., Ltd.	2019.08.16~2024.08.15	No. 66, Xinchu Rd., Xinzhuang District	None
Lease contract	Magic Closet Limited	2020.03.01~2026.12.31	10F-11	None
Mid-term borrowing contract	Bank SinoPac	2020.10.08~2022.10.31	Limit of borrowing NT\$1.4 billion	None
Mid-term borrowing contract	Bank of Taiwan	2020.06.24~2023.06.24	Limit of borrowing NT\$700 million	None
Mid-term borrowing contract	Hua Nan Commercial Bank	2021.01.12~2022.01.12	Limit of borrowing NT\$293 million	Within the effective contract period and limit of borrowing, the maximum duration of each borrowing is three years
Mid-term borrowing contract	First Commercial Bank	2020.08.28~2022.08.28	Limit of borrowing NT\$350 million	None

Six. Overview of the company's financial status

I. Condensed balance sheet and comprehensive income statement of most recent five years

(I) Consolidated condensed balance sheet and comprehensive income statement

1. Consolidated condensed balance sheet

Unit: NT\$ thousand

Item	Year	Financial information for the past five fiscal years (Note 1 and 2)					Financial information for the current year up to March 31, 2021 (Note 1)
		2020	2019	2018	2017	2016	
Current assets		1,502,547	1,485,145	1,756,795	1,741,284	1,681,435	
Property, Plant and Equipment		2,309,908	2,360,568	2,407,956	1,575,366	1,330,209	
Net amount of investment property		2,165,053	2,159,642	2,154,199	2,153,906	2,103,220	Not
Other assets		282,167	288,340	276,348	307,132	504,415	
Total Assets		6,259,675	6,293,695	6,595,298	5,777,688	5,619,279	Applicable
Current liabilities	Before distribution	1,492,180	1,618,200	2,221,228	1,662,226	2,748,056	
	After distribution	Not distributed yet	1,764,308	2,221,228	1,662,226	2,852,419	
Non-current liabilities		2,404,462	2,301,932	2,123,470	1,918,183	607,666	
Total liabilities	Before distribution	3,896,642	3,920,132	4,344,698	3,580,409	3,355,722	
	After distribution	Not distributed yet	4,066,240	4,344,698	3,580,409	3,460,085	
Equity attributable to owners of the parent company		2,363,033	2,373,563	2,250,600	2,197,279	2,263,557	
Share capital		2,087,250	2,087,250	2,087,250	2,087,250	2,087,250	
Capital reserve		506,964	483,638	483,638	483,638	466,977	
Retained earnings	Before distribution	1,136,456	1,242,216	1,131,498	892,115	971,426	
	After distribution	Not distributed yet	1,096,108	1,131,498	892,115	867,063	
Other interests		(84,096)	(156,000)	(168,245)	17,817	21,445	
Treasury shares		(1,283,541)	(1,283,541)	(1,283,541)	(1,283,541)	(1,283,541)	
Non-controlling interests		-	-	-	-	-	
Total Equity	Before distribution	2,363,033	2,373,563	2,250,600	2,197,279	2,263,557	
	After distribution	Not distributed yet	2,227,455	2,250,600	2,197,279	2,159,194	

Note 1: The aforesaid information, other than 2021 Q1 financial information has not been reviewed by the CPAs, others all have been audited by the CPAs

Note 2: Pursuant to the "Standards to Handle Treasury Shares," the parent company's shares held by subsidiaries are treated as treasury shares.

Note 3: The distributed figures are based on the distribution resolved in the shareholders' meeting next year.

Note 4: None of the aforesaid information has been notified by the competent authorities to correct or restate.

2. Consolidated condensed comprehensive income statement

Unit: NTD thousand

Item	Year	Financial information for the past five fiscal years (Note 1 and 2)					Financial information for the current year up to March 31, 2021 (Note 1)
		2020	2019	2018	2017	2016	
Operating revenue		554,440	650,176	462,058	282,049	665,756	
Operating costs		190,011	323,950	150,247	47,749	271,553	
Operating margin		364,429	326,226	311,811	234,300	394,203	Not
Operating expenses		202,611	218,954	168,574	143,999	338,381	
Net operating profit		161,818	107,272	143,237	90,301	55,822	Applicable
Non-operating income and (expense)		(5,575)	26,094	(33,982)	(68,547)	5,178	
Income tax expenses		42,084	21,581	17,151	(4,309)	24,434	
Current net income		114,159	111,785	90,104	25,963	36,566	
Current total comprehensive income (net of tax)		(2,340)	11,178	(36,783)	(4,539)	16,099	
Total comprehensive income in the current period		111,819	122,963	53,321	21,424	52,665	
Equity attributable to owners of the parent company		114,159	111,785	90,104	25,963	36,566	
Net profit attributable to non-controlling interest		-	-	-	-	-	
Total comprehensive income attributable to owners of the parent		111,819	122,963	53,321	21,424	52,665	
Total comprehensive income attributable to the non-controlling interest		-	-	-	-	-	
EPS (Note 3)		0.65	0.64	0.51	0.15	0.21	

Note 1: The aforesaid information, other than 2021 Q1 financial information has not been reviewed by the CPAs, others all have been audited by the CPAs

Note 2: Pursuant to the "Standards to Handle Treasury Shares," the parent company's shares held by subsidiaries are treated as treasury shares.

Note 3: Calculation based on the weighted average shares.

Note 4: None of the aforesaid information has been notified by the competent authorities to correct or restate.

3. Name of the CPAs and Audit Opinions in the Recent Five Years

Year	CPAs	Audit opinions
2016	Chu, Cheng-Chun and Kuo, Tsu-Rong	Standard unqualified pinion
2017	Chu, Cheng-Chun and Kuo, Tsu-Rong	Unqualified opinion
2018	Huang Hsiu-Chun and Jeff Cheng	Unqualified opinion
2019	Huang Hsiu-Chun and Jeff Cheng	Unqualified opinion
2020	Huang Hsiu-Chun and Jeff Cheng	Unqualified opinion

(II) Parent company-only condensed balance sheet and comprehensive income statement

1. Parent company-only condensed balance sheet

Unit: NTD thousand

Item	Year	Financial information for the past five fiscal years (Note 1 and 2)				
		2020	2019	2018	2017	2016
Current asset		547,866	559,426	621,487	523,493	587,995
Property, Plant and Equipment		2,309,777	2,360,386	2,407,719	1,575,161	1,326,739
Net amount of investment property		1,992,976	1,986,205	1,979,402	1,977,749	1,925,703
Other assets		913,643	920,563	976,556	1,031,101	1,233,264
Total assets		5,764,262	5,826,580	5,985,164	5,107,504	5,073,701
Current liabilities	Before distribution	998,161	1,152,478	1,612,638	993,386	2,203,721
	After distribution	Not distributed yet	1,298,586	1,612,638	993,386	2,308,084
Non-current liabilities		2,403,068	2,300,539	2,121,926	1,916,839	606,423
Total liabilities	Before distribution	3,401,229	3,453,017	3,734,564	2,910,225	2,810,144
	After distribution	Not distributed yet	3,599,125	3,734,564	2,910,225	2,914,507
Share capital		2,087,250	2,087,250	2,087,250	2,087,250	2,087,250
Additional paid-in capital		506,964	483,638	483,638	483,638	466,977
Retained earnings	Before distribution	1,136,456	1,242,216	1,131,498	892,115	971,426
	After distribution	Not distributed yet	1,096,108	1,131,498	892,115	867,063
Other equities		(84,096)	(156,000)	(168,245)	17,817	21,445
Treasury stock		(1,283,541)	(1,283,541)	(1,283,541)	(1,283,541)	(1,283,541)
Total Equity	Before distribution	2,363,033	2,373,563	2,250,600	2,197,279	2,263,557
	After distribution	Not distributed yet	2,227,455	2,250,600	2,197,279	2,159,194

Note 1: The aforesaid information, all has been audited by the CPAs

Note 2: Pursuant to the "Standards to Handle Treasury Shares," the parent company's shares held by subsidiaries are treated as treasury shares.

Note 3: The distributed figures are based on the distribution resolved in the shareholders' meeting next year.

Note 4: None of the aforesaid information has been notified by the competent authorities to correct or restate.

2. Parent company-only condensed comprehensive income statement

Unit: NTD thousand

Item	Year	Financial information for the past five fiscal years (Note 1 and 2)				
		2020	2019	2018	2017	2016
Operating revenue		519,690	464,291	356,724	249,844	590,263
Operating costs		161,874	108,114	84,764	36,534	219,231
Operating margin		357,816	356,177	271,960	213,310	371,032
Operating expenses		180,589	191,479	137,712	106,564	234,163
Net operating profit		177,227	164,698	134,248	106,746	136,869
Non-operating income and (expense)		(21,703)	(32,325)	(27,304)	(85,832)	(76,280)
Income tax expenses		41,365	20,588	16,840	(5,049)	24,023
Current net income		114,159	111,785	90,104	25,963	36,566
Current total comprehensive income (net of tax)		(2,340)	11,178	(36,783)	(4,539)	16,099
Total comprehensive income in the current period		111,819	122,963	53,321	21,424	52,665
EPS (Note 3)		0.65	0.64	0.51	0.15	0.21

Note 1: The aforesaid information, all has been audited by the CPAs

Note 2: Pursuant to the "Standards to Handle Treasury Shares," the parent company's shares held by subsidiaries are treated as treasury shares.

Note 3: Calculation based on the weighted average shares.

Note 4: None of the aforesaid information has been notified by the competent authorities to correct or restate.

3. Name of the CPAs and Audit Opinions in the Recent Five Years

Year	CPAs	Audit opinions
2016	Chu, Cheng-Chun and Kuo, Tsu-Rong	Standard unqualified opinion
2017	Chu, Cheng-Chun and Kuo, Tsu-Rong	Unqualified opinion
2018	Huang Hsiu-Chun and Jeff Cheng	Unqualified opinion
2019	Huang Hsiu-Chun and Jeff Cheng	Unqualified opinion
2020	Huang Hsiu-Chun and Jeff Cheng	Unqualified opinion

II. Financial analysis of most recent five years

1. Consolidated financial analysis

Analysis item		Financial analysis of most recent five years (Note 1)					2021 Q1 (Note 2)
		2020	2019	2018	2017	2016	
Financial structure (%)	Debt to assets ratio	62.25	62.29	65.88	61.97	59.72	
	Long-term capital to property, plants and equipment	206.39	198.07	181.65	261.24	215.85	
Solvency (%)	Current ratio	100.69	91.78	79.09	104.76	61.19	
	Quick ratio	41.39	33.59	26.42	30.74	19.12	
	Interest protection multiples	545.01	462.89	392.24	152.06	284.55	Not
Operating abilities	Average Collection Turnover (times)	23.55	21.52	15.35	9.48	19.88	
	Average collection days	15.50	16.96	23.78	38.50	18.36	Applicable
	Inventory turnover (times)	0.15	0.25	0.09	0.02	0.22	
	Accounts payable turnover (times)	1.32	1.96	1.03	0.23	1.76	
	Average inventory turnover days	2433.33	1460.00	4055.56	18250.00	1659.09	
	Property, plant and equipment turnover (times)	0.24	0.27	0.23	0.19	0.49	
	Total assets turnover (times)	0.09	0.10	0.07	0.05	0.12	
Profitability	ROA (%)	2.27	2.19	1.86	0.88	1.09	
	ROE (%)	4.82	4.83	4.05	1.16	1.63	
	Pre-tax profit to paid-in capital (%)	7.49	6.39	5.14	1.04	2.92	
	Net profit margin (%)	20.59	17.19	19.50	9.21	5.49	
	Earnings per share (NT\$) (Note 3)	0.65	0.64	0.51	0.15	0.21	
Cash flows	Cash flow ratio (%)	11.27	24.66	13.45	(4.93)	0.50	
	Cash flow adequacy (%)	50.41	36.62	31.72	11.21	13.85	
	Cash flow reinvestment ratio (%)	0.87	7.84	6.35	(3.84)	0.41	
Leverage	Operating leverage	2.35	3.08	2.10	2.74	7.06	
	Financial leverage	1.28	1.52	1.27	1.48	2.09	

Note 1: The aforesaid information, all has been audited by the CPAs

Note 2: The latest financial information has not been audited by the CPAs

Note 3: Calculation based on the weighted average shares.

2. Reasons for all financial ratio fluctuations within the most recent two years.

Name of ratio	2020	2019	Difference (%)	Explanation
Quick ratio	41.39	33.59	23.22	Mainly due to the current assets (excluding inventory and prepaid expenses) 2020 increased by NT\$74 million from 2019, with the repayment to the short-term borrowings for about NT\$70 million and conversion to long-term loans for about NT\$110 million.
Inventory turnover (times)	0.15	0.25	(40.00)	It was mainly because the sales of real estate inventory in 2020 were the Jiaoxi Xienxien construction project with a lower unit price and smaller space; while in 2019, two units of Yuyangming project sold were these high unit price and bigger space, the inventory turnover decreased significantly.
Accounts payable turnover (times)	1.32	1.96	(32.65)	It was mainly because the sales of real estate inventory in 2020 were the Jiaoxi Xienxien construction project with a lower unit price and smaller space; while in 2019, two units of Yuyangming project sold were these high unit price and bigger space, the amount of sales cost in 2020 was lower, resulting in lower accounts payable turnover.
Average inventory turnover days	2,433.33	1,460.00	66.67	Mainly due to the decrease in inventory turnover in 2020 comparing to 2019.
Cash flow ratio (%)	11.27	24.66	(54.30)	Mainly due to the sale of two large-size units of Yuyangming higher unit price in 2019, resulting in the large inflow of funds from operating activities.
Cash flow adequacy (%)	50.41	36.62	37.66	Mainly due to the substantial decrease in capital expenditure and inventory increase in the past five years in 2020 comparing to 2019.
Cash flow reinvestment ratio (%)	0.87	7.84	(88.90)	Mainly because the net cash inflow from operating activities in 2020 years after deducting distributed cash dividends was significantly lower than that in 2019.
Operating leverage	2.35	3.08	(23.70)	Although the operating profit in 2020 has increased comparing to 2019, the amount of operating revenue less variable operating costs and expenses still increased slightly, resulting in a decrease in operating leverage comparing to 2019.

3. Parent company-only financial analysis

Analysis item		Financial analysis of most recent five years (Note 1)				
		2020	2019	2018	2017	2016
Financial structure (%)	Debt to assets ratio	59.01	59.26	62.40	56.98	55.39
	Long-term capital to property, plants and equipment	206.34	198.02	181.60	261.19	216.32
Solvency (%)	Current ratio	54.89	48.54	38.54	52.70	26.68
	Quick ratio	46.77	38.75	30.51	38.86	19.43
	Interest protection multiples	623.05	554.92	474.49	176.53	353.17
Operating abilities	Average Collection Turnover (times)	22.20	15.37	12.46	8.94	18.42
	Average collection days	16.44	23.75	29.29	40.83	19.82
	Inventory turnover (times)	1.14	0.38	0.36	0.09	1.21
	Accounts payable turnover (times)	1.07	0.35	0.54	0.19	1.7
	Average inventory turnover days	320.18	960.53	1013.89	4055.56	301.65
	Property, plant and equipment turnover (times)	0.22	0.19	0.18	0.17	0.44
	Total assets turnover (times)	0.09	0.08	0.06	0.05	0.12
Profitability	ROA (%)	2.38	2.29	1.96	0.87	1.08
	ROE (%)	4.82	4.83	4.05	1.16	1.63
	Pre-tax profit to paid-in capital (%)	7.45	6.34	5.12	1.00	2.90
	Net profit margin (%)	21.97	24.08	25.26	10.39	6.19
	Earnings per share (NT\$) (Note 2)	0.65	0.64	0.51	0.15	0.21
Cash flows	Cash flow ratio (%)	14.93	24.15	16.24	4.19	7.40
	Cash flow adequacy (%)	60.22	48.55	39.25	33.38	41.36
	Cash flow reinvestment ratio (%)	0.06	5.47	5.57	(1.42)	4.91
Leverage	Operating leverage	2.15	2.26	2.06	2.13	2.71
	Financial leverage	1.20	1.21	1.21	1.26	1.19

Note 1: The aforesaid information, all has been audited by the CPAs

Note 2: Calculation based on the weighted average shares.

4. Reasons for each parent company-only financial ratio fluctuations within the most recent two years.

Name of ratio	2020	2019	Difference (%)	Explanation
Quick ratio (%)	46.77	38.75	20.70	Mainly due to the current assets (excluding inventory and prepaid expenses) 2020 increased by NT\$20 million from 2019, with the repayment to the short-term borrowings for about NT\$70 million and conversion to long-term loans for about NT\$110 million.
Average Collection Turnover (times)	22.20	15.37	44.44	It was mainly due to the increase in operating income for the whole year of 2020 from 2019; also, the average balance of accounts receivable decreased from 2019.
Average collection days	16.44	23.75	(30.78)	Mainly due to the increase in accounts receivable turnover in 2020 comparing to 2019.
Inventory turnover (times)	1.14	0.38	200.00	It was mainly because the sales amount of department stores and real estate in 2020 increased significantly from 2019, and the relative costs also increased significantly.
Accounts payable turnover (times)	1.07	0.35	205.71	It was mainly because the sales amount of department stores and real estate in 2020 increased significantly from 2019, and the relative costs also increased significantly, resulting in the accounts payable turnover increased significantly.
Average inventory turnover days	320.18	960.53	(66.67)	Mainly due to the increase in inventory turnover in 2020 comparing to 2019.
Cash flow ratio (%)	14.93	24.15	(38.18)	Mainly because the financial assets mandatory to be carried at FVTPL in 2020 significantly increased from 2019, resulting in net cash inflow from operating activities significantly decreased from 2019.
Cash flow adequacy (%)	60.22	48.55	24.04	Mainly due to the substantial decrease in capital expenditure in the past five years in 2020 comparing to 2019.
Cash flow reinvestment ratio (%)	0.06	5.47	(98.90)	Mainly because the net cash inflow from operating activities in 2020 years after deducting distributed cash dividends was significantly lower than that in 2019.

1. Financial structure
 - (1) Liabilities to Assets Ratio = Total Liabilities / Total Assets.
 - (2) Long-term Capital to Fixed Assets Ratio = (Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets.
2. Solvency
 - (1) Current Ratio = Current Assets / Current Liabilities.
 - (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.
 - (3) Interest Protection Multiples = Earnings before Interest and Taxes / Interest Expenses.
3. Operating abilities
 - (1) Average Collection Turnover (including accounts receivable and notes receivable resulted from business operation) = Net Sales / Average Trade Receivables (including accounts receivable and notes receivable resulted from business operation).
 - (2) Days Sales Outstanding = 365 / Average Collection Turnover.
 - (3) Average Inventory Turnover = Cost of Sales / Average Inventory.
 - (4) Average Payment Turnover (including accounts payables and notes payables resulted from business operation) = Cost of Sales / Average Trade Payables (including accounts payables and notes payables resulted from business operation).
 - (5) Average Sales Days = 365 / Average Inventory Turnover.
 - (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment.
 - (7) Total Assets Turnover = Net Sales / Average Total Assets.
4. Profitability
 - (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets.
 - (2) Return on Equity = Net Income / Average Total Equity.
 - (3) Net Margin = Net Income / Net Sales.
 - (4) Earnings Per Share = (Net Income - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding. (Note 1)
5. Cash Flow (Note 2)
 - (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities.
 - (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend.
 - (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Property, Plant and Equipment + Long-term Investments + Other Assets + Working Capital).
6. Leverage:
 - (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
 - (2) Financial Leverage = Operating Profit / (Operating Profit - Interest Expenses)

(Note 1): 1. Based on the weighted average outstanding shares

- (Note 2): 1. The net cash flow from operating activities refers to the cash inflow or outflows from operating activities indicated in the cash flow statement.
2. Capital expenditure refers to the cash outflow from capital investment every year.
 3. Increase of inventories is only calculate when the ending balance is larger than the beginning balance; if the inventories decreased at the end of year, it is calculated as zero.
 4. Gross property, plant and equipment refers to the total property, plant and equipment before deducting accumulated depreciation

III. Audit report of the financial statements of the recent year form the Audit Committee

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

IV. Financial statements of the recent year

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
3310	Retained earnings	470,347	7	459,275	7
3320	Statutory reserves	495,507	8	672,223	11
3350	Special reserves	170,602	3	110,718	2
3300	Unappropriated earnings	1,136,456	18	1,242,216	20
3400	Total retained earnings	(84,096)	(1)	(156,000)	(3)
3400	Other equities	(1,283,541)	(20)	(1,283,541)	(20)
3500	Treasury stock	2,363,033	38	2,373,563	38
3XXX	Total equity	<u>\$ 6,259,675</u>	<u>100</u>	<u>\$ 6,293,695</u>	<u>100</u>
Total liabilities and equity					

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



Chairman: Su Chien-li




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 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	%
8310	Other comprehensive income 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	<u>\$ 111,819</u>	<u>20</u>	<u>\$ 122,963</u>	<u>19</u>
	Earnings per share (Note 24)				
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 consolidated financial statements.

Chairman: Su Chien  President: Weng Hua  Vice President: Chen Wen-Long  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				
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 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. 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)

<u>Code</u>		<u>2020</u>	<u>2019</u>
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>

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

Chairman: Su Chien-Hsiang  President: Weng Hua-Feng  Vice President: Chen Wen-Long  Head of Accounting: Huang Su-Chin 

Tonlin Department Store Co., Ltd. and Subsidiaries

Notes to consolidated financial statements

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

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

I. Organization and operations

Tonlin Department Store Co., Ltd. (the "Company") was founded in August 1982 and commenced business operations in November 1984. Taoyuan Branch was later established in September 1995 and commenced operation in November 1995. The Company primarily operates as a retail departmental store. The Company's shares have been listed for trading on Taiwan Stock Exchange Corporation since December 1996. The Company closed down its Taipei Branch on September 20, 1999 out of concern for profit yield, and leased out buildings previously occupied by Taipei Branch for income on October 1. The Company currently has lease contracts established with multiple counterparties including World Fitness Asia Limited (H.K.) Taiwan Branch. Please refer to Note 21 for details. Furthermore, to facilitate the Company's transformation into an integrated entertainment complex, the board of directors passed a resolution to remodel Taoyuan Branch on October 24, 2016, which later commenced trial operation on September 15, 2018 and officially opened for business on October 3, 2018. In addition to retaining top revenue-generating merchants, Taoyuan Branch also brought in major quick fashion, restaurant, sports, leisure, entertainment, and cinema brands to support its new transformation.

The consolidated financial statements are presented using the Company's functional currency (NTD).

II. The Authorization of Financial Statements

This consolidated financial statements were was passed during the board of directors meeting dated March 22, 2021.

III. Application of New and Revised International Financial Reporting Standards

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

Adopting the amended version of FSC-approved IFRSs will not result in any material change to the consolidated entity's accounting policies.

(II) FSC-approved IFRSs applicable in 2021

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date of IASB announcement</u>
Amended "Extension of the Temporary Exemption from Applying IFRS 9" in IFRS 4	Effective on the published date
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 regarding "Interest Rate Benchmark Reform - Phase 2"	Effective from reporting periods that begin after January 1, 2021
Amendments to IFRS 16 regarding "Covid-19-Related Rent Concessions"	Effective from reporting periods that begin after June 1, 2020

The consolidated entity continues to evaluate how revisions of the above standards and interpretations affect its consolidated financial position and business performance as of the publication date of this financial report. Outcomes of these assessments will be disclosed upon completion.

(III) The IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 1)</u>
"Annual Improvement for the Cycle of 2018-2020"	January 1, 2022 (Note 2)
Amended "Updating the Index to the Conceptual Framework" in IFRS 3	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Undetermined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments of IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 regarding "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 regarding "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 - "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

Note 2: The amendment of IFRS 9 applies to the exchange of financial liabilities or modified terms incurring in the annual reported periods since January 1, 2022; the amendment of "Agriculture" in IAS 41 applies to the measurement at fair value in the annual reported periods since January 1, 2022; The amendment of "Initial application of IFRSs" in IFRS 1 applies the annual reported periods since January 1, 2022 retrospectively.

Note 3: The amendment applies to the merges whose acquisition dates after the annual reported periods since January 1, 2022.

Note 4: The amendment applies to the property, plant and equipment achieving the expected operations by the management after January 1, 2021.

Note 5: The amendment applies to the contracts yet performing all obligations as of January 1, 2022.

Note 6: These amendments will be applied prospectively in reporting periods starting from January 1, 2023.

Note 7: These amendments will be applied to changes in accounting estimates and accounting policies that take place in reporting periods after January 1, 2023.

The consolidated entity continues to evaluate how revisions of the above standards and interpretations affect its consolidated financial position and business performance as of the publication date of this financial report. Outcomes of these assessments will be disclosed upon completion.

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

This consolidated financial report has been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and FSC-approved IFRSs.

(II) Basis of preparation

This consolidated financial statement has been prepared based on historical cost, except for financial instruments carried at fair value and net defined benefit liabilities calculated by deducting fair value of plan assets from present value of defined benefit obligation.

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

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

(III) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets that are held mainly for the purpose of trading;
2. Assets that are expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (except for those that are intended to be swapped or settled against debt more than 12 months after the balance sheet date, and those with restricted uses).

Current liabilities include:

1. Liabilities that are held mainly for the purpose of trading;
2. Liabilities that are expected to be settled within 12 months after the balance sheet date; and
3. Liabilities where the repayment terms can not be extended unconditionally beyond 12 months after the balance sheet date.

Assets and liabilities that do not satisfy the above criteria are classified into non-current assets or non-current liabilities.

The consolidated entity's construction activities operate at business cycles that are longer than one year. For this reason, assets and liabilities that arise in relation to construction activities are distinguished between current and non-current portions based on normal business cycle.

(IV) Basis of consolidation

This consolidated financial statement includes the Company and entities that the Company has control over (i.e. subsidiaries). Subsidiaries have had financial statements adjusted to ensure alignment of accounting policies with those of the consolidated entity. All transactions, account balances, income, expenses, and losses between entities of the consolidated financial statement have been eliminated during consolidation.

Refer to Note 12 and Appendix 2 for details, shareholding percentages, and business activities of subsidiaries.

(V) Foreign currency

During preparation of financial statement, transactions denominated in currencies other than the functional currency (i.e. foreign currency transactions) are converted and recorded in the functional currency using exchange rate as at the transaction date.

Monetary foreign currency accounts are converted using closing exchange rates as at every balance sheet date. Exchange differences arising from settlement or translation of monetary accounts are recognized in profit and loss in the year occurred.

Foreign currency-denominated non-monetary items carried at fair value are converted using exchange rates as at the date of fair value assessment, with exchange differences recognized in current profit and loss. However, items that have fair value changes recognized in other comprehensive income shall also have exchange differences recognized in other comprehensive income.

Foreign currency-denominated non-monetary items carried at historical cost are converted using exchange rate as at the date of initial transaction. No further recalculation shall be made.

(VI) Inventories

Proprietary inventory is valued at the lower of cost or net realizable value; the lower of cost or net realizable value is compared by retail departments, except for groups of items within the same category. Net realizable value refers to the balance of estimated selling price less any costs required to sell inventory under normal circumstances; cost is calculated using the retail inventory method.

Construction-in-progress is stated at the lower of cost or net realizable value. Down payments are paid for the purchase of construction land or properties pending sale, and borrowing interests accrued during the construction period are capitalized and recognized as cost of inventory.

Construction land is reclassified into construction-in-progress when construction activities begin. Upon completion, the amount of construction-in-progress is reclassified into operating cost and properties pending sale based on percentages of sold and unsold areas.

In joint construction arrangements where the Company contributes land in exchange for units of properties pending sale, no gain/loss is recognized at the time of exchange, and income is recognized only when properties are sold to buyers.

(VII) Investments in Associates

An associated company is an organization in which the consolidated entity has significant influence, but does not meet the criteria of a subsidiary.

The consolidated entity accounts for associated companies using the equity method.

Under the equity method, associated companies are recognized at cost at initiation; after the acquisition date, book value may be increased or decreased by the consolidated entity's share of profits/losses and other comprehensive income in associated companies. Furthermore, changes in the equity of associated companies are recognized based on the consolidated entity's shareholding percentage.

When assessing impairments, the consolidated entity treats the entire account as a single asset and tests for impairment by comparing book value with recoverable amount. Any impairment losses recognized are presented as part of the book value of the investment without amortization. Reversal of impairment loss can be recognized up to the sum of subsequent increases in the recoverable amount of the investment.

(VIII) Property, Plant and Equipment

Property, plant, and equipment are initially recognized at cost, and subsequently presented at cost after accumulated depreciation and impairment.

Property, plant, and equipment in progress are carried at cost less cumulative impairments. Cost includes services expenses and borrowing costs that satisfy the capitalization criteria. These assets are classified into appropriate categories of property, plant, and equipment upon completion and reaching the expected usable state, at which time depreciation will also begin.

No depreciation is provided on land, whereas property, plant, and equipment are depreciated using the straight line method over their useful lives. Depreciation is provided separately for each major component. The consolidated entity reviews estimated useful life, residual value, and depreciation method at least once at the end of each year. Impacts of changes in accounting estimates are applied prospectively.

Gains or losses arising from decommissioned property, plant, and equipment are calculated as the difference between disposal proceeds and the asset's book value, and are recognized through profit and loss in the year occurred.

(IX) Investment Property

Investment properties are real estate properties held for rental income or capital gain, or both. Investment properties include land held on hand that the Company has yet to determine their future uses.

Investment properties are initially recognized at cost (including transaction cost) and subsequently presented at cost after accumulated depreciation and impairment.

Investment properties are depreciated on a straight-line basis.

Difference between the disposal proceed and book value of decommissioned investment property is recognized in profit and loss.

(X) Intangible asset

1. Acquisition by separate purchase

Intangible assets that are acquired through separate purchase with limited useful life are recognized at cost at initiation, and subsequently presented at cost less accumulated amortization and impairment. Intangible assets are amortized on a straight-line basis over their useful lives. The estimated useful life, residual value, and amortization method are reviewed at least once at the end of each year. Impacts of changes in accounting estimates are applied prospectively.

2. Dccommissioning

Difference between the net disposal proceed and book value of intangible assets removed is recognized in current profit and loss.

(XI) Impairment of property, plant, equipment, investment properties, and intangible assets

The consolidated entity evaluates all property, plant, equipment, investment properties, and intangible assets for signs of impairment every balance sheet date. Assets that exhibit any sign of impairment will have recoverable amount estimated. If the recoverable amount can not be estimated on an individual basis, the consolidated entity will instead estimate recoverable amount for the entire cash-generating unit.

Recoverable amount is the higher between "fair value less selling costs" and the "utilization value." If recoverable amount of an asset or cash-generating unit falls below its book value, the book value of that particular asset/cash-generating unit shall be reduced to the recoverable amount with impairment losses recognized through profit and loss.

When impairment losses are reversed on a later date, the book value of corresponding assets/cash-generating units shall be adjusted upwards to the recoverable amount. However, the increased book value shall not exceed the book value (less amortization or depreciation) of the asset/cash-generating unit before impairment losses were recognized in the first place. Reversal of impairment loss is recognized through profit and loss.

(XII) Financial instruments

Financial assets and financial liabilities are recognized on consolidated balance sheet when the consolidated entity becomes a party of the contract.

When recognizing financial assets and liabilities at initiation, those that are not designated to be carried at fair value through profit and loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of financial assets/liabilities. Transaction costs that are directly attributable to the acquisition or issuance of financial assets/liabilities carried at fair value through profit and loss are recognized immediately through profit and loss.

1. Financial asset

Routine transactions of financial asset are recognized on or removed from balance sheet based on principles of trade date accounting.

(1) Measurement category

Financial assets held by the consolidated entity are distinguished into the following categories: financial assets at FVTPL, financial assets carried at cost after amortization, and equity instruments at FVTOCI.

A. Financial assets at FVTPL

Financial assets at FVTPL mainly comprise financial assets that are mandatory to be measured at fair value with fair value changes recognized through profit and loss. Financial assets that are mandatory to be measured at fair value with fair value changes recognized through profit and loss include: equity instruments that are not specified to be carried at FVTOCI, and debt instruments that do not satisfy the criteria to be carried at cost after amortization or at FVTOCI.

Financial assets at FVTPL are measured at fair value, with dividends and interests recognized as other income. Gains and losses from remeasurement are recognized as other gains and losses. See Note 26 for details regarding the fair value method.

B. Financial assets carried at cost after amortization

Financial asset investments that satisfy both the following conditions are carried at cost after amortization:

- a. The financial asset is held for a specific business model, and the purpose of which is to hold the financial asset and collect contractual cash flow; and
- b. The contractual terms give rise to cash flows on specific dates, and the cash flows are intended solely to pay principals and interests accruing on outstanding principals.

For financial assets carried at cost after amortization (including cash and cash equivalents, accounts receivable and other receivables carried at cost after amortization etc), the effective interest method is used to determine the book value at initiation. They are subsequently presented net of impairments and amortization. Any gain/loss from currency exchange incurred on these financial assets is recognized through profit and loss.

Except for the two circumstances explained below, interest income is calculated by multiplying the book value of financial asset with effective interest rate:

- a. Acquisition or creation of credit-impaired financial assets; in which case interest income is calculated by multiplying the cost of financial assets after amortization with credit-adjusted effective interest rate.
- b. Financial assets that were not credit-impaired at the time of acquisition or origination, but become credit-impaired on a later date; in which case interest income is calculated by multiplying the cost of financial assets after amortization with the effective interest rate starting from the reporting period after credit impairment.

Financial assets are considered credit-impaired if the issuer or debtor exhibits major financial distress, default, likely bankruptcy, financial restructuring, or any financial difficulty that may render the financial asset no longer available on the active market.

Cash equivalents include time deposits with less than 3 months until maturity that are highly liquid, readily convertible into defined amounts of cash, and less prone to the risk of fair value changes. Cash equivalents are held for the purpose of meeting short-term cash commitments.

C. Equity instruments at FVTOCI

For equity instruments that are neither held for trading nor recognized/received as a consideration for business acquisition, the consolidated entity is entitled to an irrevocable option to account them at FVTOCI at initial recognition.

Equity instruments at FVTOCI are measured at fair value; subsequent fair value changes are recognized through other comprehensive income and accumulated under other equity. At the time of disposal, cumulative gains/losses are transferred directly into retained earnings and not reclassified into profit and loss.

Dividends from equity instruments at FVTOCI are recognized in profit and loss when the entitlement to receive is confirmed, unless the dividends clearly represent a partial recovery of the investment cost.

(2) Impairment of financial assets

On each balance sheet date, the consolidated entity assesses impairment losses on financial assets carried at cost after amortization (including accounts receivable) and operating lease receivable based on expected credit losses.

Accounts receivable and operating lease receivable have loss provisions recognized based on expected credit losses over their duration. For other financial assets, the Company first evaluates whether there is significant increase in credit risk since initial recognition. If there is no significant increase in credit risk, loss provisions are recognized based on 12-month expected credit loss; if there is significant increase in credit risk, loss provisions are recognized based on expected credit loss over the remaining duration.

Expected credit losses are determined as average credit loss weighed against the risk of default. 12-month expected credit losses represent the amount of credit losses that the financial instrument is likely to incur due to default event in the next 12 months, whereas expected credit losses for the remaining duration represent the amount of credit losses that the financial instrument is likely to incur due to all possible default events for the remaining duration.

All impairment losses on financial assets are recognized using allowance accounts, which reduce book value of the corresponding financial asset.

(3) Removal of financial assets

Financial assets can be removed from balance sheet only if all contractual cash flow entitlements have ended, or if the asset has been transferred with virtually all risks and returns assumed by another party.

Difference between the book value of financial asset carried at cost after amortization and the amount of consideration received for the asset's removal is recognized through profit and loss. When an equity instrument at FVTOCI is removed from balance sheet, the amount of cumulative gain/loss is transferred directly into retained earnings and is not reclassified to profit and loss.

2. Equity instrument

Equity instruments issued by the consolidated entity are classified into equity depending on the terms of the underlying contract and the definitions of equity used.

Equity instruments issued by the consolidated entity are recognized at the amount of proceeds received net of direct issuing costs.

Buyback of the Company's own equity instruments is recognized and deducted under equity. Acquisition, sale, issuance, or retirement of the Company's own equity instruments is not recognized through profit and loss.

3. Financial liability

(1) Subsequent measurement

All financial liabilities are carried at cost after amortization using the effective interest method.

(2) Removal of financial liabilities

When a financial liability is removed, the difference between book value and the consideration paid (including any non-cash assets transferred or any additional liabilities borne) is recognized through profit and loss.

(XIII) Revenue recognition

The consolidated entity first identifies performance obligations in a contract it signs with customer, then divides and allocates the transaction sum to various obligations, and recognizes revenue when each obligation is fulfilled.

Revenue from sale of merchandise

Revenue from sale of merchandise is generated from retail sale of goods in the departmental store, and is recognized as income at the time of customer's purchase. Proceeds collected in advance from the issuance of departmental store vouchers are recognized as contractual liabilities until the vouchers are redeemed by customers.

Customer loyalty program represents reward points granted to customers for merchandises sold that customers can spend to purchase merchandise in the future, and are a form of customers' entitlement. At the time of transaction, a percentage of the sales proceeds received or receivable is treated as reward point and recognized as contractual liability; this liability is reclassified into income when reward points are redeemed or voided on a later date.

Sales proceeds of real estate properties sold under normal terms of business are collected in instalments. Contractual liabilities are recognized at the time the proceeds are collected, which are later recognized as income upon completion and delivery of each property to the respective buyer.

(XIV) Leases

The consolidated entity evaluates whether a contract meets the criteria of (or includes arrangements characterized as) lease on the day of contract establishment.

Where the consolidated entity is the lessor

The consolidated entity does not have any lease arrangement that involves a transfer of virtually all risks and returns associated with ownership of the underlying asset to the lessee. All leases are classified as operating lease.

In an operating lease arrangement, the amount of proceeds received net of incentives are recognized as income on a straight-line basis over the lease tenor. Lease negotiation with a lessee is accounted as a new lease from the effective date of lease amendment.

(XV) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction, or production of qualified assets are treated as part of an asset's cost until virtually all activities needed to bring the asset to its designated usable or salable state have been completed.

For specific-purpose loans undertaken for qualified capital spending, any investment income earned on short-term investment of the proceeds before incurring the capital spending is deducted from capitalized borrowing costs.

Except for the above, all other borrowing costs are recognized through profit and loss in the year occurred.

(XVI) Employee benefits

1. Short-term employee benefits

Liabilities associated with short-term employee benefits are measured at non-discounted amount of cash that the Company expects to pay in exchange for employees' service.

2. Post-employment benefits

For defined contribution plans, the amount of contributions that has to be made to pension funds over the duration of employees' service is recognized as expense.

For defined benefit plans, the cost of benefit (including service cost, net interest, and effect of remeasurement) is estimated using the Projected Unit Credit Method. Service costs (including current and previous service costs) and net interests on net defined benefit liabilities (assets) are recognized as employee welfare expense at the time incurred or whenever the plan is amended or curtailed. Effects of remeasurement (including actuarial gains/losses, change in plan asset limits, and return on plan assets net of interest) are recognized under other comprehensive income and added to retained earnings at the time of occurrence. This amount is not reclassified into profit and loss in subsequent periods.

Net defined benefit liabilities (plan assets) represent the shortfall (surplus) of contributions made to the defined benefit plan. Net defined benefit plan assets may not exceed the amount of contributions refundable or the present value of reducible contributions in the future.

(XVII) Income tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

1. Tax currently payable

The consolidated entity reports current period income (loss) and calculates income tax payable (refundable) according to tax laws stipulated by the local tax jurisdiction.

Pursuant to the Income Tax Act of the Republic of China, undistributed earnings are subject to additional income tax, which is recognized in the year shareholders resolve to retain the earning.

Adjustments to income taxes reported in previous years are recognized as income tax expenses in the period the adjustment is made.

2. Deferred tax

Deferred income taxes are tax effects of temporary differences, given rise by the different book value of assets and liabilities presented in the financial statement and those reported for tax filing.

Tax impacts arising from taxable temporary differences are recognized as deferred income tax liabilities; deferred income tax assets are recognized under the condition that the Company is very likely to generate taxable income in the future to offset deductible temporary differences or losses carried forward.

Temporary differences that were not initially recognized as deferred income tax assets are also subject to re-assessment on every balance sheet date. These differences may be recognized to increase the book value of deferred income tax asset if the Company considers it highly likely to generate taxable income for full or partial recovery of such asset in the future. Temporary differences that were not initially recognized as deferred income tax assets are also subject to re-assessment on every balance sheet date. These differences may be recognized to increase the book value of deferred income tax asset if the Company considers it highly likely to generate taxable income for full or partial recovery of such asset in the future.

Deferred income tax assets and liabilities are estimated using expected tax rate applicable at the time the liability/asset is expected to be settled/realized. This expected tax rate is determined based on the tax rate and tax laws prevailing as at the balance sheet date. Deferred income tax liabilities and assets represent tax impacts of the method by which the consolidated entity expects to recover/settle the book value of its assets and liabilities as at the balance sheet date.

3. Current and deferred income tax

Current and deferred income taxes are recognized through profit and loss, except for source accounts that are recognized under other comprehensive

income or directly as other equity item, where current and deferred income taxes are also recognized under other comprehensive income or directly as equity.

V. Sources of uncertainty to significant accounting judgments, estimates, and assumptions

When applying accounting policies, the management is required to make judgments, estimates, and assumptions based on historical experience or other relevant factors in situations where information cannot be easily obtained from available sources. The actual outcome may differ from initial estimates.

The consolidated entity will take into consideration the economic impact of COVID-19 when making major accounting estimates; meanwhile, the management will continually examine its estimates and basic assumptions. If a revision of accounting estimate affects only the current period, the effect shall be recognized only for the current period. If a revision of accounting estimate affects current and future periods, the effect shall also be recognized for current and future periods.

Sources of uncertainty to estimates and assumptions

(I) Income tax

As at December 31, 2020 and 2019, the Company had deferred income tax assets with book value of NT\$24,774,000 and NT\$38,737,000, respectively. Due to unpredictability of future profitability, the consolidated entity had NT\$174,407,000 and NT\$155,308,000 of tax losses as at December 31, 2020 and 2019, respectively, that were not recognized as deferred income tax asset. Realization of deferred income tax asset depends largely on whether the Company is able to generate sufficient profits or taxable temporary differences in the future. If actual profits are less than previously expected, there may be significant reversal of deferred income tax assets. This reversal is recognized in profit and loss in the period occurred.

(II) Impairment of inventory

Net realizable value of inventory is the estimated selling price less all estimated costs needed to completion and sale under normal circumstances. These estimates are made based on current market condition and previous experiences selling goods of similar nature. A change of market condition may significantly affect the outcome of such estimate.

(III) Impairment of tangible assets

When assessing asset impairment, the consolidated entity relies on the use of subjective judgment and determines the level of independent cash flow, useful life, and future income/expenses/losses for specific asset groups after taking into consideration the method in which assets are used and industry characteristics. Any change of economic circumstances and any change in estimate caused by the Company's strategies may result in significant impairment in the future.

VI. Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Petty cash and cash on hand	\$ 294	\$ 294
Check and demand (current) deposit	98,493	87,086
Cash equivalents		
Time deposits with an original tenor of 3 months or less.	-	18,797
	<u>\$ 98,787</u>	<u>\$ 106,177</u>

Range of market interest rates applicable to bank deposits as at the balance sheet date is shown below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash in banks	0.01%~0.05%	0.01%~4.60%

VII. Financial assets at FVTPL - Current

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets designated as at FVTPL</u>		
Non-derivative financial assets		
- TWSE, TPEX, and Emerging Stock Market shares	\$ 120,667	\$ 95,825
- Fund beneficiary certificates	251,446	190,084
- Foreign shares	6,688	8,006
- Corporate bonds	23,697	2,278
- Bonds	14,749	14,192
	<u>\$ 417,247</u>	<u>\$ 310,385</u>

Please refer to Note 22 for gains/losses on financial assets at FVTPL.

VIII. Financial assets at FVTOCI

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Non-current</u>		
Domestic investments		
Emerging Stock Market shares		
Common shares of Julien's International Entertainment Group Co., Ltd.	\$ 4,563	\$ 8,063
Unlisted shares		
Common shares of WK Technology Fund VII	14,100	14,100
Common shares of WK Technology Fund VIII	13,300	13,300
Common shares of WK Technology Fund	9,315	12,815
Common shares of WK Technology Fund V	10,175	10,175
Common shares of Harbinger Venture Capital Corp.	-	-
Subtotal	<u>51,453</u>	<u>58,453</u>
Foreign investments		
Unlisted shares		
Common shares of Wholesome Biopharm Pty Ltd.	14,630	14,630
Common shares of Fortune Technology Fund II Ltd.	374	4,414
Common shares of KDH Design CO., Ltd.	-	-
Preferred shares of Phyto Ceutica Inc.	-	-
Common shares of Budworth Investment Limited	-	-
Subtotal	<u>15,004</u>	<u>19,044</u>
	<u>\$ 66,457</u>	<u>\$ 77,497</u>

The consolidated entity invests in the above instruments by adopting a medium-long term strategy, and expects to profit over the long term. Management of the consolidated entity is of the opinion that recognizing short-term fair value changes through profit and loss on such investments does not conform with the long-term investment plans described above, and therefore has chosen to account such investments at FVTOCI.

Investee - Fortune Technology Fund II Ltd. made a cash refund of share capital in November 2020, and the consolidated entity recovered NT\$2,840,000 of investment at the prevailing shareholding percentage.

Investee - Yo Fu Investment Co., Ltd. completed the liquidation procedure in January 2020 and refunded NT\$433,000 of capital.

Investee - Julien's International Entertainment Group Co., Ltd. was registered on Emerging Stock Market on January 11, 2019.

Investees - Harbinger Venture Capital Corp. and Budworth Investment Limited made cash refunds of share capital in January 2019, and the consolidated entity recovered NT\$1,717,000 and NT\$2,490,000 of investment, respectively, at the prevailing shareholding percentage. NT\$451,000 of the proceeds recovered were offset against financial assets, while the remainder were recognized as other comprehensive income and accumulated under other equities.

The consolidated entity recognized NT\$8,200,000 and NT\$19,177,000 of unrealized loss on valuation of equity instruments at FVTOCI in 2020 and 2019, respectively.

The consolidated entity received NT\$285,000 of cash from Harbinger Venture Capital Corp. in 2019 (2020: none) and recognized this sum as dividend income.

IX. Financial assets carried at cost after amortization - current

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Domestic investments		
Time deposit with initial maturity of more than 3 months	\$ 20,731	\$ 45,703

As at December 31, 2020 and 2019, time deposits with initial tenors of 3 months or longer accrued interests at 0.815%-3.200% and 1.065%-2.460% per annum, respectively.

X. Notes receivable, accounts receivable, and other receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Arising from business activities</u>		
Note receivable	\$ 385	\$ -
Trade receivable	2,639	2,751
Operating lease receivable		
- Current	3,430	2,710
- Non-current	18,406	16,771
Subtotal	21,836	19,481
<u>Other receivables</u>		
Amount receivable from sale of securities	5,405	4,659
Utility and management fees receivable	1,174	1,199
Rent receivable	126	122
Tax refund receivable (Note 23)	42	53
Others	3,254	2,512
Subtotal	10,001	8,545
Total	\$ 34,861	\$ 30,777

(To be Continued)

(Continued)

(I) Notes and accounts receivable

Notes receivable primarily represent rent that the consolidated entity collects for the leasing of investment properties. Accounts are generally recovered within 30 days.

Accounts receivable primarily represent retail sales collectible from consumers on transactions paid with credit cards and third-party payment tools. The majority of accounts receivable are credit card balances to be collected from financial institutions. Credit term on sale of merchandise is generally 30 days, and most proceeds are collected within this duration.

The consolidated entity recognizes loss provisions on accounts receivable based on expected credit losses over the duration of the receivable account. Expected credit loss over the remaining duration takes into account customers' past payment records. Since previous credit loss records showed no significant difference in loss pattern across customer groups, the consolidated entity simply set the expected credit loss rate based on number of days overdue.

If there is evidence to suggest that the counterparty is undergoing severe financial crisis and the recoverable amount can not be reasonably estimated, the consolidated entity will directly offset loss provisions against accounts receivable. In which case, the consolidated entity will continue collection efforts on the receivables, and any amounts recovered will be recognized through profit and loss.

The consolidated entity found no sign of impairment in accounts and notes receivable as at December 31, 2020 and 2019.

(II) Operating lease receivable

Operating lease receivable represents lease incentives granted on operating leases. The total cost of incentives is amortized on a straight-line basis and allocated over the remaining lease tenor as deductions to rental income. Lease negotiations had taken place with some lessees in the current year due to COVID-19. The negotiations were accounted as new leases from the effective date of lease amendment.

For concentration of credit risks in lease receivables, please refer to Note 26.

XI. Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Proprietary inventory		
Cosmetics and women's undergarments	\$ 6,349	\$ 12,556
Properties pending sale		
Huagang Section, Shilin District, Taipei City	673,457	673,457
Jiaoxi Gongyuan Section, Yilan	<u>201,347</u>	<u>252,282</u>
	<u>\$ 881,153</u>	<u>\$ 938,295</u>

Amount of cost of goods sold recognized from inventory totaled NT\$134,258,000 in 2020 and NT\$259,565,000 in 2019. Cost of goods sold for 2019 includes inventory devaluation losses of NT\$3,000,000 (2020: none).

The consolidated entity's property pending sale at Jiaoxi Gongyuan Section, Yilan County, forms part of the joint construction agreement entered into by subsidiary - DeHome Development and a non-related party in January 2014. Under this agreement, the landlord contributed land located in Jiaoxi while DeHome Development contributed capital and technology to complete and share units of the construction project. A construction service contract was later signed with related and non-related parties in March 2015. This contract involved a joint development and joint construction of project in Jiaoxi, for which a 5% construction management fee was charged on the construction cost. The joint construction project was completed in October 2017 and all ownership transfer has been completed to date.

The consolidated entity's property pending sale at Huagang Section, Shilin District, Taipei City, had net realizable value determined by an independent valuer using the comparative method and income method (direct capitalization method) as at the balance sheet date. Average income capitalization rate was one of the significant unobservable inputs used during valuation, and the rate was determined at 1.15% for 2020 and 1.24% for 2019.

The consolidated entity's property pending sale at Jiaoxi Gongyuan Section, Yilan County, did not have net realizable value determined by an independent valuer; instead, valuation was performed by the management using valuation model that was commonly accepted among market participants. This valuation had proceeded using market evidence similar to real estate transaction prices.

For disclosure on the amount of inventory pledged as loan collaterals, please refer to Note 28.

XII. Subsidiaries

Subsidiaries included in the consolidated financial statements

This consolidated financial statement encompasses the following:

Investor	Investee	Main Business	% of Ownership		Explanation
			December 31, 2020	December 31, 2019	
The Company	GUAN QUAN INVESTMENT CO., LTD.	Investment	100.0%	100.0%	As at December 31, 2020, the entity held 8,750,000 shares of the Company, representing 4.19% of outstanding common shares.
The Company	JIA FONG INVESTMENT CO., LTD.	Investment	100.0%	100.0%	As at December 31, 2020, the entity held 8,767,000 shares of the Company, representing 4.20% of outstanding common shares.
The Company	SONG YUAN INVESTMENT CO., LTD.	Investment	100.0%	100.0%	As at December 31, 2020, the entity held 7,366,000 shares of the Company, representing 3.53% of outstanding common shares.
The Company	SHUN TAI INVESTMENT CO., LTD.	Investment	100.0%	100.0%	As at December 31, 2020, the entity held 8,439,000 shares of the Company, representing 4.04% of outstanding common shares.
The Company	DeHome Development Co., Ltd.	Housing and Building Development and Rental	100.0%	100.0%	-

XIII. Equity-accounted investments

Investments in Associates

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Associated companies with significant influence		
Chung Hsiao Enterprise Co., Ltd.	\$ 162,327	\$ 145,070
	<u>Percentage of share ownership/voting rights</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Chung Hsiao Enterprise Co., Ltd.	20%	20%

Nature of business activities, main places of business, and countries of registration for the above associated companies are disclosed in Appendix 2 - "Information of Investees."

Summary financial information of associated companies under the consolidated entity is presented below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current asset	\$ 349,312	\$ 268,857
non-current assets	222,820	223,226
Current liabilities	(37,117)	(43,353)
non-current liabilities	(57,923)	(57,923)
Equity	<u>\$ 477,092</u>	<u>\$ 390,807</u>
Shareholding percentage of the consolidated entity	20%	20%
Consolidated entity's share of equity	\$ 95,418	\$ 78,161
Adjustment to fair value of non-current assets due to acquisition of shares	<u>66,909</u>	<u>66,909</u>
Book value of investment	<u>\$ 162,327</u>	<u>\$ 145,070</u>
	<u>2020</u>	<u>2019</u>
Current operating revenues	<u>\$ 24,650</u>	<u>\$ 25,453</u>
Current net income	<u>\$ 20,878</u>	<u>\$ 17,369</u>
Other comprehensive income - current	<u>\$ 80,982</u>	<u>\$ 81,587</u>
Share of current net income	<u>\$ 4,176</u>	<u>\$ 3,473</u>
Share of other comprehensive income - current	<u>\$ 16,196</u>	<u>\$ 16,318</u>
Dividends received from Chung Hsiao Enterprise Co., Ltd.	<u>\$ 3,115</u>	<u>\$ 3,096</u>

Share of profit/loss and other comprehensive income from equity-accounted associated companies in 2020 and 2019 were recognized based on audited financial statements of the respective associated companies for the corresponding periods.

XIV. Property, Plant and Equipment

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Book value for each category</u>		
Land	\$ 853,457	\$ 853,457
Buildings, net	1,433,238	1,481,557
Computer and communication equipment, net	11,723	13,596
Transport equipment, net	1,369	1,782
Other equipment, net	6,885	8,440
Construction in progress	<u>3,236</u>	<u>1,736</u>
	<u>\$ 2,309,908</u>	<u>\$ 2,360,568</u>

		2020				
		Opening balance	Increase in current year	Disposal in current year	Other adjustments	Closing balance
Cost						
	Land	\$ 853,457	\$ -	\$ -	\$ -	\$ 853,457
	Buildings	1,896,990	27,249	(10,000)	(3,181)	1,911,058
	Computer and communication equipment	20,571	178	(464)	(2,570)	17,715
	Transport Equipment	4,906	-	-	-	4,906
	Other Equipment	11,149	212	(119)	-	11,242
	Construction in progress	<u>1,736</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>3,236</u>
		<u>2,788,809</u>	<u>\$ 29,139</u>	<u>(\$ 10,583)</u>	<u>(\$ 5,751)</u>	<u>2,801,614</u>
accumulated depreciation						
	Buildings	415,433	\$ 68,828	(\$ 6,150)	(\$ 291)	477,820
	Computer and communication equipment	6,975	1,423	(386)	(2,020)	5,992
	Transport Equipment	3,124	413	-	-	3,537
	Other Equipment	<u>2,709</u>	<u>1,747</u>	<u>(99)</u>	<u>-</u>	<u>4,357</u>
		<u>428,241</u>	<u>\$ 72,411</u>	<u>(\$ 6,635)</u>	<u>(\$ 2,311)</u>	<u>491,706</u>
	Total	<u>\$ 2,360,568</u>				<u>\$ 2,309,908</u>

		2019				
		Opening balance	Increase in current year	Disposal in current year	Other adjustments	Closing balance
Cost						
	Land	\$ 853,457	\$ -	\$ -	\$ -	\$ 853,457
	Buildings	1,859,418	36,703	-	869	1,896,990
	Computer and communication equipment	20,253	233	(227)	312	20,571
	Transport Equipment	5,484	-	(578)	-	4,906
	Other Equipment	10,360	916	(127)	-	11,149
	Construction in progress	<u>2,520</u>	<u>747</u>	<u>-</u>	<u>(1,531)</u>	<u>1,736</u>
		<u>2,751,492</u>	<u>\$ 38,599</u>	<u>(\$ 932)</u>	<u>(\$ 350)</u>	<u>2,788,809</u>
accumulated depreciation						
	Buildings	343,141	\$ 72,292	\$ -	\$ -	415,433
	Computer and communication equipment	5,557	1,638	(220)	-	6,975
	Transport Equipment	3,192	413	(481)	-	3,124
	Other Equipment	<u>1,231</u>	<u>1,584</u>	<u>(106)</u>	<u>-</u>	<u>2,709</u>
		<u>353,121</u>	<u>\$ 75,927</u>	<u>(\$ 807)</u>	<u>\$ -</u>	<u>428,241</u>
	Total	<u>\$ 2,398,371</u>				<u>\$ 2,360,568</u>

Remodeling of Taoyuan Branch began in February 2017 and ended in September 2018. The project incurred a sum of approximately NT\$1,112,410,000. As at December 31, 2020 and 2019, the project still had unpaid billings of NT\$77,226,000 and NT\$62,579,000, respectively, that were presented as equipment purchase payable. Taoyuan Branch commenced trial operation on September 15, 2018 and officially opened for business on October 3, 2018.

There was a delay in renovation works that caused Taoyuan Branch to postpone its official opening, and the Company has since been negotiating with the contractor according to the terms of the renovation contract to agree on the amount of losses, compensation, and construction billings payable. However, the two parties were unable to reach an agreement and sought resolution through arbitration in 2020. The arbitration tribunal then held inquisitions in May, July, and October later that year. According to the ruling made by Chinese Arbitration Association, Taipei in January 2021, the Company was required to pay the contractor the contracted sum of construction billing plus an additional billing of NT\$139,071,000 for contract modification. A portion of the modification billing had already been accounted for; the unaccounted balance of NT\$27,395,000 will be adjusted prospectively into buildings - NT\$27,249,000 and repair expenses - NT\$146,000 in the current year.

As per assessment, the consolidated entity's property, plant, and equipment showed no sign of impairment as at December 31, 2020 and 2019.

Property, plant, and equipment of the consolidated entity were depreciated on a straight-line basis over the number of useful years shown below:

Buildings	
Buildings	42 to 55 years
Building improvements	3-10 years
Water treatment system	55 years
Others	2 to 15 years
Computer and communication equipment	5 years
Transport Equipment	5 years
Other Equipment	5 to 8 years

For disclosure on the amount of property, plant and equipment pledged as collaterals, please refer to Note 28.

XV. Investment Property

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investment Property		
Xinzhuang District, New Taipei City	\$ 1,059,951	\$ 1,045,451
Da'an District, Taipei City	<u>1,105,102</u>	<u>1,114,191</u>
	<u>\$ 2,165,053</u>	<u>\$ 2,159,642</u>

	2020				
	Opening balance	Increase in current year	Decrease in current year	Internal transfer	Closing balance
Cost					
Land	\$ 2,016,189	\$ -	\$ -	\$ -	\$ 2,016,189
Buildings	<u>325,810</u>	<u>-</u>	<u>(535)</u>	<u>-</u>	<u>325,275</u>
	<u>2,341,999</u>	<u>\$ -</u>	<u>(\$ 535)</u>	<u>\$ -</u>	<u>2,341,464</u>
accumulated depreciation					
Buildings	<u>167,357</u>	<u>\$ 9,179</u>	<u>(\$ 125)</u>	<u>\$ -</u>	<u>176,411</u>
Cumulative impairment					
Land	<u>15,000</u>	<u>\$ -</u>	<u>(\$ 15,000)</u>	<u>\$ -</u>	<u>-</u>
Total	<u>\$ 2,159,642</u>				<u>\$ 2,165,053</u>

	2019				
	Opening balance	Increase in current year	Decrease in current year	Internal transfer	Closing balance
Cost					
Land	\$ 2,016,189	\$ -	\$ -	\$ -	\$ 2,016,189
Buildings	<u>325,275</u>	<u>535</u>	<u>-</u>	<u>-</u>	<u>325,810</u>
	<u>2,341,464</u>	<u>\$ 535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,341,999</u>
accumulated depreciation					
Buildings	<u>158,265</u>	<u>\$ 9,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>167,357</u>
Cumulative impairment					
Land	<u>29,000</u>	<u>\$ -</u>	<u>(\$ 14,000)</u>	<u>\$ -</u>	<u>15,000</u>
Total	<u>\$ 2,154,199</u>				<u>\$ 2,159,642</u>

Investment properties - buildings are depreciated on a straight-line basis over the number of useful years shown below:

Buildings	
Buildings	42 to 55 years
Accessory equipment of buildings	10 to 15 years
Building improvements	3 years

The consolidated entity owned several investment properties located at Qiongtai Section, Fuying Section, and Jianguo Section, Xinzhuang District, New Taipei City. Reversal of impairment losses on investment properties totaling NT\$15 million and

NT\$14 million were recognized based on fair values as at December 31, 2020 and 2019, respectively. These reversals represented differences between the book value and the amount of cash flow recoverable on real estate property, after taking into consideration changes in property price, government policies, and market supply/demand. The fair values were determined by independent valuers using the comparative approach and the land development analysis approach as at the respective balance sheet dates. Discount rate was one of the significant unobservable inputs used during valuation, and the rate was determined at 1.17% and 2.04% as at December 31, 2020 and 2019, respectively.

The consolidated entity also owned several investment properties located at Renai Section, Da'an District, Taipei City, with fair values determined at NT\$6,942,566,000 and NT\$7,420,029,000 as at December 31, 2020 and 2019, respectively. These fair values were not established by an independent valuer; instead, valuation was performed by the management using valuation model that was commonly accepted among market participants. This valuation had proceeded using market evidence similar to real estate transaction prices.

All of the consolidated entity's investment properties are proprietary owned. For disclosure on the amount of investment property pledged as collaterals, please refer to Note 28.

XVI. Borrowings

(I) Short-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured borrowings</u>		
Bank borrowings	<u>\$ 1,022,423</u>	<u>\$ 1,202,923</u>

Working capital bank borrowings bore interest rates of 0.88%-1.85% and 0.99%-2.05% as at December 31, 2020 and 2019, respectively.

(II) Short-term bills payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Commercial paper	\$ 165,800	\$ 167,000
Less: Unamortized discounts on bills payable	<u>64</u>	<u>106</u>
	<u>\$ 165,736</u>	<u>\$ 166,894</u>

Commercial papers bore interest rates of 0.25%-0.65% and 0.66%-1.90% as at December 31, 2020 and 2019, respectively.

For disclosure on the amount of inventory, property, plant, equipment, and investment property pledged as collaterals for short-term borrowings and short-term bills payable, please refer to Note 28.

(III) Long-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured borrowings</u>		
Bank SinoPac		
Credit line:		
NT\$1,400,000,000.		
Contract tenor: August 22, 2017 to August 31, 2020. Extended to August 31, 2022 on November 27, 2019.	\$ 1,100,000	\$ 1,230,000
Bank of Taiwan		
Credit line:		
NT\$600,000,000.		
Contract tenor: May 23, 2018 to May 23, 2021. A new contract starting June 24, 2020 and ending June 24, 2023 was signed on June 24, 2020.	446,000	526,000
Hua Nan Bank		
Credit line:		
NT\$293,000,000.		
Contract tenor: January 11, 2019 to January 11, 2022. A new contract starting March 20, 2020 and ending March 20, 2023 was signed on March 20, 2020.	290,000	150,000

(To be Continued)

(Continued)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
First Commercial Bank		
Credit line:		
NT\$350,000,000.		
Contract tenor: August		
28, 2020 to August 28,		
2022.	\$ 280,000	\$ -
<u>Unsecured borrowings</u>		
Bank of Taiwan		
Credit line:		
NT\$100,000,000.		
Contract tenor: May 23,		
2018 to May 23, 2021.		
A new contract starting		
June 24, 2020 and		
ending June 24, 2023		
was signed on June 24,		
2020.	-	100,000
	<u>\$ 2,116,000</u>	<u>\$ 2,006,000</u>

Secured borrowings mentioned above are long-term in nature and bear interests at fixed rates that are reset once every 2 to 3 months.

Effective interest rate range for long-term borrowings:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Effective interest rate:		
Floating interest rate		
borrowing	-	0.99%
Fixed interest rate		
borrowing	0.80%~1.05%	0.99%~1.08%

For disclosure on the amount of property, plant, equipment, and investment property placed as collateral for long-term borrowings, please refer to Note 28.

XVII. Accounts payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Accounts payable</u>		
Arising from business activities	<u>\$ 96,659</u>	<u>\$ 67,412</u>

The average credit term for trade purchases is 30 days.

XVIII. Accrued expenses

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Salary and bonus payable	\$ 16,348	\$ 16,642
Tax payable	8,987	8,872
Utility expenses payable	4,914	5,968
Others	<u>7,434</u>	<u>9,225</u>
	<u>\$ 37,683</u>	<u>\$ 40,707</u>

XIX. Post-employment benefit plans

(I) Defined contribution plans

The pension scheme introduced under the "Labor Pension Act" that the Company and certain subsidiaries of the consolidated entity are subjected to is a government-managed defined contribution plan, for which each participating entity is required to contribute an amount equal to 6% of employees' monthly salary into their individual pension accounts held with the Bureau of Labor Insurance.

(II) defined benefit plan

The Company is also subject to the pension scheme introduced under the "Labor Standards Act," which is a government-managed defined benefit plan. Under this plan, employees' pension benefits are calculated based on their years of service and gross salary for the month of retirement (excluding allowances and festive bonuses). The Company makes monthly pension contributions equivalent to 2% of employees' monthly salaries into an account held under Bank of Taiwan in the Labor Pension Supervisory Committee's name. In the event that the account is estimated to be short of balance to pay workers who are expected to meet their retirement criteria in the following year, the Company will reimburse the shortfall in one contribution by no later than the end of March next year. The account is managed by Bureau of Labor Funds, Ministry of Labor. The Company has no influence whatsoever over the investment strategy.

The following amounts relating to the defined benefit plan have been recognized on the consolidated balance sheet:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 43,545	\$ 42,274
Fair value of plan assets	(24,076)	(17,420)
Net defined benefit liabilities	<u>\$ 19,469</u>	<u>\$ 24,854</u>

Changes in net defined benefit liability:			
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
January 01, 2019	<u>\$ 39,596</u>	<u>(\$ 14,604)</u>	<u>\$ 24,992</u>
servicing costs			
Service costs for the current period	431	-	431
Interest expense (income)	<u>396</u>	<u>(147)</u>	<u>249</u>
Recognized in profit or loss	<u>827</u>	<u>(147)</u>	<u>680</u>
Remeasurement			
Return on plan assets (excluding amounts already included in net interest)	-	(517)	(517)
Actuarial loss - change in demographic assumption	58	-	58
Actuarial loss - change in financial assumption	942	-	942
Actuarial loss - adjustment based on past experience	<u>851</u>	<u>-</u>	<u>851</u>
Recognized in other comprehensive income	<u>1,851</u>	<u>(517)</u>	<u>1,334</u>
Employer's contribution	<u>-</u>	<u>(2,152)</u>	<u>(2,152)</u>
December 31, 2019	<u>42,274</u>	<u>(17,420)</u>	<u>24,854</u>
servicing costs			
Service costs for the current period	417	-	417
Interest expense (income)	<u>318</u>	<u>(133)</u>	<u>185</u>
Recognized in profit or loss	<u>735</u>	<u>(133)</u>	<u>602</u>
Remeasurement			
Return on plan assets (excluding amounts already included in net interest)	-	(574)	(574)
Actuarial loss - change in demographic assumption	2	-	2
Actuarial loss - change in financial assumption	1,322	-	1,322
Actuarial gain - adjustment based on past experience	<u>(788)</u>	<u>-</u>	<u>(788)</u>
Recognized in other comprehensive income	<u>536</u>	<u>(574)</u>	<u>(38)</u>
Employer's contribution	<u>-</u>	<u>(5,949)</u>	<u>(5,949)</u>
December 31, 2020	<u>\$ 43,545</u>	<u>(\$ 24,076)</u>	<u>\$ 19,469</u>

Amounts of defined benefit plan recognized through profit and loss, by function:

	2020	2019
Administrative expenses	<u>\$ 602</u>	<u>\$ 680</u>

The consolidated entity is exposed to the following risks due to adoption of pension scheme introduced under the "Labor Standards Act":

1. Investment risks: The Bureau of Labor Funds, Ministry of Labor, manages the labor pension fund either on its own or through mandate. The labor pension fund is being allocated into equity securities, debt securities, and bank deposits local and abroad; however, the consolidated entity estimates return on plan assets at a rate no less than the 2-year time deposit rate offered by local banks.
2. Interest rate risk: A decrease in government bond yield would increase the present value of defined benefit obligations while at the same time increase return of plan assets invested in debt instruments. The overall effect on net defined benefit obligation is partially offset.
3. Salary risk: The present value of defined benefit obligations is calculated by taking into consideration the participants' future salary levels. An increase in salary level would raise the present value of defined benefit obligations.

The present value of defined benefit obligations is determined based on actuarial estimates made by certified actuaries. Below are the main assumptions used on the date of measurement:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.375%	0.750%
Expected salary increase	2.000%	2.000%

A reasonable change in the main actuarial assumption would increase (decrease) the present value of defined benefit obligations by the following amounts, provided that all other assumptions remain unchanged:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate		
0.25% increase	(\$ 889)	(\$ 942)
0.25% decrease	<u>\$ 918</u>	<u>\$ 974</u>
Expected salary increase		
0.25% increase	<u>\$ 886</u>	<u>\$ 945</u>
0.25% decrease	(\$ 863)	(\$ 919)

Actuarial assumptions tend to be intercorrelated. It is unlikely to see only one assumption changing at one time, therefore the above sensitivity analysis may not truly reflect changes in the present value of defined benefit obligation.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expected contributions in the next year	<u>\$ 389</u>	<u>\$ 367</u>
Average maturity of defined benefit obligations	8.1 years	8.9 years

XX. Equity

(I) Common share capital

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Authorized and issued shares (thousand shares)	<u>208,725</u>	<u>208,725</u>
Authorized and paid-in capital	<u>\$ 2,087,250</u>	<u>\$ 2,087,250</u>

All issued common shares have a face value of NT\$10 per share. Each share is entitled to one voting right and the right to receive dividends.

(II) Additional paid-in capital

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Shares premium from issuance	\$ 71,028	\$ 71,028
Treasury stock transaction	<u>435,936</u>	<u>412,610</u>
	<u>\$ 506,964</u>	<u>\$ 483,638</u>

This additional paid-in capital can be offset against losses, or distributed in cash or capitalized into share capital when the Company has no cumulative losses outstanding. However, capitalization of this additional paid-in capital is capped at a certain percentage of the Company's paid-in share capital each year.

(III) Retained earnings and dividends policy

According to the earnings appropriation policy stipulated in the Articles of Incorporation, 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. Refer to Note 22-(8) - Employee and director remuneration for the Company's employee and director remuneration policy outlined in the Articles of Incorporation.

The Company passed a resolution during the shareholder meeting dated June 28, 2019 to amend its Articles of Incorporation. In addition to the terms described in the preceding paragraph, any cash distribution of dividend, profit, statutory reserve, or additional paid-in capital, 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.

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

Provision and reversal of special reserves are performed in accordance with Letter No. Jin-Guan-Zheng-Fa-1010012865, Letter No. Jin-Guan-Zheng-Fa-1010047490, and "Q&A on Special Reserves Treatment after IFRSs Adoption" issued by the authority.

The following are details of the 2019 and 2018 earnings appropriation resolved during annual general meetings held on June 22, 2020 and June 28, 2019:

	2019	2018
Statutory reserves	<u>\$ 11,072</u>	<u>\$ 9,010</u>
Provision (reversal) of special reserves	<u>(\$ 176,716)</u>	<u>\$ 230,373</u>
Cash dividends	\$ 146,108	\$ -
Cash dividends per share (NT\$)	\$ 0.7	\$ -

Details of the 2020 earnings appropriation plan proposed by the board of directors in meeting dated March 22, 2021 are as follows:

	Appropriation of Earnings
Provision for statutory reserves	<u>\$ 4,035</u>
Reversal of special reserves	<u>(\$ 39,225)</u>
Cash dividends	<u>\$104,363</u>
Cash dividends per share (NT\$)	\$ 0.5

For the above cash dividend, the board of directors has resolved to set April 28, 2021 as the baseline date, and May 20, 2021 as the expected cash dividend payment date. Appropriation of 2020 earnings is still pending for shareholders' resolution in the annual general meeting scheduled on June 22, 2021.

(IV) Special reserves

The Company reclassified NT\$372,185,000 of unrealized gain on revaluation into retained earnings when adopting IFRSs for the first time, and made provisions for special reserves of the same amount in accordance with the authority's instruction No. Jin-Guan-Zheng-Fa-1010012865 in 2013. This special reserve may be reversed when the underlying property is disposed or reclassified on a later date.

When appropriating 2019 and 2018 earnings, the Company made reversal and provision for special reserves totaling NT\$176,716,000 and NT\$230,373,000, respectively, for differences in the market price and book value of parent company shares held by subsidiaries, after taking into consideration the prevailing shareholding percentage. The amount of special reserve can be adjusted for increases in market price on a later date.

(V) Other items of equity

Unrealized gain/(loss) on financial assets at FVTOCI

	<u>2020</u>	<u>2019</u>
Opening balance	(\$ 156,000)	(\$ 168,245)
Incurred in the current year		
Unrealized loss - equity instrument	(7,960)	(15,341)
Equity instrument - Refund from capital reduction (Note 8)	-	3,005
Share of equity-accounted associated companies	16,196	16,318
Adjustment to previous years		
Unrealized gain/(loss) - Equity instruments	(10,606)	8,263
Transfer of cumulative gains/losses to retained earnings following disposal of equity instrument	<u>74,274</u>	<u>-</u>
Closing balance	(\$ 84,096)	(\$ 156,000)

(VI) Treasury stock

Unit: Thousand Shares

Reason for buyback	Shareholding at the beginning of year	Increase in current year	Decrease in current year	Shareholding at the end of year
<u>2020</u>				
Subsidiaries' holding of the Company's shares reclassified from investment into treasury stock	<u>33,322</u>	<u>-</u>	<u>-</u>	<u>33,322</u>
<u>2019</u>				
Subsidiaries' holding of the Company's shares reclassified from investment into treasury stock	<u>33,322</u>	<u>-</u>	<u>-</u>	<u>33,322</u>

Information relating to subsidiaries' holding of the Company's shares as at balance sheet date:

Investee	No. of shares held (thousand shares)	Acquisition cost	Market price and book value
<u>December 31, 2020</u>			
GUAN QUAN INVESTMENT CO., LTD.	8,750	\$ 337,066	\$ 462,875
JIA FONG INVESTMENT CO., LTD.	8,767	337,787	463,775
SONG YUAN INVESTMENT CO., LTD.	7,366	283,545	389,662
SHUN TAI INVESTMENT CO., LTD.	8,439	<u>325,143</u>	<u>446,423</u>
		<u>\$ 1,283,541</u>	<u>\$ 1,762,735</u>
<u>December 31, 2019</u>			
GUAN QUAN INVESTMENT CO., LTD.	8,750	\$ 337,066	\$ 345,625
JIA FONG INVESTMENT CO., LTD.	8,767	337,787	346,297
SONG YUAN INVESTMENT CO., LTD.	7,366	283,545	290,957
SHUN TAI INVESTMENT CO., LTD.	8,439	<u>325,143</u>	<u>333,341</u>
		<u>\$ 1,283,541</u>	<u>\$ 1,316,220</u>

Subsidiaries' holding of the Company's shares are treated as treasury stocks; subsidiaries are not entitled to participate in cash issue or vote, but are otherwise entitled to the same rights as ordinary shareholders.

XXI. Revenues

(I) Breakdown of operating revenues

	<u>2020</u>	<u>2019</u>
Net sales revenues	\$ 201,207	\$ 162,994
Rental income	247,744	242,256
Construction income	59,669	190,796
Other operating revenues	<u>45,820</u>	<u>54,130</u>
	<u>\$ 554,440</u>	<u>\$ 650,176</u>

(II) Explanation and breakdown of income from customers' contracts

	<u>2020</u>	<u>2019</u>
Net sales revenues		
Revenues from sale of merchandise	\$ 91,736	\$ 42,900
Retail commission income	<u>109,471</u>	<u>120,094</u>
	<u>\$ 201,207</u>	<u>\$ 162,994</u>
Construction income		
Income from sale of property	<u>\$ 59,669</u>	<u>\$ 190,796</u>
Other operating revenues		
Merchants' subsidy for department renovation Revenue	\$ 5,359	\$ 15,016
Management fee income	30,073	32,029
Others	<u>10,388</u>	<u>7,085</u>
	<u>\$ 45,820</u>	<u>\$ 54,130</u>

Analysis of retail commission income:

	<u>2020</u>	<u>2019</u>
Total department sales	\$ 975,696	\$ 1,040,015
Retail commission income	<u>\$ 109,471</u>	<u>\$ 120,094</u>

(III) Contract balance

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
contract liability	<u>\$ 46,996</u>	<u>\$ 10,453</u>

The change in contractual liabilities was mainly attributed to the discrepancy between the time obligation was fulfilled and the the time payment was made to customers.

(IV) Rental income

	<u>2020</u>	<u>2019</u>
Rental income		
Investment Property	\$ 212,408	\$ 204,433
Share of mall rental income	<u>35,336</u>	<u>37,823</u>
	<u>\$ 247,744</u>	<u>\$ 242,256</u>

Operating lease arrangements involve leasing of investment properties and retail malls (presented as property, plant, and equipment) owned by the consolidated entity, for tenors of 1-7 years and 1-13 years, respectively. The lessees are not entitled to any privileges to purchase the leased properties at the end of the lease tenor.

As at December 31, 2020 and 2019, the consolidated entity had collected deposits totaling NT\$50,965,000 and NT\$53,071,000, respectively, in relation to the operating lease agreements.

Some of the consolidated entity's real estate leasing agreements contain contingent rent clauses that require the lessee to pay contingent rent at a certain percentage of monthly sales revenues.

XXII. Profit before tax

Pre-tax profit includes the following items:

(I) Breakdown of operating costs

	<u>2020</u>	<u>2019</u>
Cost of sales	\$ 79,125	\$ 35,470
Cost of lease	39,224	40,241
Construction cost	55,133	224,095
Other operating costs	<u>16,529</u>	<u>24,144</u>
	<u>\$ 190,011</u>	<u>\$ 323,950</u>

(II) Interest income

	<u>2020</u>	<u>2019</u>
Cash in banks	\$ 580	\$ 1,475

(III) Other income

	<u>2020</u>	<u>2019</u>
Carpark income	\$ 9,244	\$ 10,075
Dividend income	3,902	5,211
Others	<u>4,307</u>	<u>2,967</u>
	<u>\$ 17,453</u>	<u>\$ 18,253</u>

(IV) Other gains or losses

	<u>2020</u>	<u>2019</u>
Gain (loss) on disposal of property, plant, and equipment	(\$ 3,948)	\$ 12
Loss on disposal of investment properties	(372)	-
Net gain (loss) on currency exchange	956	(1,833)
Gain (loss) on financial assets mandatory to be carried at FVTPL	(1,563)	29,605
Sundry expenses	(2,747)	(2,140)
Reversal of impairment loss on investment property (Note 15)	<u>15,000</u>	<u>14,000</u>
	<u>\$ 7,326</u>	<u>\$ 39,644</u>

Net gain/loss on financial assets mandatory to be carried at FVTPL includes: (A) Gain on fair value changes totaling -NT\$10,551,000 in 2020 and NT\$10,853,000 in 2019; and (B) Gain on disposal totaling NT\$8,988,000 in 2020 and NT\$18,752,000 in 2019.

(V) Financial costs

	<u>2020</u>	<u>2019</u>
Interest on bank loans	<u>\$ 35,110</u>	<u>\$ 36,751</u>

There was no capitalization of interest in 2020 and 2019.

(VI) Depreciation and amortization

	<u>2020</u>	<u>2019</u>
Property, Plant and Equipment	\$ 72,411	\$ 75,927
Investment Property	9,179	9,092
Intangible asset	<u>595</u>	<u>525</u>
Total	<u>\$ 82,185</u>	<u>\$ 85,544</u>

An analysis of depreciation by function

Operating costs	\$ 19,870	\$ 22,164
Operating expenses	<u>61,720</u>	<u>62,855</u>
	<u>\$ 81,590</u>	<u>\$ 85,019</u>

An analysis of amortization by function

Operating costs	\$ 149	\$ 150
Operating expenses	<u>446</u>	<u>375</u>
	<u>\$ 595</u>	<u>\$ 525</u>

(VII) Employee benefits expense

	<u>2020</u>	<u>2019</u>
Retirement benefits (Note 19)		
Defined contribution plans	\$ 2,133	\$ 2,081
defined benefit plan	<u>602</u>	<u>680</u>
Subtotal	2,735	2,761
Other employee benefits	<u>70,173</u>	<u>70,355</u>
Total	<u>\$ 72,908</u>	<u>\$ 73,116</u>
An analysis by function		
Operating expenses	<u>\$ 72,908</u>	<u>\$ 73,116</u>

(VIII) Employee and director remuneration

The Company provides for employee remuneration at 0.1%-4%, and director remuneration at no more than 4%, of current year's pre-tax profit (before employee and director remuneration). 2020 and 2019 employee/director remuneration were resolved in board of directors meetings dated March 22, 2021 and March 23, 2020, respectively. Details are as follows:

Ratio

	<u>2020</u>	<u>2019</u>
Remuneration to employees	0.63%	0.74%
Remuneration to directors	0.63%	0.74%

Amount

	<u>2020</u>		<u>2019</u>	
	<u>Cash</u>	<u>Stocks</u>	<u>Cash</u>	<u>Stocks</u>
Remuneration to employees	\$ 1,000	\$ -	\$ 1,000	\$ -
Remuneration to directors	1,000	-	1,000	-

If the amount changes after annual consolidated financial statements are approved and announced to the public, the difference will be treated as a change in accounting estimate and recognized as a gain or loss in the following year.

The actual amounts of 2019 and 2018 employee remuneration and director remuneration paid were indifferent from the amounts recognized in the 2019 and 2018 financial statements.

Please visit "Market Observation Post System" for more information regarding employee/director remuneration resolved during the Company's board of director meetings.

(LX) Gains (losses) on foreign currency exchange

	2020	2019
Foreign exchange gains	\$ 14,340	\$ 10,552
Total loss on currency exchange	(13,384)	(12,385)
Net gain (loss)	<u>\$ 956</u>	<u>(\$ 1,833)</u>

XXIII. Income tax

(I) Income tax recognized in profit or loss

Major components of tax expense were as follows:

	2020	2019
Tax currently payable		
Incurred in the current year	\$ 33,730	\$ 34,777
Levied on unappropriated earnings	5,131	51
Prior years adjustment	(387)	(14,653)
	<u>38,474</u>	<u>20,175</u>
Deferred tax		
Incurred in the current year	<u>3,610</u>	<u>1,406</u>
Income tax expense recognized in profit or loss	<u>\$ 42,084</u>	<u>\$ 21,581</u>

Reconciliation of accounting income and income tax expense:

	2020	2019
Profit before tax	<u>\$ 156,243</u>	<u>\$ 133,366</u>
Income tax derived by applying the statutory tax rate to pre-tax net profit	\$ 31,447	\$ 12,992
Loss on valuation of financial assets	2,109	(2,170)
Levied on unappropriated earnings	5,131	50
Tax-exempt income	(1,250)	11,515
Unrecognized losses carried forward	3,820	15,401
Unrecognized temporary difference	1,214	(1,554)
Previous income taxes adjusted in the current year	(387)	(14,653)
Income tax expense recognized in profit or loss	<u>\$ 42,084</u>	<u>\$ 21,581</u>

Subsidiaries of the Company, namely GUAN QUAN INVESTMENT CO., LTD., JIA FONG INVESTMENT CO., LTD., and SONG YUAN INVESTMENT CO., LTD., were subject to the 19% profit-seeking business income tax rate in 2019, according to Subparagraph 3, Paragraph 5, Article 5 of the Income Tax Act.

(II)	Income tax recognized in other comprehensive income	<u>2020</u>	<u>2019</u>
	<u>Deferred tax</u>		
	Incurred in the current year		
	- Remeasurement of defined benefit plan	(\$ 8)	\$ 267
	- Equity instruments at FVTOCI	240	3,084
	Prior years adjustment		
	- Equity instruments at FVTOCI	(<u>10,606</u>)	<u>8,263</u>
		(<u>\$ 10,374</u>)	<u>\$ 11,614</u>

(III)	Current income tax assets and liabilities	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	Current income tax asset		
	Tax refunds receivable (presented as other receivables)	<u>\$ 42</u>	<u>\$ 53</u>
	Current tax liabilities		
	Income tax payable	<u>\$ 21,646</u>	<u>\$ 33,157</u>

(IV) Deferred income tax assets and liabilities
Below are changes in deferred income tax assets and liabilities:

2020

<u>Deferred tax assets</u>	<u>Opening balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Closing balance</u>
Temporary difference				
Impairment loss of financial assets at FVTOCI	\$ 25,840	\$ -	(\$ 10,366)	\$ 15,474
Impairment loss on investment properties	3,000	(3,000)	-	-
Defined benefit plan	9,269	-	(8)	9,261
Others	<u>628</u>	<u>(589)</u>	<u>-</u>	<u>39</u>
	<u>\$ 38,737</u>	<u>(\$ 3,589)</u>	<u>(\$ 10,374)</u>	<u>\$ 24,774</u>

(To be Continued)

(Continued)

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing balance
<u>Deferred tax liabilities</u>				
Temporary difference				
Provision for land increment value tax	\$ 213,961	\$ -	\$ -	\$ 213,961
Adjustment for rent- free period	3,896	21	-	3,917
	<u>\$ 217,857</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ 217,878</u>

2019

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing balance
<u>Deferred tax assets</u>				
Temporary difference				
Impairment loss of financial assets at FVTOCI	\$ 14,493	\$ -	\$ 11,347	\$ 25,840
Impairment loss on investment properties	5,800	(2,800)	-	3,000
Defined benefit plan	9,002	-	267	9,269
Others	272	356	-	628
	<u>\$ 29,567</u>	<u>(\$ 2,444)</u>	<u>\$ 11,614</u>	<u>\$ 38,737</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Provision for land increment value tax	\$ 213,961	\$ -	\$ -	\$ 213,961
Adjustment for rent-free period	4,554	(658)	-	3,896
Others	380	(380)	-	-
	<u>\$ 218,895</u>	<u>(\$ 1,038)</u>	<u>\$ -</u>	<u>\$ 217,857</u>

(V) Unused losses carried forward not recognized as deferred income tax asset in the consolidated balance sheet

	December 31, 2020	December 31, 2019
Loss carried forward		
Expiring 2021	\$ 2,531	\$ 2,531
Expiring 2022	8,338	8,338
Expiring 2023	13,979	13,979
Expiring 2024	11,678	11,678
Expiring 2025	16,425	16,425
Expiring 2026	13,382	13,382
Expiring 2027	11,965	11,965
Expiring 2029	77,010	77,010
Expiring 2030	19,099	-
	<u>\$ 174,407</u>	<u>\$ 155,308</u>

(VI) Income tax assessments

Income tax filings of the Company and subsidiaries DeHome Development, SHUN TAI INVESTMENT, JIA FONG INVESTMENT, and SONG YUAN INVESTMENT have been certified by the tax authority up until 2018; income tax filings of subsidiary GUAN QUAN INVESTMENT have been certified by the tax authority up until 2019.

XXIV. EPS

	<u>2020</u>	<u>2019</u>
Basic earnings per share	<u>\$ 0.65</u>	<u>\$ 0.64</u>
Diluted earnings per share	<u>\$ 0.65</u>	<u>\$ 0.64</u>

The net income and weighted average number of ordinary shares outstanding in calculating earnings per share were as follows:

Current net income

	<u>2020</u>	<u>2019</u>
Current net income	<u>\$ 114,159</u>	<u>\$ 111,785</u>

Number of shares

Unit: Thousand Shares

	<u>2020</u>	<u>2019</u>
Weighted average number of ordinary shares in computation of basic earnings per share	175,403	175,403
Effect of potentially dilutive ordinary shares:		
Remuneration to employees	<u>26</u>	<u>46</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>175,429</u>	<u>175,449</u>

If the consolidated entity has the option to distribute employee remuneration either in cash or in shares, then the calculation of diluted earnings per share shall be made by assuming full share-based payment. In which case, the number of potential common shares is added to the calculation of weighted-average outstanding shares as soon as they become dilutive, and this is the basis used for calculating diluted earnings per share. Such a dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

XXV. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The consolidated entity has maintained its overall strategies unchanged in past years.

The consolidated entity's capital structure comprises net debt (i.e. borrowings less cash and cash equivalents) and equity (i.e. sum of share capital, additional paid-in capital, retained earnings, and other equity items).

The Group is not subject to any externally imposed capital requirements.

The management reviews the consolidated entity's capital structure on a regular basis to address the costs and risks associated with various types of capital. Depending on the recommendations of its management, the consolidated entity may balance its capital structure by paying dividends, raising new debts, or by repaying existing debts.

XXVI. Financial instruments

(I) Fair value information - financial instruments that are not measured at fair value

In the management's opinion, all financial assets and liabilities that are not measured at fair value have been presented on the consolidated balance sheet at book values that resemble their fair values.

(II) Fair value information - financial instruments with fair value measured on a recurring basis

1. Degree of fair value measurements

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Domestic listed shares				
- Equity investments	\$ 120,667	\$ -	\$ -	\$ 120,667
Foreign public-listed (OTC-traded) securities				
- Equity investments	6,688	-	-	\$ 6,688
- Bond investments	38,446	-	-	\$ 38,446
Fund beneficiary certificates	<u>251,446</u>	-	-	\$ 251,446
Total	<u>\$ 417,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 417,247</u>

Financial assets at FVTOCI

Investment in equity instruments				
- Emerging Stock Market shares	\$ -	\$ -	\$ 4,563	\$ 4,563
- Domestic unlisted shares	-	-	\$ 46,890	\$ 46,890
- Foreign unlisted shares	-	-	\$ 15,004	\$ 15,004
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,457</u>	<u>\$ 66,457</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Domestic listed shares				
- Equity investments	\$ 95,825	\$ -	\$ -	\$ 95,825
Foreign public-listed (OTC-traded) securities				
- Equity investments	8,006	-	-	8,006
- Bond investments	16,470	-	-	16,470
Fund beneficiary certificates	<u>190,084</u>	<u>-</u>	<u>-</u>	<u>190,084</u>
Total	<u>\$ 310,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 310,385</u>
<u>Financial assets at FVTOCI</u>				
Investment in equity instruments				
- Emerging Stock Market shares	\$ -	\$ -	\$ 8,063	\$ 8,063
- Domestic unlisted shares	-	-	50,390	50,390
- Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>19,044</u>	<u>19,044</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,497</u>	<u>\$ 77,497</u>

There was no change of fair value input between level 1 and level 2 in 2020 and 2019.

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

Financial assets that involve the use of level 3 fair value inputs were equity instruments at FVTOCI. Reconciliation of 2020 and 2019 balances is explained below:

	<u>2020</u>	<u>2019</u>
Opening balance	\$ 77,497	\$ 97,125
Recognized as other comprehensive income (unrealized loss on valuation of financial assets at FVTOCI)	(8,200)	(19,177)
Refund from capital reduction	(2,840)	(451)
Closing balance	<u>\$ 66,457</u>	<u>\$ 77,497</u>

3. Level 3 fair value measurement technique and assumption

Fair value of domestic and foreign unlisted shares is determined based on investees' latest net worth after taking liquidity into consideration. Liquidity discount is used as a significant unobservable input; a lower liquidity discount would increase fair value of such investment.

(III) Categories of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial asset</u>		
At FVTPL		
Financial assets designated as at FVTPL	\$ 417,247	\$ 310,385
Financial assets at amortized cost (Note 1)	132,501	163,123
Financial assets at FVTOCI - Investment in equity instruments	66,457	77,497
<u>Financial liability</u>		
Financial liabilities carried at amortized cost (Note 2)	3,511,271	3,552,599

Note 1: The balance includes cash, cash equivalents, notes receivable, accounts receivable, other receivables (excluding tax refunds receivable), time deposits with initial maturity of more than 3 months, and other financial assets carried at cost after amortization.

Note 2: The balance includes short-term borrowing, short-term bills payable, notes payable, accounts payable, accrued expenses (excluding tax payable and salary & bonus payable), equipment purchase payable, other payables, long-term borrowings, and other financial liabilities carried at cost after amortization.

(IV) Financial risk management objective and policies

Main financial instruments used by the consolidated entity include equity and debt instruments, fund beneficiary certificates, accounts receivable, accounts payable, and loans. The consolidated entity's Financial Management Department is responsible for supporting business units, making coordinated use of capital, and performing treasury transactions in local and international financial markets. It monitors and manages financial risks within the consolidated entity by preparing internal reports, which analyze the scope and severity of risk exposures. These risks include market risk (including currency risk, interest rate risk, and other price risks), credit risk, and liquidity risk.

1. Market risk

(1) Exchange rate risk

See Note 29 for information on financial assets denominated in non-functional currencies as at the balance sheet date. No sensitivity analysis was provided as the effect of exchange rate variation was insignificant.

(2) Interest rate risk

The consolidated entity is exposed to interest rate risks due to capital borrowed at both fixed and floating rates by various entities within the group.

The book value of financial assets and financial liabilities susceptible to interest rate risks as at the balance sheet date is presented below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Fair value interest rate risk		
-Financial assets	\$ 331	\$ 44,100
-Financial liabilities	2,926,999	2,894,996
Cash flow interest rate risk		
-Financial assets	118,781	107,379
-Financial liabilities	377,160	480,821

Bank deposits and loans that the consolidated entity has placed/borrowed at fixed rate are susceptible to interest rate risk in the form of fair value change. However, the management considers the impact of interest rate variation to be insignificant given the short borrowing tenor and low borrowing rate.

Time deposits, demand deposits, and loans that the consolidated entity has placed/borrowed at floating rate are susceptible to interest rate risk in the form of cash flow changes.

Sensitivity analysis

The following sensitivity analysis has been prepared to explain interest rate risk exposure of floating-rate financial assets and bank loans as at the balance sheet date. Calculations were made on financial assets and liabilities that were susceptible to interest rate risk in the form of cash flow changes as at the balance sheet date. Interest rate sensitivity analyses are reported to the management by applying a variance of 0.25% above and below. This variance conforms with the management's expectation about the possible and reasonable range of interest rate variation.

A 0.25% increase/decrease in interest rate would have reduced/increased the consolidated entity's 2020 and 2019 pre-tax profit by NT\$646,000 and NT\$934,000, respectively, if all other variables

remained unchanged. This variation is largely attributed to exposure of bank loans undertaken at floating rate.

There was no significant change in the consolidated entity's interest rate sensitivity from the previous year.

(3) Other price risk

The consolidated entity is exposed to the risk of equity price variation due to investment in domestic and foreign equity securities. The consolidated entity does not engage in active trading of such investment. Equity price risk of the consolidated entity is mainly concentrated in equity instruments issued within the Greater China Region.

Sensitivity analysis

The following sensitivity analysis was conducted based on equity price risks as at the balance sheet date.

If equity prices increased/decreased by 10%, pre-tax profit for 2020 and 2019 would have increased/decreased by NT\$12,736,000 and NT\$10,383,000, respectively, due to a rise/fall in the fair value of financial assets at FVTPL. Meanwhile, pre-tax other comprehensive income for 2020 and 2019 would have increased/decreased by NT\$6,646,000 and NT\$7,750,000, respectively, due to a rise/fall in the fair value of financial assets at FVTOCI.

There was no significant change in the consolidated entity's equity price sensitivity from the previous year.

2. Credit risk

Credit risk refers to the risk of financial loss due to counterparties' failure in fulfilling contractual obligations. As at the balance sheet date, the consolidated entity's maximum exposure to the risk of loss due to counterparties' default on contractual obligations is represented by the book value of financial assets shown on the consolidated balance sheet.

Lease proceeds receivable by the consolidated entity were concentrated in three main customers, which accounted for 94% and 95% of the balance as at December 31, 2020 and 2019, respectively. However, the consolidated entity expects no significant credit risk as it has collected appropriate amounts of deposit.

Furthermore, due to the fact that the consolidated entity places liquid capital with banks of high credit rating issued by reputable international rating agencies, there should be limited level of credit risk exposure.

3. Liquidity risk

The consolidated entity maintains adequate position of cash and cash equivalents as well as bank credit lines to support corporate operations and to mitigate effects of cash flow variation. The management constantly monitors use of bank limits and makes sure that borrowing terms are duly complied.

Maturity analysis for contracted non-derivative financial liabilities was prepared based on the earliest possible repayment dates, using undiscounted cash flows (including principal and estimated interest). Cash flows include interest and principal payments.

The following table shows the earliest times that the consolidated entity may be demanded to make immediate repayment of bank loans, without considering the likelihood of such demands. Maturity analysis of other non-derivative financial liabilities is prepared based on the agreed repayment date.

Undiscounted amounts of floating interest cash flow are estimated using yield curve as at the balance sheet date.

December 31, 2020

	Repayable upon demand or within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	\$ 232,447	\$ -	\$ -	\$ -
Floating rate instruments	210,737	-	166,423	-
Fixed rate instruments	<u>290,999</u>	<u>520,000</u>	<u>-</u>	<u>2,116,000</u>
	<u>\$ 734,183</u>	<u>\$ 520,000</u>	<u>\$ 166,423</u>	<u>\$ 2,116,000</u>

December 31, 2019

	Repayable upon demand or within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	\$ 202,275	\$ -	\$ -	\$ -
Floating rate instruments	228,923	151,898	-	100,000
Fixed rate instruments	<u>358,996</u>	<u>630,000</u>	<u>-</u>	<u>1,906,000</u>
	<u>\$ 790,194</u>	<u>\$ 781,898</u>	<u>\$ -</u>	<u>\$ 2,006,000</u>

Bank borrowing constitutes a main source of liquidity for the consolidated entity. As at December 31, 2020 and 2019, the consolidated entity had undrawn bank limits of NT\$1,533,201,000 and NT\$1,552,077,000, respectively.

XXVII. Related party transaction

All income, expenses, and losses between the Company and subsidiaries (being the Company's related parties) have been eliminated during consolidation, and therefore were not disclosed in the footnote.

The consolidated entity had paid the following compensations to its directors and the executive management:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 15,649	\$ 15,690
Post-employment benefits	<u>180</u>	<u>180</u>
	<u>\$ 15,829</u>	<u>\$ 15,870</u>

Compensation to directors and members of the executive management is determined by the Remuneration Committee based on individual performance and market trends.

XXVIII. Pledged Assets

The consolidated entity has placed part of its inventory, property, plant, equipment, and investment property as collaterals to secure bank borrowings. Below is a summary of assets pledged as collaterals:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Inventories		
- Properties pending sale	\$ 802,423	\$ 769,693
Property, Plant and Equipment		
- Land	835,520	835,520
- Buildings	768,610	796,435
Investment Property	<u>1,041,651</u>	<u>1,047,693</u>
	<u>\$ 3,448,204</u>	<u>\$ 3,449,341</u>

XXIX. Foreign currency-denominated financial assets of material impact

The following information was aggregated by the foreign currencies other than functional currencies of the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. Foreign currency assets of material effect:

December 31, 2020

<u>Financial asset</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Monetary items</u>			
USD	\$ 647	28.480	\$ 18,443
HKD	161	3.673	<u>590</u>
			<u>\$ 19,033</u>

(To be Continued)

(Continued)

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Non-monetary items</u>			
USD	\$ 2,738	28.480	\$ 77,996
HKD	1,012	3.673	3,716
AUD	106	21.950	2,319
ZAR	2,391	1.949	4,661
RMB	1,029	4.377	4,505
			<u>\$ 93,197</u>

December 31, 2019

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial asset</u>			
<u>Monetary items</u>			
USD	\$ 1,908	29.980	\$ 57,187
HKD	904	3.849	3,481
			<u>\$ 60,668</u>
<u>Non-monetary items</u>			
USD	1,110	29.980	\$ 33,263
HKD	1,136	3.849	4,374
AUD	108	21.005	2,278
ZAR	2,265	2.120	4,801
RMB	1,017	4.305	4,379
			<u>\$ 49,095</u>

The consolidated entity reported net gain (realized and unrealized) on exchange totaling NT\$956,000 in 2020 and -NT\$1,833,000 in 2019. Due to the broad diversity of foreign currencies used for transactions, the consolidated entity was unable to disclose exchange gains/losses separately for each significant foreign currency.

XXX. Additional Disclosures

- (1) Information related to significant transactions:
1. Loans to external parties. (None)
 2. Endorsements/guarantees to external parties. (None)
 3. Marketable securities held at year-end. (Appendix 1)
 4. Cumulative purchase or sale of a single security totaling more than NT\$ 300 million or 20% of paid-in capital. (None)
 5. Acquisition of real estate properties amounting to more than NT\$ 300 million or 20% of paid-in capital. (None)
 6. Disposal of real estate properties amounting to more than NT\$ 300 million or 20% of paid-in capital. (None)

7. Sales and purchases to/from related parties amounting to more than NT\$ 100 million or 20% of paid-in capital. (None)
 8. Related party receivables amounting to more than NT\$ 100 million or 20% of paid-in capital. (None)
 9. Trading of derivatives. (None)
 10. Others: Major business dealings between the parent company and subsidiaries, and transactions between subsidiaries. (None)
- (II) Information on business investments. (Appendix 2)
- (III) Information relating to investments in the Mainland. (None)
- (IV) Major shareholders: Names of shareholders with more than 5% ownership interest, and the number and percentage of shares held. (Appendix 3)

XXXI. Segments Information

Information provided to the decision maker for resource allocation and performance evaluation; provide explanation by the types of product or service delivered. Reporting segments for the consolidated entity are as follows:

Department store segment -Taoyuan Branch
 -Taipei Branch

Investment Segment

Construction Segment

Income and business performance of the Company and subsidiaries, reported by segments, are as follows:

Segment revenues and results

The following was an analysis of the Group's revenue and results by the reporting department.

	Segment Revenue		segment profit or loss	
	2020	2019	2020	2019
Department store segment - Taoyuan Branch	\$ 282,363	\$ 254,947	\$ 34,142	\$ 36,412
- Taipei Branch	206,639	198,562	140,753	127,124
Investment Segment	5,769	5,871	3,156	3,245
Construction Segment	59,669	190,796	(16,233)	(59,509)
Total from continuing operations	<u>\$ 554,440</u>	<u>\$ 650,176</u>	161,818	107,272

(To be Continued)

(Continued)

	Segment Revenue		segment profit or loss	
	2020	2019	2020	2019
Other income and interest income			\$ 18,033	\$ 19,728
Other gains and losses			7,326	39,644
Financial costs			(35,110)	(36,751)
Share of profit/loss from equity-accounted associated companies			4,176	3,473
Profit before tax			<u>\$ 156,243</u>	<u>\$ 133,366</u>

The investment, construction, and food & beverage segments each paid the department store segment a rent of NT\$600,000 in 2020 and 2019; these amounts have been eliminated upon consolidation. All income of the above reporting segments were generated from transactions with external customers.

Segment gain refers to profits made by each segment. It excludes other income and interest income, other gains and losses, financial cost, share of profit/loss from equity-accounted associated companies, and income tax expense. These amounts are reported to the decision maker for allocating segment resources and evaluating segment performance.

Tonlin Department Store Co., Ltd. and Subsidiaries
Marketable securities held
December 31, 2020

Table 1

Unit: NTD thousand

Holding Company Name	Name and type of marketable security	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			Remarks
				Shares / units	Carrying amount	Shareholding percentage	
Tonlin Department Store Co., Ltd.	Common share						
	WK Technology Fund VII	-	Equity instrument at FVTOCI - Non-current	2,240,000	\$ 14,100	5.32	\$ 14,100
	WK Technology Fund VIII	-	Equity instrument at FVTOCI - Non-current	2,890,000	13,300	6.67	13,300
	WK Technology Fund	-	Equity instrument at FVTOCI - Non-current	598,282	9,315	3.00	9,315
	WK Technology Fund V	-	Equity instrument at FVTOCI - Non-current	2,167,500	10,175	4.17	10,175
	Wholesome Biopharm Pty Ltd.	-	Equity instrument at FVTOCI - Non-current	10,000,000	14,630	12.16	14,630
	Fortune Technology Fund II Ltd.	-	Equity instrument at FVTOCI - Non-current	242,296	374	13.49	374
	Harbinger Venture Capital Corp.	-	Equity instrument at FVTOCI - Non-current	3,367	-	1.70	-
	Budworth Investment Limited	-	Equity instrument at FVTOCI - Non-current	15,186	-	1.67	-
	Julien's International Entertainment Group Co., Ltd.	-	Equity instrument at FVTOCI - Non-current	373,501	4,563	1.30	4,563
	KDH Design CO., Ltd.	-	Equity instrument at FVTOCI - Non-current	40,000	-	2.03	-
	Preferred share						
	Phyto Ceutica Inc.	-	Equity instrument at FVTOCI - Non-current	20,000	-	-	-
	Beneficiary certificate						
Jih Sun Money Market Fund	-	Financial assets at FVTPL - Current	2,022,622.43	30,238	-	30,238	
Franklin Templeton Sinoam Money Market Fund	-	Financial assets at FVTPL - Current	2,058,507.27	21,467	-	21,467	
FSITC Taiwan Money Market	-	Financial assets at FVTPL - Current	2,544,733.50	39,274	-	39,274	

(To be Continued)

(Continued)

Holding Company Name	Name and type of marketable security	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			Remarks	
				Shares / units	Carrying amount	Shareholding percentage		
	Prudential Financial Money Market Fund	-	Financial assets at FVTPL - Current	1,883,681.50	\$ 30,054	-	\$ 30,054	
	Mega Diamond Money Market	-	Financial assets at FVTPL - Current	2,060,895.39	26,070	-	26,070	
	CTBC Asia Pacific Real Income Fund	-	Financial assets at FVTPL - Current	200,000.00	2,124	-	2,124	
	Taishin 1699 Money Market	-	Financial assets at FVTPL - Current	1,465,652.44	20,000	-	20,000	
	Capital Potential Income Mlt-Asst NA USD	-	Financial assets at FVTPL - Current	11,062.62	3,873	-	3,873	
	Franklin Utilities Fund A	-	Financial assets at FVTPL - Current	2,145.00	1,202	-	1,202	
	Franklin Templeton Investment Funds- Franklin U.S. Government Fund	-	Financial assets at FVTPL - Current	7,692.31	1,970	-	1,970	
	Eastspring Investments - US Investment Grade Bond Fund - ADM	-	Financial assets at FVTPL - Current	14,483.79	5,365	-	5,365	
	Pictet-Russian Equities R USD	-	Financial assets at FVTPL - Current	50.50	115	-	115	
	Franklin Templeton Investment Funds- Franklin U.S. Government Fund (dividend-paying) (FOF)	-	Financial assets at FVTPL - Current	10,276.25	2,631	-	2,631	
	Franklin Technology Fund (sub-fund)	-	Financial assets at FVTPL - Current	715.85	789	-	789	
	Franklin Biotechnology Discovery Fund (sub-fund)	-	Financial assets at FVTPL - Current	605.76	778	-	778	
	BlackRock Global Funds - World Technology Fund A2	-	Financial assets at FVTPL - Current	628.75	1,396	-	1,396	
	0202 JPMorgan ASEAN Fund	-	Financial assets at FVTPL - Current	367.32	1,503	-	1,503	
	LionGlobal Vietnam Fund	-	Financial assets at FVTPL - Current	51,206.01	938	-	938	
	Allianz Global Investors Fund - Allianz Oriental Income A	-	Financial assets at FVTPL - Current	244.83	1,476	-	1,476	
	JPMorgan Funds - US Aggregate Bond Fund	-	Financial assets at FVTPL - Current	11,554.62	6,299	-	6,299	
	JPMorgan Funds - China Fund	-	Financial assets at FVTPL - Current	128.95	454	-	454	

(To be Continued)

(Continued)

Holding Company Name	Name and type of marketable security	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Remarks
				Shares / units	Carrying amount	Shareholding percentage	Fair value	
	JPMorgan Asia Growth	-	Financial assets at FVTPL - Current	636.45	\$ 442	-	\$ 442	
	Fuh Hwa South Africa Short-Term Income ZAR Fund A	-	Financial assets at FVTPL - Current	60,470.50	1,946	-	1,946	
	Fuh Hwa South Africa Short-Term Income ZAR Fund B	-	Financial assets at FVTPL - Current	60,260.90	1,073	-	1,073	
	Nomura Four Years Ladder Maturity Emerging Market Bond Fund CNY Acc	-	Financial assets at FVTPL - Current	96,000.00	4,505	-	4,505	
	- Bonds							
	Saudi International Bond (II)	-	Financial assets at FVTPL - Current	2,000	6,826	-	6,826	
	Brazilian Government Bonds (VII)	-	Financial assets at FVTPL - Current	2,000	6,281	-	6,281	
	European Investment Bank Bonds (X)	-	Financial assets at FVTPL - Current	8,000	1,642	-	1,642	
	- Corporate bonds							
	AT&T Corporate Bonds (VI)	-	Financial assets at FVTPL - Current	2,000	6,546	-	6,546	
	Walgreens Boots Alliance Corporate Bonds (IV)	-	Financial assets at FVTPL - Current	2,000	5,957	-	5,957	
	Pemex Corporate Bonds (VII)	-	Financial assets at FVTPL - Current	1,200	3,067	-	3,067	
	Apple Inc. Corporate Bonds (VII)	-	Financial assets at FVTPL - Current	1,700	5,808	-	5,808	
	Common shares of domestic companies							
	United Microelectronics Corporation	-	Financial assets at FVTPL - Current	35,801	1,688	-	1,688	
	Lida Holdings Limited	-	Financial assets at FVTPL - Current	51,600	1,858	-	1,858	
	China Petrochemical Development Corporation	-	Financial assets at FVTPL - Current	362,250	4,220	-	4,220	
	Taiwan Tea Corporation	-	Financial assets at FVTPL - Current	309,000	5,531	-	5,531	
	Asia Optical Co. Inc.	-	Financial assets at FVTPL - Current	74,000	5,469	-	5,469	
	Crystalvue Medical Corporation	-	Financial assets at FVTPL - Current	78,000	3,877	-	3,877	

(To be Continued)

(Continued)

Holding Company Name	Name and type of marketable security	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Remarks
				Shares / units	Carrying amount	Shareholding percentage	Fair value	
GUAN QUAN INVESTMENT CO., Ltd.	Twoway Communications, Inc.	-	Financial assets at FVTPL - Current	35,000	\$ 353	-	\$ 353	
	Yageo Corporation	-	Financial assets at FVTPL - Current	29,000	15,022	-	15,022	
	Mutual-Tek industries Co., Ltd.	-	Financial assets at FVTPL - Current	196,000	2,064	-	2,064	
	Powertech Technology Inc.	-	Financial assets at FVTPL - Current	9,000	854	-	854	
	CTBC Financial Holding Co., Ltd.	-	Financial assets at FVTPL - Current	235,000	4,629	-	4,629	
	Wistron Corporation	-	Financial assets at FVTPL - Current	188,000	5,828	-	5,828	
	Yeong Guan Energy Technology Group Company Limited	-	Financial assets at FVTPL - Current	84,962	7,001	-	7,001	
	Ta Chen Stainless Pipe Co., Ltd.	-	Financial assets at FVTPL - Current	37,000	1,158	-	1,158	
	Zhen Ding Technology Holding Limited	-	Financial assets at FVTPL - Current	15,400	1,756	-	1,756	
	PANJIT International Inc.	-	Financial assets at FVTPL - Current	16,000	866	-	866	
	Mirle Automation Corp.	-	Financial assets at FVTPL - Current	21,000	924	-	924	
	King Yuan Electronics Co., Ltd.	-	Financial assets at FVTPL - Current	91,000	3,162	-	3,162	
	FuSheng Precision Co., Ltd.	-	Financial assets at FVTPL - Current	217,000	37,649	-	37,649	
	Taiwan High Speed Rail Corporation	-	Financial assets at FVTPL - Current	445,000	14,106	-	14,106	
	Common shares of domestic companies							
Tonlin Department Store Co., Ltd.	Parent company	Equity instrument at FVTOCI - Non-current	8,750,000	462,875	4.19	462,875	(Note 1 and 2)	
United Microelectronics Corporation	-	Financial assets at FVTPL - Current	11,851	558	-	558		
Beneficiary certificate								
Jih Sun Money Market Fund	-	Financial assets at FVTPL - Current	103,455.50	1,547	-	1,547		
Mega Diamond Money Market	-	Financial assets at FVTPL - Current	167,610.60	2,120	-	2,120		

(To be Continued)

(Continued)

Holding Company Name	Name and type of marketable security	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			Remarks	
				Shares / units	Carrying amount	Shareholding percentage		Fair value
JIA FONG INVESTMENT CO., Ltd.	Taishin 1699 Money Market	-	Financial assets at FVTPL - Current	470,114.66	\$ 6,415	-	\$ 6,415	(Note 1 and 2)
	Common shares of domestic companies Tonlin Department Store Co., Ltd.	Parent company	Equity instrument at FVTOCI - Non-current	8,767,000	463,775	4.20	463,775	
	United Microelectronics Corporation	-	Financial assets at FVTPL - Current	13,219	623	-	623	
SONG YUAN INVESTMENT CO., Ltd.	Beneficiary certificate Mega Diamond Money Market	-	Financial assets at FVTPL - Current	616,885.62	7,803	-	7,803	(Note 1 and 2)
	Common shares of domestic companies Tonlin Department Store Co., Ltd.	Parent company	Equity instrument at FVTOCI - Non-current	7,366,000	389,662	3.53	389,662	
	United Microelectronics Corporation	-	Financial assets at FVTPL - Current	8,865	418	-	418	
	- Corporate bonds COOPERATIE VE RABOB	-	Financial assets at FVTPL - Current	100,000	2,319	-	2,319	
	Beneficiary certificate Jih Sun Money Market Fund	-	Financial assets at FVTPL - Current	251,707.53	3,763	-	3,763	
	FSITC Taiwan Money Market	-	Financial assets at FVTPL - Current	98,890.60	1,526	-	1,526	
	Mega Diamond Money Market	-	Financial assets at FVTPL - Current	188,454.23	2,384	-	2,384	
	PIMCO GIS	-	Financial assets at FVTPL - Current	16,517.58	5,245	-	5,245	
	FRANLIN TEM	-	Financial assets at FVTPL - Current	10,477.65	3,068	-	3,068	
	PERMAL MACRO HOLDINGS LTD	-	Financial assets at FVTPL - Current	273.60	2,996	-	2,996	
	- Foreign shares HK shares HSBC HOLDINGS PLC	-	Financial assets at FVTPL - Current	5,220	781	-	781	
KUNLUN ENERGY	-	Financial assets at FVTPL - Current	8,000	197	-	197		

(To be Continued)

(Continued)

Holding Company Name	Name and type of marketable security	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Remarks
				Shares / units	Carrying amount	Shareholding percentage	Fair value	
	CAPITAL ESTATE LTD	-	Financial assets at FVTPL - Current	57,000	\$ 82	-	\$ 82	
	SINOFERT HOLDINGS LIMITED	-	Financial assets at FVTPL - Current	50,000	140	-	140	
	ESPRIT HOLDINGS LTD.	-	Financial assets at FVTPL - Current	12,499	52	-	52	
	CHINA SHANSHUI CEMENT	-	Financial assets at FVTPL - Current	7,000	47	-	47	
	SHENGUAN HOLDINGS	-	Financial assets at FVTPL - Current	16,000	18	-	18	
	LIFESTYLE INTERNATIONAL	-	Financial assets at FVTPL - Current	10,500	237	-	237	
	CHINA COAL ENERGY	-	Financial assets at FVTPL - Current	11,000	94	-	94	
	CHINA COSCO	-	Financial assets at FVTPL - Current	18,000	615	-	615	
	FIH MOBILE LTD	-	Financial assets at FVTPL - Current	13,000	46	-	46	
	LI NING CO LTD	-	Financial assets at FVTPL - Current	7,188	1,407	-	1,407	
	U.S. shares							
	VANECK VEXTORS ETF TR	-	Financial assets at FVTPL - Current	1,400	963	-	963	
	RUSSIA ETF							
	PROSHARES TR ULTRASHORT TR TREAS	-	Financial assets at FVTPL - Current	700	625	-	625	
	PROSHARE TRII PROSHARES ULTRASHORT GOLD	-	Financial assets at FVTPL - Current	2,950	1,384	-	1,384	
SHUN TAI INVESTMENT CO., Ltd.	Common shares of domestic companies							
	Tonlin Department Store Co., Ltd.	Parent company	Equity instrument at FVTOCI - Non-current	8,439,000	446,423	4.04	446,423	(Note 1 and 2)
	United Microelectronics Corporation	-	Financial assets at FVTPL - Current	22,337	1,053	-	1,053	
	Beneficiary certificate							
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - Current	172,753.17	2,583	-	2,583	
	Taishin 1699 Money Market	-	Financial assets at FVTPL - Current	440,732.50	6,014	-	6,014	

Note 1: Subsidiaries' holding of the Company's shares were reclassified as treasury stock, and accounted using the book value at which the Company was recognized as investment by the subsidiary in the beginning of 2002.

Note 2: Fully eliminated when preparing consolidated financial statements.

Note 3: See Appendix 2 for information relating to investments in subsidiaries and associated companies.

Tonlin Department Store Co., Ltd. and Subsidiaries

Information of Investees

2020

Table 2

Unit: NTD thousand

Investor	Investor Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2020			Current period profit (loss) of the investee (Note 2)	Investment gains (losses) recognized in the current period (Note 2)	Remarks
				December 31, 2020	December 31, 2019	Shares	Percentage (%)	Carrying amount			
Tonlin Department Store Co., Ltd.	DeHome Development Co., Ltd.	Taipei City	General construction	\$ 600,000	\$ 600,000	60,000,000	100.00	\$ 446,499	(\$ 24,474)	(\$ 24,474)	Subsidiary (Notes 2 and 3)
	Chung Hsiao Enterprise Co., Ltd.	Taipei City	General leasing	101,952	101,952	3,776,000	20.00	162,327	20,878	4,176	Equity-accounted investee
	SONG YUAN INVESTMENT CO., LTD.	Taipei City	Investment	350,000	350,000	35,000,000	100.00	81,239	4,824	(332)	Subsidiary (Notes 1, 2, 3, and 4)
	SHUN TAI INVESTMENT CO., LTD.	Taipei City	Investment	350,000	350,000	35,000,000	100.00	43,498	7,362	1,454	Subsidiary (Notes 1, 2, 3, and 4)
	GUAN QUAN INVESTMENT CO., LTD.	Taipei City	Investment	350,000	350,000	35,000,000	100.00	30,418	6,576	451	Subsidiary (Notes 1, 2, 3, and 4)
	JIA FONG INVESTMENT CO., LTD.	Taipei City	Investment	350,000	350,000	35,000,000	100.00	29,915	6,707	570	Subsidiary (Notes 1, 2, 3, and 4)

Note 1: Subsidiaries' holding of the Company's shares were reclassified as treasury stock, and accounted using the book value at which the Company was recognized as investment by the subsidiary in the beginning of 2002.

Note 2: Calculated based on the entity's audited financial statements as at December 31, 2020.

Note 3: Fully eliminated when preparing consolidated financial statements.

Note 4: Differences between investment gains/losses the Company had recognized on SONG YUAN INVESTMENT CO., LTD., SHUN TAI INVESTMENT CO., LTD., GUAN QUAN INVESTMENT CO., LTD., and JIA FONG INVESTMENT CO., LTD. and the amount of profit/loss reported by the respective investees were due to distribution of dividends.

Tonlin Department Store Co., Ltd. and Subsidiaries

Information on main investors

December 31, 2020

Table 3

Name of major shareholder	Shares	
	No. of shares held	Shareholding percentage (%)
SHUEN SHYANG CO., LTD.	35,913,664	17.20
Weng Chun-Chih	23,100,920	11.06
JIN DUO LIH ENTERPRISES PTY. LTD.	22,936,442	10.98
FlySun Development Co., Ltd.	12,579,333	6.02

Note 1: Information on major shareholders, as presented in this chart, was taken from records of Taiwan Depository & Clearing Corporation as at the final business day of the reported quarter, and included parties holding book-entry common and preferred shares (including treasury stock) for an aggregate ownership of 5% and above. Share capital reported in the Company's consolidated financial statements may differ from the number of shares delivered via book entry due to different basis of preparation/calculation.

Note 2: The aforementioned information will be disclosed by the trustors' personal accounts settled by the trustees if the shareholders put the shares into a trust. As for the insider declaration of the ownership percentage over 10%, including the shares on hand and those being put in the trust and may be able to decide the usage of the trust assets, please refer to the declaration information on Market Observation Post System (MOPS).

V. Parent-company only financial statements of the recent year, audited by the CPAs

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.


Tonlin Department Store Co., Ltd.
Standalone 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)	\$ 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	<u>547,866</u>	<u>10</u>	<u>559,426</u>	<u>10</u>
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	<u>5,216,396</u>	<u>90</u>	<u>5,267,154</u>	<u>90</u>
1XXX	Total assets	<u>\$ 5,764,262</u>	<u>100</u>	<u>\$ 5,826,580</u>	<u>100</u>
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	<u>998,161</u>	<u>17</u>	<u>1,152,478</u>	<u>20</u>
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	<u>2,403,068</u>	<u>42</u>	<u>2,300,539</u>	<u>39</u>
2XXX	Total liabilities	<u>3,401,229</u>	<u>59</u>	<u>3,453,017</u>	<u>59</u>
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-Long 

Head of Accounting: Huang Su-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>

(To be Continued)

(Continued)

Code		2020		2019	
		Amount	%	Amount	%
	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	\$ 111,819	22	\$ 122,963	26
	Earnings per share (Note 23)				
9710	Basic	\$ 0.65		\$ 0.64	
9810	Diluted	\$ 0.65		\$ 0.64	

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





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: Weng Hua-Li



Vice President: Chen Wen-Long



Head of Accounting: Huang Su-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	(5,347)	(1,472)
A33000	Cash inflow from operating activities	224,395	306,536

(To be Continued)

(Continued)

Code		2020	2019
A33100	Interest received	\$ 494	\$ 1,248
A33300	Interest paid	(30,003)	(28,883)
A33200	Dividends received	3,242	4,403
A33500	Income tax paid	(49,087)	(5,013)
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	(146,108)	-
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



Tonlin Department Store Co., Ltd.
Notes to Standalone Financial Statements
For periods from January 1 to December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

I. Organization and operations

Tonlin Department Store Co., Ltd. (the "Company") was founded in August 1982 and commenced business operations in November 1984. Taoyuan Branch was later established in September 1995 and commenced operation in November 1995. The Company primarily operates as a retail departmental store. The Company's shares have been listed for trading on Taiwan Stock Exchange Corporation since December 1996. The Company closed down its Taipei Branch on September 20, 1999 out of concern for profit yield, and leased out buildings previously occupied by Taipei Branch for income on October 1. The Company currently has lease contracts established with multiple counterparties including World Fitness Asia Limited (H.K.) Taiwan Branch. Please refer to Note 20 for details. Furthermore, to facilitate the Company's transformation into an integrated entertainment complex, the board of directors passed a resolution to remodel Taoyuan Branch on October 24, 2016, which later commenced trial operation on September 15, 2018 and officially opened for business on October 3, 2018. In addition to retaining top revenue-generating merchants, Taoyuan Branch also brought in major quick fashion, restaurant, sports, leisure, entertainment, and cinema brands to support its new transformation.

The standalone financial statements are presented in NTD, the Company's functional currency.

II. The Authorization of Financial Statements

The standalone financial statements were passed during the board of directors meeting dated March 22, 2021.

III. Application of New and Revised International Financial Reporting Standards

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

Adopting the amended version of FSC-approved IFRSs will not result in any material change to the Company's accounting policies.

(II) FSC-approved IFRSs applicable in 2021	New, Revised or Amended Standards and Interpretations	Effective date of IASB announcement
	Amended "Extension of the Temporary Exemption from Applying IFRS 9" in IFRS 4	Effective on the published date
	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 regarding "Interest Rate Benchmark Reform - Phase 2"	Effective from reporting periods that begin after January 1, 2021
	Amendments to IFRS 16 regarding "Covid-19-Related Rent Concessions"	Effective from reporting periods that begin after June 1, 2020

The Company continues to evaluate how revisions of the above standards and interpretations affect its standalone financial position and business performance as of the publication date of this financial report. Outcomes of these assessments will be disclosed upon completion.

(III) The IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
"Annual Improvement for the Cycle of 2018-2020"	January 1, 2022 (Note 2)
Amended "Updating the Index to the Conceptual Framework" in IFRS 3	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Undetermined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments of IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 regarding "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 regarding "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 - "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

Note 2: The IFRS 9 amendment will apply to exchange or modification of financial liability that occur in financial years starting on and after January 1, 2022. Amendments to IAS 41 - "Agriculture" will apply to fair value assessments

for financial years starting on and after January 1, 2022. Amendments to IFRS 1 - "First-time Adoption of IFRSs" will apply retrospectively in financial years starting on and after January 1, 2022.

Note 3: The amendment applies to the mergers whose acquisition dates after the annual reported periods since January 1, 2022.

Note 4: The amendment applies to the property, plant and equipment achieving the expected operations by the management after January 1, 2021.

Note 5: The amendment applies to the contracts yet performing all obligations as of January 1, 2022.

Note 6: These amendments will be applied prospectively in reporting periods starting from January 1, 2023.

Note 7: These amendments will be applied to changes in accounting estimates and accounting policies that take place in reporting periods after January 1, 2023.

The Company continues to evaluate how revisions of the above standards and interpretations affect its standalone financial position and business performance as of the publication date of this financial report. Outcomes of these assessments will be disclosed upon completion.

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

The standalone financial statements have been prepared in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

(II) Basis of preparation

This standalone financial statement has been prepared based on historical cost, except for financial instruments carried at fair value and net defined benefit liabilities calculated by deducting fair value of plan assets from present value of defined benefit obligation.

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

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
3. Level 3 inputs are unobservable inputs for the asset or liability.

The Company accounts for its subsidiaries and associated companies using the equity method when preparing the standalone financial statements. To ensure consistency between the amount of profit and loss, other comprehensive income, and equity presented in the standalone financial statements and the amount of profit and loss, other comprehensive income, and equity attributable to the Company's owners shown in the consolidated financial statements, adjustments were made to differences in accounting treatment between the standalone basis and consolidated basis for "equity-accounted investments," "share of profit in equity-accounted subsidiaries and associated companies," "share of other comprehensive income in equity-accounted subsidiaries and associated companies," and related equity items.

(III) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets that are held mainly for the purpose of trading;
2. Assets that are expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (except for those that are intended to be swapped or settled against debt more than 12 months after the balance sheet date, and those with restricted uses).

Current liabilities include:

1. Liabilities that are held mainly for the purpose of trading;
2. Liabilities that are expected to be settled within 12 months after the balance sheet date; and
3. Liabilities where the repayment terms can not be extended unconditionally beyond 12 months after the balance sheet date.

Assets and liabilities that do not satisfy the above criteria are classified into non-current assets or non-current liabilities.

The Company's construction activities operate at business cycles that are longer than one year. For this reason, assets and liabilities that arise in relation to construction activities are distinguished between current and non-current portions based on normal business cycle.

(IV) Foreign currency

During preparation of standalone financial statements, transactions denominated in currencies other than the functional currency (i.e. foreign currency transactions) are converted and recorded in the functional currency using exchange rate as at the transaction date.

Monetary foreign currency accounts are converted using closing exchange rates as at every balance sheet date. Exchange differences arising from settlement or translation of monetary accounts are recognized in profit and loss in the year occurred.

Foreign currency-denominated non-monetary items carried at fair value are converted using exchange rates as at the date of fair value assessment, with exchange differences recognized in current profit and loss. However, items that have fair value changes recognized in other comprehensive income shall also have exchange differences recognized in other comprehensive income.

Foreign currency-denominated non-monetary items carried at historical cost are converted using exchange rate as at the date of initial transaction. No further recalculation shall be made.

(V) Inventories

Proprietary inventory is valued at the lower of cost or net realizable value; the lower of cost or net realizable value is compared by retail departments, except for groups of items within the same category. Net realizable value refers to the balance of estimated selling price less any costs required to sell inventory under normal circumstances; cost is calculated using the retail inventory method.

Construction-in-progress is stated at the lower of cost or net realizable value. Down payments are paid for the purchase of construction land or properties pending sale, and borrowing interests accrued during the construction period are capitalized and recognized as cost of inventory.

Construction land is reclassified into construction-in-progress when construction activities begin. Upon completion, the amount of construction-in-progress is reclassified into operating cost and properties pending sale based on percentages of sold and unsold areas.

In joint construction arrangements where the Company contributes land in exchange for units of properties pending sale, no gain/loss is recognized at the time of exchange, and income is recognized only when properties are sold to buyers.

(VI) Subsidiary investments

The Company accounts for subsidiary investments using the equity method.

A subsidiary is an entity in which the Company exercises control.

Under the equity method, investments are recognized at cost at initiation; after the acquisition date, book value may be increased or decreased by the Company's share of profits/losses and other comprehensive income in associated companies. Furthermore, change in other equity items of subsidiaries are recognized proportionally at the Company's shareholding percentage.

Changes in ownership of subsidiary without losing control are treated as equity transactions. Difference between book value of investment and the fair value of consideration paid/received is directly recognized as equity.

Impairments are assessed for individual cash-generating units and presented consistently throughout the financial statements by comparing recoverable amounts with book values. Should the recoverable amount increase in subsequent years, the amount previously impaired can be reversed and recognized as gains. However, the asset's book value after reversal can not exceed the amount of book value less amortization before the impairment took place.

Any unrealized gains/losses arising from downstream transactions between the Company and subsidiaries have been eliminated in the standalone financial statements. Gains/losses arising from upstream transactions and transactions among subsidiaries are recognized in the standalone financial statements only when the Company exercises no control over the subsidiary.

(VII) Investment in associated companies

An associated company is an organization in which the Company has significant influence, but does not meet the criteria of a subsidiary.

The Company accounts for associated companies using the equity method.

Under the equity method, associated companies are recognized at cost at initiation; after the acquisition date, book value may be increased or decreased by the Company's share of profits/losses and other comprehensive income in associated companies. Furthermore, changes in the equity of associated companies are recognized at the Company's shareholding percentage.

When assessing impairments, the Company treats the entire account as a single asset and tests for impairment by comparing book value with recoverable amount. Any impairment losses recognized are presented as part of the book value of the investment

without amortization. Reversal of impairment loss can be recognized up to the sum of subsequent increases in the recoverable amount of the investment.

(VIII) Property, Plant and Equipment

Property, plant, and equipment are initially recognized at cost, and subsequently presented at cost after accumulated depreciation and impairment.

Property, plant, and equipment in progress are carried at cost less cumulative impairments. Cost includes services expenses and borrowing costs that satisfy the capitalization criteria. These assets are classified into appropriate categories of property, plant, and equipment upon completion and reaching the expected usable state, at which time depreciation will also begin.

No depreciation is provided on land, whereas property, plant, and equipment are depreciated using the straight line method over their useful lives. Depreciation is provided separately for each major component. The Company reviews estimated useful life, residual value, and depreciation method at least once at the end of each year. Impacts of changes in accounting estimates are applied prospectively.

In joint construction arrangements where the Company contributes land in a commercial exchange for units of property classified as property, plant, and equipment, a gain/loss would be recognized at the time of exchange.

Gains or losses arising from decommissioned property, plant, and equipment are calculated as the difference between disposal proceeds and the asset's book value, and are recognized through profit and loss in the year occurred.

(IX) Investment Property

Investment properties are real estate properties held for rental income or capital gain, or both. Investment properties include land held on hand that the Company has yet to determine their future uses.

Investment properties are initially recognized at cost (including transaction cost) and subsequently presented at cost after accumulated depreciation and impairment.

Investment properties are depreciated on a straight-line basis.

Difference between the disposal proceed and book value of decommissioned investment property is recognized in profit and loss.

(X) Intangible asset

1. Acquisition by separate purchase

Intangible assets that are acquired through separate purchase with limited useful life are recognized at cost at initiation, and subsequently presented at cost

less accumulated amortization and impairment. Intangible assets are amortized on a straight-line basis over their useful lives. The estimated useful life, residual value, and amortization method are reviewed at least once at the end of each year. Impacts of changes in accounting estimates are applied prospectively.

2. Decommissioning

Difference between the net disposal proceed and book value of intangible assets removed is recognized in current profit and loss.

(XI) Impairment of property, plant, and equipment and intangible assets

The Company evaluates all property, plant, and equipment and intangible assets for signs of impairment every balance sheet date. Assets that exhibit any sign of impairment will have recoverable amount estimated. If the recoverable amount can not be estimated on an individual basis, the Company will instead estimate recoverable amount for the entire cash-generating unit.

Recoverable amount is the higher between "fair value less selling costs" and the "utilization value." If recoverable amount of an asset or cash-generating unit falls below its book value, the book value of that particular asset/cash-generating unit shall be reduced to the recoverable amount with impairment losses recognized through profit and loss.

When impairment losses are reversed on a later date, the book value of corresponding assets/cash-generating units shall be adjusted upwards to the recoverable amount. However, the increased book value shall not exceed the book value (less amortization or depreciation) of the asset/cash-generating unit before impairment losses were recognized in the first place. Reversal of impairment loss is recognized through profit and loss.

(XII) Financial instruments

Financial assets and financial liabilities are recognized on standalone balance sheet when the Company becomes a party of the contract.

When recognizing financial assets and liabilities at initiation, those that are not designated to be carried at fair value through profit and loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of financial assets/liabilities. Transaction costs that are directly attributable to the acquisition or issuance of financial assets/liabilities carried at fair value through profit and loss are recognized immediately through profit and loss.

1. Financial asset

Routine transactions of financial asset are recognized on or removed from balance sheet based on principles of trade date accounting.

(1) Measurement category

Financial assets held by the Company are distinguished into the following categories: financial assets at FVTPL, financial assets carried at cost after amortization, and equity instruments at FVTOCI.

A. Financial assets at FVTPL

Financial assets at FVTPL mainly comprise financial assets that are mandatory to be measured at fair value with fair value changes recognized through profit and loss. Financial assets that are mandatory to be measured at fair value with fair value changes recognized through profit and loss include: equity instruments that are not specified to be carried at FVTOCI, and debt instruments that do not satisfy the criteria to be carried at cost after amortization or at FVTOCI.

Financial assets at FVTPL are measured at fair value, with dividends and interests recognized as other income. Gains and losses from remeasurement are recognized as other gains and losses. See Note 25 for details regarding the fair value method.

B. Financial assets carried at cost after amortization

Financial asset investments that satisfy both the following conditions are carried at cost after amortization:

- a. The financial asset is held for a specific business model, and the purpose of which is to hold the financial asset and collect contractual cash flow; and
- b. The contractual terms give rise to cash flows on specific dates, and the cash flows are intended solely to pay principals and interests accruing on outstanding principals.

For financial assets carried at cost after amortization (including cash and cash equivalents, accounts receivable and other receivables carried at cost after amortization etc), the effective interest method is used to determine the book value at initiation. They are subsequently presented net of impairments and amortization. Any gain/loss from currency exchange incurred on these financial assets is recognized through profit and loss.

Except for the two circumstances explained below, interest income is calculated by multiplying the book value of financial asset with effective interest rate:

- a. Acquisition or creation of credit-impaired financial assets; in which case interest income is calculated by multiplying the cost of financial assets after amortization with credit-adjusted effective interest rate.
- b. Financial assets that were not credit-impaired at the time of acquisition or origination, but become credit-impaired on a later date; in which case interest income is calculated by multiplying the cost of financial assets after amortization with the effective interest rate starting from the reporting period after credit impairment.

Financial assets are considered credit-impaired if the issuer or debtor exhibits major financial distress, default, likely bankruptcy, financial restructuring, or any financial difficulty that may render the financial asset no longer available on the active market.

Cash equivalents include time deposits with less than 3 months until maturity that are highly liquid, readily convertible into defined amounts of cash, and less prone to the risk of fair value changes. Cash equivalents are held for the purpose of meeting short-term cash commitments.

C. Equity instruments at FVTOCI

For equity instruments that are neither held for trading nor recognized/received as a consideration for business acquisition, the Company is entitled to an irrevocable option to account them at FVTOCI at initial recognition.

Equity instruments at FVTOCI are measured at fair value; subsequent fair value changes are recognized through other comprehensive income and accumulated under other equity. At the time of disposal, cumulative gains/losses are transferred directly into retained earnings and not reclassified into profit and loss.

Dividends from equity instruments at FVTOCI are recognized in profit and loss when the entitlement to receive is confirmed, unless the dividends clearly represent a partial recovery of the investment cost.

(2) Impairment of financial assets

On each balance sheet date, the Company assesses impairment losses on financial assets carried at cost after amortization (including accounts receivable) and operating lease receivable based on expected credit losses.

Accounts receivable and operating lease receivable have loss provisions recognized based on expected credit losses over their duration. For other financial assets, the Company first evaluates whether there is significant increase in credit risk since initial recognition. If there is no significant increase in credit risk, loss provisions are recognized based on 12-month expected credit loss; if there is significant increase in credit risk, loss provisions are recognized based on expected credit loss over the remaining duration.

Expected credit losses are determined as average credit loss weighed against the risk of default. 12-month expected credit losses represent the amount of credit losses that the financial instrument is likely to incur due to default event in the next 12 months, whereas expected credit losses for the remaining duration represent the amount of credit losses that the financial instrument is likely to incur due to all possible default events for the remaining duration.

All impairment losses on financial assets are recognized using allowance accounts, which reduce book value of the corresponding financial asset.

(3) Removal of financial assets

Financial assets can be removed from balance sheet only if all contractual cash flow entitlements have ended, or if the asset has been transferred with virtually all risks and returns assumed by another party.

Difference between the book value of financial asset carried at cost after amortization and the amount of consideration received for the asset's removal is recognized through profit and loss. When an equity instruments at FVTOCI is removed from balance sheet, the amount of cumulative gain/loss is transferred directly into retained earnings and is not reclassified to profit and loss.

2. Equity instrument

Debt and equity instruments issued by the Company are classified into financial liabilities or equity depending on the terms of the underlying contract and the definitions of financial liability and equity used.

Equity instruments issued by the Company are recognized at the amount of proceeds received net of direct issuing costs.

Buyback of the Company's own equity instruments is recognized and deducted under equity. Acquisition, sale, issuance, or retirement of the Company's own equity instruments is not recognized through profit and loss.

3. Financial liability

(1) Subsequent measurement

All financial liabilities are carried at cost after amortization using the effective interest method.

(2) Removal of financial liabilities

When a financial liability is removed, the difference between book value and the consideration paid (including any non-cash assets transferred or any additional liabilities borne) is recognized through profit and loss.

(XIII) Revenue recognition

The Company first identifies performance obligations in a contract it signs with customer, then divides and allocates the transaction sum to various obligations, and recognizes revenue when each obligation is fulfilled.

Revenue from sale of merchandise

Revenue from sale of merchandise is generated from retail sale of goods in the departmental store, and is recognized as income at the time of customer's purchase. Proceeds collected in advance from the issuance of departmental store vouchers are recognized as contractual liabilities until the vouchers are redeemed by customers.

Customer loyalty program represents reward points granted to customers for merchandises sold that customers can spend to purchase merchandise in the future, and are a form of customers' entitlement. At the time of transaction, a percentage of the sales proceeds received or receivable is treated as reward point and recognized as contractual liability; this liability is reclassified into income when reward points are redeemed or voided on a later date.

Sales proceeds of real estate properties sold under normal terms of business are collected in instalments. Contractual liabilities are recognized at the time the proceeds

are collected, which are later recognized as income upon completion and delivery of each property to the respective buyer.

(XIV) Leases

The Company evaluates whether a contract meets the criteria of (or includes arrangements characterized as) lease on the day of contract establishment.

Where the Company is the lessor

The Company does not have any lease arrangement that involves a transfer of virtually all risks and returns associated with ownership of the underlying asset to the lessee. All leases are classified as operating lease.

In an operating lease arrangement, the amount of proceeds received net of incentives are recognized as income on a straight-line basis over the lease tenor. Lease negotiation with a lessee is accounted as a new lease from the effective date of lease amendment.

(XV) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction, or production of qualified assets are treated as part of an asset's cost until virtually all activities needed to bring the asset to its designated usable or salable state have been completed.

For specific-purpose loans undertaken for qualified capital spending, any investment income earned on short-term investment of the proceeds before incurring the capital spending is deducted from capitalized borrowing costs.

Except for the above, all other borrowing costs are recognized through profit and loss in the year occurred.

(XVI) Employee benefits

1. Short-term employee benefits

Liabilities associated with short-term employee benefits are measured at non-discounted amount of cash that the Company expects to pay in exchange for employees' service.

2. Post-employment benefits

For defined contribution plans, the amount of contributions that has to be made to pension funds over the duration of employees' service is recognized as expense.

For defined benefit plans, the cost of benefit (including service cost, net interest, and effect of remeasurement) is estimated using the Projected Unit

Credit Method. Service costs (including current and previous service costs) and net interests on net defined benefit liabilities (assets) are recognized as employee welfare expense at the time incurred or whenever the plan is amended or curtailed. Effects of remeasurement (including actuarial gains/losses, change in plan asset limits, and return on plan assets net of interest) are recognized under other comprehensive income and added to retained earnings at the time of occurrence. This amount is not reclassified into profit and loss in subsequent periods.

Net defined benefit liabilities (plan assets) represent the shortfall (surplus) of contributions made to the defined benefit plan. Net defined benefit plan assets may not exceed the amount of contributions refundable or the present value of reducible contributions in the future.

(XVII) Income tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

1. Tax currently payable

The Company reports current period income (loss) and calculates income tax payable (refundable) according to tax laws stipulated by the local tax jurisdiction.

Pursuant to the Income Tax Act of the Republic of China, undistributed earnings are subject to additional income tax, which is recognized in the year shareholders resolve to retain the earning.

Adjustments to income taxes reported in previous years are recognized as income tax expenses in the period the adjustment is made.

2. Deferred tax

Deferred income taxes are tax effects of temporary differences, given rise by the different book value of assets and liabilities presented in the financial statement and those reported for tax filing.

Tax impacts arising from taxable temporary differences are recognized as deferred income tax liabilities; deferred income tax assets are recognized under the condition that the Company is very likely to generate taxable income in the future to offset deductible temporary differences or losses carried forward.

Temporary differences that were not initially recognized as deferred income tax assets are also subject to re-assessment on every balance sheet date. These

differences may be recognized to increase the book value of deferred income tax asset if the Company considers it highly likely to generate taxable income for full or partial recovery of such asset in the future. Temporary differences that were not initially recognized as deferred income tax assets are also subject to re-assessment on every balance sheet date. These differences may be recognized to increase the book value of deferred income tax asset if the Company considers it highly likely to generate taxable income for full or partial recovery of such asset in the future.

Deferred income tax assets and liabilities are estimated using expected tax rate applicable at the time the liability/asset is expected to be settled/realized. This expected tax rate is determined based on the tax rate and tax laws prevailing as at the balance sheet date. Deferred income tax liabilities and assets represent tax impacts of the method by which the Company expects to recover/settle the book value of its assets and liabilities as at the balance sheet date.

3. Current and deferred income tax

Current and deferred income taxes are recognized through profit and loss, except for source accounts that are recognized under other comprehensive income or directly as other equity item, where current and deferred income taxes are also recognized under other comprehensive income or directly as equity.

V. Sources of uncertainty to significant accounting judgments, estimates, and assumptions

When applying accounting policies, the management is required to make judgments, estimates, and assumptions based on historical experience or other relevant factors in situations where information cannot be easily obtained from available sources. The actual outcome may differ from initial estimates.

The Company will take into consideration the economic impact of COVID-19 when making major accounting estimates; meanwhile, the management will continually examine its estimates and basic assumptions. If a revision of accounting estimate affects only the current period, the effect shall be recognized only for the current period. If a revision of accounting estimate affects current and future periods, the effect shall also be recognized for current and future periods.

Sources of uncertainty to estimates and assumptions

(I) Impairment of inventory

Net realizable value of inventory is the estimated selling price less all estimated costs needed to completion and sale under normal circumstances. These estimates are

made based on current market condition and previous experiences selling goods of similar nature. A change of market condition may significantly affect the outcome of such estimate.

(II) Impairment of tangible assets

When assessing asset impairment, the Company relies on the use of subjective judgment and determines the level of independent cash flow, useful life, and future income/expenses/losses for specific asset groups after taking into consideration the method in which assets are used and industry characteristics. Any change of economic circumstances and any change in estimate caused by the Company's strategies may result in significant impairment in the future.

VI. Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Petty cash and cash on hand	\$ 220	\$ 220
Check and demand (current) deposit	54,294	73,197
Cash equivalents		
Time deposits with an original tenor of 3 months or less.	-	18,797
	<u>\$ 54,514</u>	<u>\$ 92,214</u>

Range of interest rates applicable to bank deposits as at the balance sheet date is shown below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash in banks	0.01%~0.05%	0.01%~4.60%

VII. Financial assets at FVTPL - Current

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial assets designated as at FVTPL		
Non-derivative financial assets		
- TWSE, TPEX, and Emerging Stock Market shares	\$ 118,015	\$ 94,900
- Fund beneficiary certificates	205,982	160,544
- Corporate bonds	21,378	-
- Bonds	<u>14,749</u>	<u>14,192</u>
	<u>\$ 360,124</u>	<u>\$ 269,636</u>

Please refer to Note 21 for gains/losses on financial assets at FVTPL.

VIII. Financial assets at FVTOCI

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Non-current</u>		
Domestic investments		
Emerging Stock Market shares		
Common shares of Julien's International Entertainment Group Co., Ltd.	\$ 4,563	\$ 8,063
Unlisted shares		
Common shares of WK Technology Fund VII	14,100	14,100
Common shares of WK Technology Fund VIII	13,300	13,300
Common shares of WK Technology Fund	9,315	12,815
Common shares of WK Technology Fund V	10,175	10,175
Common shares of Harbinger Venture Capital Corp.	-	-
Subtotal	<u>51,453</u>	<u>58,453</u>
Foreign investments		
Unlisted shares		
Common shares of Wholesome Biopharm Pty Ltd.	14,630	14,630
Common shares of Fortune Technology Fund II Ltd.	374	4,414
Common shares of KDH Design CO., Ltd.	-	-
Preferred shares of Phyto Ceutica Inc.	-	-
Common shares of Budworth Investment Limited	-	-
Subtotal	<u>15,004</u>	<u>19,044</u>
	<u>\$ 66,457</u>	<u>\$ 77,497</u>

The Company invests in the above instruments by adopting a medium-long term strategy, and expects to profit over the long term. Management of the Company is of the opinion that recognizing short-term fair value changes through profit and loss on such investments does not conform with the long-term investment plans described above, and therefore has chosen to account such investments at FVTOCI.

Investee - Fortune Technology Fund II Ltd. made a cash refund of share capital in November 2020, and the Company recovered NT\$2,840,000 of investment at the prevailing shareholding percentage.

Investee - Yo Fu Investment Co., Ltd. completed the liquidation procedure in January 2020 and refunded NT\$433,000 of capital.

Investee - Julien's International Entertainment Group Co., Ltd. was registered on Emerging Stock Market on January 11, 2019.

Investees - Harbinger Venture Capital Corp. and Budworth Investment Limited made cash refunds of share capital in January 2019, and the Company recovered NT\$1,717,000 and NT\$2,490,000 of investment, respectively, at the prevailing shareholding percentage. NT\$451,000 of the proceeds recovered were offset against financial assets, while the remainder were recognized as other comprehensive income and accumulated under other equities.

The Company recognized NT\$8,200,000 and NT\$19,177,000 of unrealized loss on valuation of equity instruments at FVTOCI in 2020 and 2019, respectively.

The Company received NT\$285,000 of cash from Harbinger Venture Capital Corp. in 2019 and recognized this sum as dividend income. (2020: none)

IX.	<u>Financial assets carried at cost after amortization - current</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	Domestic investments		
	Time deposit with initial maturity of more than 3 months	\$ 331	\$ 25,303

As at December 31, 2020 and 2019, time deposits with initial tenors of 3 months or longer accrued interests at 3.20% and 2.46% per annum, respectively.

X.	<u>Notes receivable, accounts receivable, and other receivables</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Arising from business activities</u>		
	Note receivable	\$ 385	\$ -
	Trade receivable	2,539	2,751
	Operating lease receivable		
	- Current	3,347	2,710
	- Non-current	18,325	16,771
	Subtotal	<u>21,672</u>	<u>19,481</u>

(To be Continued)

(Continued)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Other receivables</u>		
Amount receivable from sale of securities	\$ 5,405	\$ 4,659
Utility and management fees receivable	1,174	1,199
Interests receivable	67	-
Others	<u>3,110</u>	<u>2,410</u>
Subtotal	<u>9,756</u>	<u>8,268</u>
Total	<u>\$ 34,352</u>	<u>\$ 30,500</u>

(I) Notes and accounts receivable

Notes receivable primarily represent rent that the Company collects for the leasing of investment properties. Accounts are generally recovered within 30 days.

Accounts receivable primarily represent retail sales collectible from consumers on transactions paid with credit cards and third-party payment tools. The majority of accounts receivable are credit card balances to be collected from financial institutions. Credit term on sale of merchandise is generally 30 days, and most proceeds are collected within this duration.

The Company recognizes loss provisions on accounts receivable based on expected credit losses over the duration of the receivable account. Expected credit loss over the remaining duration takes into account customers' past payment records. Since previous credit loss records showed no significant difference in loss pattern across customer groups, the Company simply set the expected credit loss rate based on number of days overdue.

If there is evidence to suggest that the counterparty is undergoing severe financial crisis and the recoverable amount can not be reasonably estimated, the Company will directly offset loss provisions against accounts receivable. In which case, the Company will continue collection efforts on the receivables, and any amounts recovered will be recognized through profit and loss.

The Company found no sign of impairment in accounts and notes receivable as at December 31, 2020 and 2019.

(II) Operating lease receivable

Operating lease receivable represents lease incentives granted on operating leases. The total cost of incentives is amortized on a straight-line basis and allocated over the remaining lease tenor as deductions to rental income. Lease negotiations had taken place with some lessors in the current year due to COVID-19. The negotiations were accounted as new leases from the effective date of lease amendment.

For concentration of credit risks in lease receivables, please refer to Note 25.

XI. Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Proprietary inventory - Cosmetics and women's undergarments	\$ 6,349	\$ 12,556
Properties pending sale - Jiaoxi Gongyuan Section, Yilan	<u>72,381</u>	<u>98,006</u>
	<u>\$ 78,730</u>	<u>\$ 110,562</u>

Amount of cost of goods sold recognized from inventory totaled NT\$107,481,000 in 2020 and NT\$45,090,000 in 2019. No inventory devaluation loss was provided in 2020 and 2019.

The Company's property pending sale forms part of the joint construction agreement entered into between the Company and subsidiary - DeHome Development in March 2015. Under this agreement, the Company contributed land while DeHome Development contributed capital and technology to complete and share units of the construction project. The project was completed in October 2017 and all ownership transfer has been completed to date.

XII. Equity-accounted investments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiary investments	\$ 631,569	\$ 632,240
Investments in Associates	<u>162,327</u>	<u>145,070</u>
	<u>\$ 793,896</u>	<u>\$ 777,310</u>

(I) Subsidiary investments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-listed company		
DeHome Development Co., Ltd.	\$ 446,499	\$ 470,973
SONG YUAN INVESTMENT CO., LTD.	81,239	76,891
SHUN TAI INVESTMENT CO., LTD.	43,498	37,053
GUAN QUAN INVESTMENT CO., LTD.	30,418	23,842
JIA FONG INVESTMENT CO., LTD.	<u>29,915</u>	<u>23,481</u>
	<u>\$ 631,569</u>	<u>\$ 632,240</u>

Investee	Percentage of ownership/voting right	
	December 31, 2020	December 31, 2019
DeHome Development Co., Ltd.	100%	100%
SONG YUAN INVESTMENT CO., LTD.	100%	100%
SHUN TAI INVESTMENT CO., LTD.	100%	100%
GUAN QUAN INVESTMENT CO., LTD.	100%	100%
JIA FONG INVESTMENT CO., LTD.	100%	100%

Share of profit and loss and other comprehensive income from equity-accounted subsidiaries in 2020 and 2019 were calculated based on audited financial statements of the respective subsidiaries for the corresponding periods.

(II) Investments in Associates

	December 31, 2020	December 31, 2019
Associated companies with significant influence		
Chung Hsiao Enterprise Co., Ltd.	\$ 162,327	\$ 145,070

	Percentage of share ownership/voting rights	
	December 31, 2020	December 31, 2019
Chung Hsiao Enterprise Co., Ltd.	20%	20%

Nature of business activities, main places of business, and countries of registration for the above associated companies are disclosed in Appendix 2 - "Information of Investees."

Summary financial information of associated companies under the Company is presented below:

	December 31, 2020	December 31, 2019
Current asset	\$ 349,312	\$ 268,857
non-current assets	222,820	223,226
Current liabilities	(37,117)	(43,353)
non-current liabilities	(57,923)	(57,923)
Equity	<u>\$ 477,092</u>	<u>\$ 390,807</u>
Shareholding percentage of the Company	<u>20%</u>	<u>20%</u>
Company's share of equity	\$ 95,418	\$ 78,161
Adjustment to fair value of non-current assets due to acquisition of shares	<u>66,909</u>	<u>66,909</u>
Book value of investment	<u>\$ 162,327</u>	<u>\$ 145,070</u>
	2020	2019

Current operating revenues	\$ 24,650	\$ 25,453
Current net income	\$ 20,878	\$ 17,369
Other comprehensive income - current	\$ 80,982	\$ 81,587
Share of current net income	\$ 4,176	\$ 3,473
Share of other comprehensive income - current	\$ 16,196	\$ 16,318
Dividends received from Chung Hsiao Enterprise Co., Ltd.	\$ 3,115	\$ 3,096

Share of profit/loss and other comprehensive income from equity-accounted associated companies in 2020 and 2019 were recognized based on audited financial statements of the respective associated companies for the corresponding periods.

XIII. Property, Plant and Equipment

	December 31, 2020	December 31, 2019
<u>Book value for each category</u>		
Land	\$ 853,457	\$ 853,457
Buildings, net	1,433,238	1,481,557
Computer and communication equipment, net	11,643	13,477
Transport equipment, net	1,369	1,782
Other equipment, net	6,834	8,377
Construction in progress	3,236	1,736
	<u>\$ 2,309,777</u>	<u>\$ 2,360,386</u>

	2020				
	Opening balance	Increase in current year	Disposal in current year	Other adjustments	Closing balance
Cost					
Land	\$ 853,457	\$ -	\$ -	\$ -	\$ 853,457
Buildings	1,896,990	27,249	(10,000)	(3,181)	1,911,058
Computer and communication equipment	20,314	178	(464)	(2,570)	17,458
Transport Equipment	4,906	-	-	-	4,906
Other Equipment	11,071	212	(119)	-	11,164
Construction in progress	1,736	1,500	-	-	3,236
	<u>2,788,474</u>	<u>\$ 29,139</u>	<u>(\$ 10,583)</u>	<u>(\$ 5,751)</u>	<u>2,801,279</u>
accumulated depreciation					
Buildings	415,433	\$ 68,828	(\$ 6,150)	(\$ 291)	477,820
Computer and communication equipment	6,837	1,384	(386)	(2,020)	5,815
Transport Equipment	3,124	413	-	-	3,537
Other Equipment	2,694	1,735	(99)	-	4,330
	<u>428,088</u>	<u>\$ 72,360</u>	<u>(\$ 6,635)</u>	<u>(\$ 2,311)</u>	<u>491,502</u>
Total	<u>\$ 2,360,386</u>				<u>\$ 2,309,777</u>

	2019				
	Opening balance	Increase in current year	Disposal in current year	Other adjustments	Closing balance
Cost					
Land	\$ 853,457	\$ -	\$ -	\$ -	\$ 853,457
Buildings	1,859,418	36,703	-	869	1,896,990
Computer and communication equipment	19,816	233	(47)	312	20,314
Transport Equipment	5,484	-	(578)	-	4,906
Other Equipment	10,282	916	(127)	-	11,071
Construction in progress	<u>2,520</u>	<u>747</u>	<u>-</u>	<u>(1,531)</u>	<u>1,736</u>
	<u>2,750,977</u>	<u>\$ 38,599</u>	<u>(\$ 752)</u>	<u>(\$ 350)</u>	<u>2,788,474</u>
accumulated depreciation					
Buildings	343,141	\$ 72,292	\$ -	\$ -	415,433
Computer and communication equipment	5,294	1,583	(40)	-	6,837
Transport Equipment	3,192	413	(481)	-	3,124
Other Equipment	<u>1,216</u>	<u>1,584</u>	<u>(106)</u>	<u>-</u>	<u>2,694</u>
	<u>352,843</u>	<u>\$ 75,872</u>	<u>(\$ 627)</u>	<u>\$ -</u>	<u>428,088</u>
Total	<u>\$ 2,398,134</u>				<u>\$ 2,360,386</u>

Remodeling of Taoyuan Branch began in February 2017 and ended in September 2018. The project incurred a sum of approximately NT\$1,112,410,000. As at December 31, 2020 and 2019, the project still had unpaid billings of NT\$77,226,000 and NT\$62,579,000, respectively, that were presented as equipment purchase payable. Taoyuan Branch commenced trial operation on September 15, 2018 and officially opened for business on October 3, 2018.

There was a delay in renovation works that caused Taoyuan Branch to postpone its official opening, and the Company has since been negotiating with the contractor according to the terms of the renovation contract to agree on the amount of losses, compensation, and construction billings payable. However, the two parties were unable to reach an agreement and sought resolution through arbitration in 2020. The arbitration tribunal then held inquisitions in May, July, and October later that year. According to the ruling made by Chinese Arbitration Association, Taipei in January 2021, the Company was required to pay the contractor the contracted sum of construction billing plus an additional billing of NT\$139,071,000 for contract modification. A portion of the modification billing had already been accounted for; the unaccounted balance of

NT\$27,395,000 will be adjusted prospectively into buildings - NT\$27,249,000 and repair expenses - NT\$146,000 in the current year.

As per assessment, the Company's property, plant, and equipment showed no sign of impairment as at December 31, 2020 and 2019.

Property, plant, and equipment of the Company were depreciated on a straight-line basis over the number of useful years shown below:

Buildings	
Buildings	42 to 55 years
Building improvements	3-10 years
Water treatment system	55 years
Others	2 to 15 years
Computer and communication equipment	5 years
Transport Equipment	5 years
Other Equipment	5 to 8 years

For disclosure on the amount of property, plant and equipment pledged as collaterals, please refer to Note 27.

XIV. Investment Property

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investment Property		
Xinzhuan District, New Taipei City	\$ 1,059,951	\$ 1,045,451
Da'an District, Taipei City	<u>933,025</u>	<u>940,754</u>
	<u>\$ 1,992,976</u>	<u>\$ 1,986,205</u>

	2020				Closing balance
	Opening balance	Increase in current year	Decrease in current year	Internal transfer	
Cost					
Land	\$ 1,863,689	\$ -	\$ -	\$ -	\$ 1,863,689
Buildings	<u>292,944</u>	<u>-</u>	<u>(535)</u>	<u>-</u>	<u>292,409</u>
	<u>2,156,633</u>	<u>\$ -</u>	<u>(\$ 535)</u>	<u>\$ -</u>	<u>2,156,098</u>
accumulated depreciation					
Buildings	<u>155,428</u>	<u>\$ 7,819</u>	<u>(\$ 125)</u>	<u>\$ -</u>	<u>163,122</u>
Cumulative impairment					
Land	<u>15,000</u>	<u>\$ -</u>	<u>(\$ 15,000)</u>	<u>\$ -</u>	<u>-</u>
Total	<u>\$ 1,986,205</u>				<u>\$ 1,992,976</u>

	2019				Closing balance
	Opening balance	Increase in current year	Decrease in current year	Internal transfer	
Cost					
Land	\$ 1,863,689	\$ -	\$ -	\$ -	\$ 1,863,689
Buildings	<u>292,409</u>	<u>535</u>	<u>-</u>	<u>-</u>	<u>292,944</u>
	<u>2,156,098</u>	<u>\$ 535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,156,633</u>
accumulated depreciation					
Buildings	<u>147,696</u>	<u>\$ 7,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>155,428</u>
Cumulative impairment					
Land	<u>29,000</u>	<u>\$ -</u>	<u>(\$ 14,000)</u>	<u>\$ -</u>	<u>15,000</u>
Total	<u>\$ 1,979,402</u>				<u>\$ 1,986,205</u>

Investment properties - buildings are depreciated on a straight-line basis over the number of useful years shown below:

Buildings	
Buildings	42 to 55 years
Accessory equipment of buildings	10 to 15 years
Building improvements	3 years

The Company owned several investment properties located at Qiongtai Section, Fuying Section, and Jianguo Section, Xinzhuang District, New Taipei City. Reversal of impairment losses on investment properties totaling NT\$15 million and NT\$14 million were recognized based on fair values as at December 31, 2020 and 2019, respectively. These reversals represented differences between the book value and the amount of cash flow recoverable on real estate property, after taking into consideration changes in property price, government policies, and market supply/demand. The fair values were determined by independent valuers using the comparative approach and the land development analysis approach as at the respective balance sheet dates. Discount rate was one of the significant unobservable inputs used during valuation, and the rate was determined at 1.17% and 2.04% as at December 31, 2020 and 2019, respectively.

The Company also owned several investment properties located at Renai Section, Da'an District, Taipei City. Fair values were determined at NT\$6,673,677,000 and NT\$7,151,038,000 as at December 31, 2020 and 2019, respectively. These fair values were not established by an independent valuer; instead, valuation was performed by the management using valuation model that was commonly accepted among market participants. This valuation had proceeded using market evidence similar to real estate transaction prices.

All of the Company's investment properties are proprietary owned. For disclosure on the amount of investment property pledged as collaterals, please refer to Note 27.

XV. Borrowings

(I) Short-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured borrowings</u>		
Bank borrowings	\$ 740,000	\$ 910,000

Working capital bank borrowings bore interest rates of 0.88%-0.94% and 0.99%-1.00% as at December 31, 2020 and 2019, respectively.

For disclosure on the amount of property, plant, equipment, and investment property pledged as collaterals for short-term borrowings, please refer to Note 27.

(II) Long-term borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured borrowings</u>		
Bank SinoPac		
Credit line:		
NT\$1,400,000,000.		
Contract tenor: August		
22, 2017 to August 31,		
2020. Extended to		
August 31, 2022 on		
November 27, 2019.	\$ 1,100,000	\$ 1,230,000

(To be Continued)

(Continued)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank of Taiwan		
Credit line:		
NT\$600,000,000.		
Contract tenor: May 23, 2018 to May 23, 2021.		
A new contract starting June 24, 2020 and ending June 24, 2023 was signed on June 24, 2020.	\$ 446,000	\$ 526,000
Hua Nan Bank		
Credit line:		
NT\$293,000,000.		
Contract tenor: January 11, 2019 to January 11, 2022. A new contract starting March 20, 2020 and ending March 20, 2023 was signed on March 20, 2020.	290,000	150,000
First Commercial Bank		
Credit line:		
NT\$350,000,000.		
Contract tenor: August 28, 2020 to August 28, 2022.	280,000	-
<u>Unsecured borrowings</u>		
Bank of Taiwan		
Credit line:		
NT\$100,000,000.		
Contract tenor: May 23, 2018 to May 23, 2021.		
A new contract starting June 24, 2020 and ending June 24, 2023 was signed on June 24, 2020.	-	100,000
	<u>\$ 2,116,000</u>	<u>\$ 2,006,000</u>

Secured borrowings mentioned above are long-term in nature and bear interests at fixed rates that are reset once every 2 to 3 months.

Effective interest rate range for long-term borrowings:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Effective interest rate:		
Floating interest rate borrowing	-	0.99%
Fixed interest rate borrowing	0.80%~1.05%	0.99%~1.08%

For disclosure on the amount of property, plant, equipment, and investment property pledged as collaterals for secured long-term borrowings, please refer to Note 27.

XVI. Accounts payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Accounts payable</u>		
Arising from business activities	<u>\$ 96,659</u>	<u>\$ 67,289</u>

The average credit term for trade purchases is 30 days.

XVII. Accrued expenses

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Salary and bonus payable	\$ 14,891	\$ 14,846
Tax payable	8,396	8,291
Utility expenses payable	4,914	5,968
Others	<u>6,474</u>	<u>8,948</u>
	<u>\$ 34,675</u>	<u>\$ 38,053</u>

XVIII. Post-employment benefit plans

(I) Defined contribution plans

The pension scheme introduced under the "Labor Pension Act" that the Company is subjected to is a government-managed defined contribution plan, for which each participating entity is required to contribute an amount equal to 6% of employees' monthly salary into their individual pension accounts held with the Bureau of Labor Insurance.

(II) defined benefit plan

The Company is also subject to the pension scheme introduced under the "Labor Standards Act," which is a government-managed defined benefit plan. Under this plan, employees' pension benefits are calculated based on their years of service and gross salary for the month of retirement (excluding allowances and festive bonuses). The Company makes monthly pension contributions equivalent to 2% of employees' monthly salaries into an account held under Bank of Taiwan in the Labor Pension Supervisory Committee's name. In the event that the account is estimated to be short of balance to pay workers who are expected to meet their retirement criteria in the following year, the Company will reimburse the shortfall in one contribution by no later than the end of March next year. The account is managed by Bureau of Labor

Funds, Ministry of Labor. The Company has no influence whatsoever over the investment strategy.

The following amounts relating to the defined benefit plan have been recognized on the standalone balance sheet:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 43,545	\$ 42,274
Fair value of plan assets	(24,076)	(17,420)
Net defined benefit liabilities	<u>\$ 19,469</u>	<u>\$ 24,854</u>

Changes in net defined benefit liability:

	Present value of defined benefit obligations	Fair value of plan assets Fair value	Net defined benefit liabilities
Six months ended	\$ 39,596	(\$ 14,604)	\$ 24,992
servicing costs			
Service costs for the current period	431	-	431
Interest expense (income)	<u>396</u>	(<u>147</u>)	<u>249</u>
Recognized in profit or loss	<u>827</u>	(<u>147</u>)	<u>680</u>
Remeasurement			
Return on plan assets (excluding amounts already included in net interest)	-	(517)	(517)
Actuarial loss - change in demographic assumption	58	-	58
Actuarial loss - change in financial assumption	942	-	942
Actuarial loss - adjustment based on past experience	<u>851</u>	<u>-</u>	<u>851</u>
Recognized in other comprehensive income	<u>1,851</u>	(<u>517</u>)	<u>1,334</u>
Employer's contribution	<u>-</u>	(<u>2,152</u>)	(<u>2,152</u>)
December 31, 2019	42,274	(17,420)	24,854
servicing costs			
Service costs for the current period	417	-	417
Interest expense (income)	<u>318</u>	(<u>133</u>)	<u>185</u>
Recognized in profit or loss	<u>735</u>	(<u>133</u>)	<u>602</u>
Remeasurement			
Return on plan assets (excluding amounts already included in net interest)	-	(574)	(574)
Actuarial loss - change in demographic assumption	2	-	2
Actuarial loss - change in financial assumption	1,322	-	1,322
Actuarial gain - adjustment based on past experience	(788)	<u>-</u>	(<u>788</u>)
Recognized in other comprehensive income	<u>536</u>	(<u>574</u>)	(<u>38</u>)
Employer's contribution	<u>-</u>	(<u>5,949</u>)	(<u>5,949</u>)
December 31, 2020	<u>\$ 43,545</u>	(<u>\$ 24,076</u>)	<u>\$ 19,469</u>

Amounts of defined benefit plan recognized through profit and loss, by function:

	<u>2020</u>	<u>2019</u>
Administrative expenses	<u>\$ 602</u>	<u>\$ 680</u>

The Company is exposed to the following risks due to adoption of pension scheme introduced under the "Labor Standards Act":

1. Investment risks: The Bureau of Labor Funds, Ministry of Labor, manages the labor pension fund either on its own or through mandate. The labor pension fund is being allocated into equity securities, debt securities, and bank deposits local and abroad; however, the Company estimates return on plan assets at a rate no less than the 2-year time deposit rate offered by local banks.
2. Interest rate risk: A decrease in government bond yield would increase the present value of defined benefit obligations while at the same time increase return of plan assets invested in debt instruments. The overall effect on net defined benefit obligation is partially offset.
3. Salary risk: The present value of defined benefit obligations is calculated by taking into consideration the participants' future salary levels. An increase in salary level would raise the present value of defined benefit obligations.

The present value of defined benefit obligations is determined based on actuarial estimates made by certified actuaries. Below are the main assumptions used on the date of measurement:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.375%	0.750%
Expected salary increase	2.000%	2.000%

A reasonable change in the main actuarial assumption would increase (decrease) the present value of defined benefit obligations by the following amounts, provided that all other assumptions remain unchanged:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate		
0.25% increase	(\$ 889)	(\$ 942)
0.25% decrease	<u>\$ 918</u>	<u>\$ 974</u>
Expected salary increase		
0.25% increase	<u>\$ 886</u>	<u>\$ 945</u>
0.25% decrease	(\$ 863)	(\$ 919)

Actuarial assumptions tend to be intercorrelated. It is unlikely to see only one assumption changing at one time, therefore the above sensitivity analysis may not truly reflect changes in the present value of defined benefit obligation.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expected contributions in the next year	\$ <u>389</u>	\$ <u>367</u>
Average maturity of defined benefit obligations	8.1 years	8.9 years

XIX. Equity

(I) Common share capital

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Authorized and issued shares (thousand shares)	<u>208,725</u>	<u>208,725</u>
Authorized and paid-in capital	<u>\$ 2,087,250</u>	<u>\$ 2,087,250</u>

All issued common shares have a face value of NT\$10 per share. Each share is entitled to one voting right and the right to receive dividends.

(II) Additional paid-in capital

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Shares premium from issuance	\$ 71,028	\$ 71,028
Treasury stock transaction	<u>435,936</u>	<u>412,610</u>
	<u>\$ 506,964</u>	<u>\$ 483,638</u>

This additional paid-in capital can be offset against losses, or distributed in cash or capitalized into share capital when the Company has no cumulative losses outstanding. However, capitalization of this additional paid-in capital is capped at a certain percentage of the Company's paid-in share capital each year.

(III) Retained earnings and dividends policy

According to the earnings appropriation policy stipulated in the Articles of Incorporation, 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. Refer to Note 21-(8) - Employee and director remuneration for the Company's employee and director remuneration policy outlined in the Articles of Incorporation.

The Company passed a resolution during the shareholder meeting dated June 28, 2019 to amend its Articles of Incorporation. In addition to the terms described in the preceding paragraph, any cash distribution of dividend, profit, statutory reserve, or additional paid-in capital, 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.

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

Provision and reversal of special reserves are performed in accordance with Letter No. Jin-Guan-Zheng-Fa-1010012865, Letter No. Jin-Guan-Zheng-Fa-1010047490, and "Q&A on Special Reserves Treatment after IFRSs Adoption" issued by the authority.

The following are details of the 2019 and 2018 earnings appropriation resolved during annual general meetings held on June 22, 2020 and June 28, 2019:

	Appropriation of Earnings	
	2019	2018
Provision for statutory reserves	<u>\$ 11,072</u>	<u>\$ 9,010</u>
Provision (reversal) of special reserves	<u>(\$ 176,716)</u>	<u>\$ 230,373</u>
Cash dividends	<u>\$ 146,108</u>	<u>\$ -</u>
Cash dividends per share (NTS)	\$ 0.7	\$ -

Details of the 2020 earnings appropriation plan proposed by the board of directors in meeting dated March 22, 2021 are as follows:

	Appropriation of Earnings
Provision for statutory reserves	<u>\$ 4,035</u>
Reversal of special reserves	<u>(\$ 39,225)</u>
Cash dividends	<u>\$ 104,363</u>
Cash dividends per share (NT\$)	\$ 0.5

For the above cash dividend, the board of directors has resolved to set April 28, 2021 as the baseline date, and May 20, 2021 as the expected cash dividend payment date. Appropriation of 2020 earnings is still pending for shareholders' resolution in the annual general meeting scheduled on June 22, 2021.

(IV) Special reserves

The Company reclassified NT\$372,185,000 of unrealized gain on revaluation into retained earnings when adopting IFRSs for the first time, and made provisions for special reserves of the same amount in accordance with the authority's instruction No. Jin-Guan-Zheng-Fa-1010012865 in 2013. This special reserve may be reversed when the underlying property is disposed or reclassified on a later date.

When appropriating 2019 and 2018 earnings, the Company made reversal and provision for special reserves totaling NT\$176,716,000 and NTS230,373,000, respectively, for differences in the market price and book value of parent company shares held by subsidiaries, after taking into consideration the prevailing shareholding percentage. The amount of special reserve can be adjusted for increases in market price on a later date.

(V) Other items of equity

Unrealized gain/(loss) on financial assets at FVTOCI

	2020	2019
Opening balance	(\$ 156,000)	(\$ 168,245)
Incurring in the current year		
Unrealized loss - equity instrument	(7,960)	(15,341)
Equity instrument - Refund from capital reduction (Note 8)	-	3,005
Share of equity-accounted associated companies	16,196	16,318
Adjustment to previous years		
Unrealized gain/(loss) - Equity instruments	(10,606)	8,263
Transfer of cumulative gains/losses to retained earnings following disposal of equity instrument	<u>74,274</u>	<u>-</u>
Closing balance	<u>(\$ 84,096)</u>	<u>(\$ 156,000)</u>

(VI) Treasury stock

Unit: Thousand Shares

Reason for buyback	Shareholding at the beginning of year	Increase in current year	Decrease in current year	Shareholding at the end of year
<u>2020</u>				
Subsidiaries' holding of the Company's shares reclassified from investment into treasury stock	<u>33,322</u>	<u>-</u>	<u>-</u>	<u>33,322</u>
<u>2019</u>				
Subsidiaries' holding of the Company's shares reclassified from investment into treasury stock	<u>33,322</u>	<u>-</u>	<u>-</u>	<u>33,322</u>

Information relating to subsidiaries' holding of the Company's shares as at balance sheet date:

Investee	No. of shares held (thousand shares)	Acquisition cost	Market price and book value
<u>December 31, 2020</u>			
GUAN QUAN INVESTMENT CO., LTD.	8,750	\$ 337,066	\$ 462,875
JIA FONG INVESTMENT CO., LTD.	8,767	337,787	463,775
SONG YUAN INVESTMENT CO., LTD.	7,366	283,545	389,662
SHUN TAI INVESTMENT CO., LTD.	8,439	<u>325,143</u>	<u>446,423</u>
		<u>\$ 1,283,541</u>	<u>\$ 1,762,735</u>
<u>December 31, 2019</u>			
GUAN QUAN INVESTMENT CO., LTD.	8,750	\$ 337,066	\$ 345,625
JIA FONG INVESTMENT CO., LTD.	8,767	337,787	346,297
SONG YUAN INVESTMENT CO., LTD.	7,366	283,545	290,957
SHUN TAI INVESTMENT CO., LTD.	8,439	<u>325,143</u>	<u>333,341</u>
		<u>\$ 1,283,541</u>	<u>\$ 1,316,220</u>

Subsidiaries' holding of the Company's shares are treated as treasury stocks; subsidiaries are not entitled to participate in cash issue or vote, but are otherwise entitled to the same rights as ordinary shareholders.

XX. Revenues

(I) Breakdown of operating revenues

	<u>2020</u>	<u>2019</u>
Net sales revenues	\$ 201,207	\$ 162,994
Rental income	242,575	236,985
Construction income	30,088	10,182
Other operating revenues	<u>45,820</u>	<u>54,130</u>
	<u>\$ 519,690</u>	<u>\$ 464,291</u>

(II) Explanation and breakdown of income from customers' contracts

	<u>2020</u>	<u>2019</u>
Net sales revenues		
Revenues from sale of merchandise	\$ 91,736	\$ 42,900
Retail commission income	<u>109,471</u>	<u>120,094</u>
	<u>\$ 201,207</u>	<u>\$ 162,994</u>
Construction income		
Income from sale of property	<u>\$ 30,088</u>	<u>\$ 10,182</u>
Other operating revenues		
Merchants' subsidy for department renovation Revenue	\$ 5,359	\$ 15,016
Management fee income	30,073	32,029
Others	<u>10,388</u>	<u>7,085</u>
	<u>\$ 45,820</u>	<u>\$ 54,130</u>

Analysis of retail commission income:

	<u>2020</u>	<u>2019</u>
Total department sales	<u>\$ 975,696</u>	<u>\$ 1,040,015</u>
Retail commission income	<u>\$ 109,471</u>	<u>\$ 120,094</u>

(III) Contract balance

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
contract liability	<u>\$ 6,444</u>	<u>\$ 10,453</u>

The change in contractual liabilities was mainly attributed to the discrepancy between the time obligation was fulfilled and the the time payment was made to customers.

(IV) Rental income

	<u>2020</u>	<u>2019</u>
Rental income		
Investment Property	\$ 207,239	\$ 199,162
Share of mall rental income	<u>35,336</u>	<u>37,823</u>
	<u>\$ 242,575</u>	<u>\$ 236,985</u>

Operating lease arrangements involve leasing of investment properties and retail malls (presented as property, plant, and equipment) owned by the Company, for tenors of 1-7 years and 1-13 years, respectively. The lessees are not entitled to any privileges to purchase the leased properties at the end of the lease tenor.

As at December 31, 2020 and 2019, the Company had collected deposits totaling NT\$49,721,000 and NTS51,828,000, respectively, in relation to the operating lease agreements.

Some of the Company's real estate leasing agreements contain contingent rent clauses that require the lessee to pay contingent rent at a certain percentage of monthly sales revenues.

XXI. Profit before tax

Pre-tax profit includes the following items:

(I) Breakdown of operating costs

	<u>2020</u>	<u>2019</u>
Cost of sales	\$ 79,125	\$ 35,470
Cost of lease	37,864	38,880
Construction cost	28,356	9,620
Other operating costs	<u>16,529</u>	<u>24,144</u>
	<u>\$ 161,874</u>	<u>\$ 108,114</u>

(II) Interest income

	<u>2020</u>	<u>2019</u>
Cash in banks	<u>\$ 399</u>	<u>\$ 1,263</u>

(III) Other income

	<u>2020</u>	<u>2019</u>
Carpark income	\$ 9,244	\$ 10,075
Dividend income	3,242	4,403
Others	<u>4,018</u>	<u>3,122</u>
	<u>\$ 16,504</u>	<u>\$ 17,600</u>

(IV) Other gains or losses

	<u>2020</u>	<u>2019</u>
Gain (loss) on disposal of property, plant, and equipment	(\$ 3,948)	\$ 12
Loss on disposal of investment properties	(372)	-
Net gain (loss) on currency exchange	1,095	(1,730)
Gain (loss) on financial assets mandatory to be carried at FVTPL	(1,776)	30,638
Sundry expenses	(716)	(100)
Reversal of impairment loss on investment property (Note 14)	<u>15,000</u>	<u>14,000</u>
	<u>\$ 9,283</u>	<u>\$ 42,820</u>

Net gain/loss on financial assets mandatory to be carried at FVTPL includes: (A) Gain on fair value changes totaling -NT\$11,514,000 in 2020 and NT\$11,886,000 in 2019; and (B) Gain on disposal totaling NT\$9,738,000 in 2020 and NT\$18,752,000 in 2019.

(V) Financial costs

	<u>2020</u>	<u>2019</u>
Interest on bank loans	<u>\$ 29,734</u>	<u>\$ 29,098</u>

There was no capitalization of interest in 2020 and 2019.

(VI) Depreciation and amortization

	<u>2020</u>	<u>2019</u>
Property, Plant and Equipment	\$ 72,360	\$ 75,872
Investment Property	7,819	7,732
Intangible asset	<u>595</u>	<u>525</u>
Total	<u>\$ 80,774</u>	<u>\$ 84,129</u>
An analysis of depreciation by function		
Operating costs	\$ 18,510	\$ 20,803
Operating expenses	<u>61,669</u>	<u>62,801</u>
	<u>\$ 80,179</u>	<u>\$ 83,604</u>
An analysis of amortization by function		
Cost of sales	\$ 149	\$ 150
Operating expenses	<u>446</u>	<u>375</u>
	<u>\$ 595</u>	<u>\$ 525</u>

(VII) Employee benefits expense

	<u>2020</u>	<u>2019</u>
Retirement benefits (Note 18)		
Defined contribution plans	\$ 1,781	\$ 1,747
defined benefit plan	<u>602</u>	<u>680</u>
Subtotal	2,383	2,427
Other employee benefits	<u>61,661</u>	<u>61,555</u>
Total	<u>\$ 64,044</u>	<u>\$ 63,982</u>
An analysis by function		
Operating expenses	<u>\$ 64,044</u>	<u>\$ 63,982</u>

(VIII) Employee and director remuneration

The Company provides for employee remuneration at 0.1%-4%, and director remuneration at no more than 4%, of current year's pre-tax profit (before employee and director remuneration). 2020 and 2019 employee/director remuneration were resolved in board of directors meetings dated March 22, 2021 and March 23, 2020, respectively. Details are as follows:

Ratio

	<u>2020</u>	<u>2019</u>
Remuneration to employees	0.63%	0.74%
Remuneration to directors	0.63%	0.74%

Amount

	<u>2020</u>		<u>2019</u>	
	<u>Cash</u>	<u>Stocks</u>	<u>Cash</u>	<u>Stocks</u>
Remuneration to employees	\$ 1,000	\$ -	\$ 1,000	\$ -
Remuneration to directors	1,000	-	1,000	-

If there is a change in the proposed amounts after the annual standalone financial statements were authorized for issue, the differences are recorded as a change in accounting estimate and will be reflected in the following year.

The actual amounts of 2019 and 2018 employee remuneration and director remuneration paid were indifferent from the amounts recognized in the 2019 and 2018 financial statements.

Please visit "Market Observation Post System" for more information regarding employee/director remuneration resolved during the Company's board of director meetings.

(LX) Gains (losses) on foreign currency exchange

	<u>2020</u>	<u>2019</u>
Foreign exchange gains	\$ 3,410	\$ 1,575
Total loss on currency exchange	(<u>2,315</u>)	(<u>3,305</u>)
Net gain (loss)	<u>\$ 1,095</u>	<u>(\$ 1,730)</u>

XXII. Income tax

(I) Income tax recognized in profit or loss

Major components of tax expense were as follows:

	<u>2020</u>	<u>2019</u>
Tax currently payable		
Incurred in the current year	\$ 32,971	\$ 34,010
Levied on unappropriated earnings	5,131	-
Prior years adjustment	(<u>347</u>)	(<u>14,828</u>)
	<u>37,755</u>	<u>19,182</u>
Deferred tax		
Incurred in the current year	<u>3,610</u>	<u>1,406</u>
Income tax expense recognized in profit or loss	<u>\$ 41,365</u>	<u>\$ 20,588</u>

Reconciliation of accounting income and income tax expense:

	<u>2020</u>	<u>2019</u>
Profit before tax	<u>\$ 155,524</u>	<u>\$ 132,373</u>
Income tax derived by applying the statutory tax rate to pre- tax net profit	\$ 31,105	\$ 26,474
Loss (gain) on valuation of financial assets	2,302	(2,377)
Tax-exempt loss	3,174	11,319
Levied on unappropriated earnings	5,131	-
Previous income taxes adjusted in the current year	(<u>347</u>)	(<u>14,828</u>)
Income tax expense recognized in profit or loss	<u>\$ 41,365</u>	<u>\$ 20,588</u>

(II) Income tax recognized in other comprehensive income

	<u>2020</u>	<u>2019</u>
<u>Deferred tax</u>		
Incurred in the current year		
- Remeasurement of defined benefit plan	(\$ 8)	\$ 267
- Equity instruments at FVTOCI	240	3,084
Prior years adjustment		
- Equity instruments at FVTOCI	(10,606)	8,263
	<u>(\$ 10,374)</u>	<u>\$ 11,614</u>

(III) Current tax liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Income tax payable	<u>\$ 21,268</u>	<u>\$ 32,600</u>

(IV) Deferred income tax assets and liabilities

Below are changes in deferred income tax assets and liabilities:

2020

	<u>Opening balance</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Closing balance</u>
<u>Deferred tax assets</u>				
Temporary difference				
Impairment loss of financial assets at FVTOCI	\$ 25,840	\$ -	(\$ 10,366)	\$ 15,474
Impairment loss on investment properties	3,000	(3,000)	-	-
Defined benefit plan	9,269	-	(8)	9,261
Others	<u>628</u>	<u>(589)</u>	<u>-</u>	<u>39</u>
	<u>\$ 38,737</u>	<u>(\$ 3,589)</u>	<u>(\$ 10,374)</u>	<u>\$ 24,774</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Provision for land increment value tax	\$ 213,961	\$ -	\$ -	\$ 213,961
Adjustment for rent-free period	<u>3,896</u>	<u>21</u>	<u>-</u>	<u>3,917</u>
	<u>\$ 217,857</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ 217,878</u>

2019

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing balance
<u>Deferred tax assets</u>				
Temporary difference				
Impairment loss of financial assets at FVTOCI	\$ 14,493	\$ -	\$ 11,347	\$ 25,840
Impairment loss on investment properties	5,800	(2,800)	-	3,000
Defined benefit plan	9,002	-	267	9,269
Others	272	356	-	628
	<u>\$ 29,567</u>	<u>(\$ 2,444)</u>	<u>\$ 11,614</u>	<u>\$ 38,737</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Provision for land increment value tax	\$ 213,961	\$ -	\$ -	\$ 213,961
Adjustment for rent- free period	4,554	(658)	-	3,896
Others	380	(380)	-	-
	<u>\$ 218,895</u>	<u>(\$ 1,038)</u>	<u>\$ -</u>	<u>\$ 217,857</u>

(V) Income tax assessments

The Company's profit-seeking business income tax filings have been certified by the tax authority up until 2018.

XXIII. EPS

	2020	2019
Basic earnings per share	<u>\$ 0.65</u>	<u>\$ 0.64</u>
Diluted earnings per share	<u>\$ 0.65</u>	<u>\$ 0.64</u>

The net income and weighted average number of ordinary shares outstanding in calculating earnings per share were as follows:

Current net income

	2020	2019
Current net income	<u>\$ 114,159</u>	<u>\$ 111,785</u>

<u>Number of shares</u>	Unit: Thousand Shares	
	<u>2020</u>	<u>2019</u>
Weighted average number of ordinary shares in computation of basic earnings per share	175,403	175,403
Effect of potentially dilutive ordinary shares:		
Remuneration to employees	<u>26</u>	<u>46</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>175,429</u>	<u>175,449</u>

If the Company has the option to distribute employee remuneration either in cash or in shares, then the calculation of diluted earnings per share shall be made by assuming full share-based payment. In which case, the number of potential common shares is added to the calculation of weighted-average outstanding shares as soon as they become dilutive, and this is the basis used for calculating diluted earnings per share. Such a dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

XXIV. Capital risk management

The Company exercises capital management to ensure business continuity throughout the group. This capital management aims to maintain an optimal balance of debt and equity that maximizes shareholder returns. The Company has maintained its overall strategies unchanged in past years.

The Company's capital structure comprises net debt (i.e. borrowings less cash and cash equivalents) and equity (i.e. sum of share capital, additional paid-in capital, retained earnings, and other equity items).

The Company is not required to obey any other capital rules outside the organization.

The management reviews the Company's capital structure on a regular basis to address the costs and risks associated with various types of capital. Depending on the recommendations of its management, the Company may balance its capital structure by paying dividends, raising new debts, or by repaying existing debts.

XXV. Financial instruments

(I) Fair value information - financial instruments that are not measured at fair value

In the management's opinion, all financial assets and liabilities that are not measured at fair value have been presented on the standalone balance sheet at book values that resemble their fair values.

(II) Fair value information - financial instruments with fair value measured on a recurring basis

1. Degree of fair value measurements

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
TWSE, TPEX, and Emerging Stock Market shares				
			\$	
- Equity investments	\$ 118,015	\$ -	\$ -	\$ 118,015
- Foreign public listed (OTC-traded) shares				
- Bond investments	36,127	-	-	36,127
Fund beneficiary certificates	205,982	-	-	205,982
Total	<u>\$ 360,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,124</u>

Financial assets at
FVTOCI

Investment in equity
instruments

- Emerging Stock Market shares	\$ -	\$ -	\$ 4,563	\$ 4,563
- Domestic unlisted shares	-	-	46,890	46,890
- Foreign unlisted shares	-	-	15,004	15,004
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,457</u>	<u>\$ 66,457</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
TWSE, TPEX, and Emerging Stock Market shares				
			\$	
- Equity investments	\$ 94,900	\$ -	\$ -	\$ 94,900
- Foreign public listed (OTC-traded) shares				
- Bond investments	14,192	-	-	14,192
Fund beneficiary certificates	160,544	-	-	160,544
Total	<u>\$ 269,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,636</u>

Financial assets at
FVTOCI

Investment in equity instruments				
- Emerging Stock Market shares	\$	-	\$	8,063
- Domestic unlisted shares		-		50,390
- Foreign unlisted shares		-		19,044
Total	\$	-	\$	<u>77,497</u>

There was no change of fair value input between level 1 and level 2 in 2020 and 2019.

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

Financial assets that involve the use of level 3 fair value inputs were equity instruments at FVTOCI. Reconciliation of 2020 and 2019 balances is explained below:

	<u>2020</u>	<u>2019</u>
Opening balance	\$ 77,497	\$ 97,125
Recognized as other comprehensive income (unrealized loss on valuation of financial assets at FVTOCI)	(8,200)	(19,177)
Refund from capital reduction	(2,840)	(451)
Closing balance	<u>\$ 66,457</u>	<u>\$ 77,497</u>

3. Level 3 fair value measurement technique and assumption

Fair value of domestic and foreign unlisted shares is determined based on investees' latest net worth after taking liquidity into consideration. Liquidity discount is used as a significant unobservable input; a lower liquidity discount would increase fair value of such investment.

(III) Categories of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial asset</u>		
At FVTPL		
Mandatory at FVTPL	\$ 360,124	\$ 269,636
Financial assets at amortized cost (Note 1)	67,525	128,536
Financial assets at FVTOCI - Investment in equity instruments	66,457	77,497
<u>Financial liability</u>		

Financial liabilities carried at amortized cost (Note 2)	3,061,352	3,090,644
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Note 1: The balance includes cash, cash equivalents, notes receivable, accounts receivable, other receivables, time deposits with initial maturity of more than 3 months, and other financial assets carried at cost after amortization.

Note 2: The balance includes short-term borrowing, notes payable, accounts payable, accrued expenses (excluding tax payable and salary & bonus payable), equipment purchase payable, other payables, long-term borrowings, and other financial liabilities carried at cost after amortization.

(IV) Financial risk management objective and policies

Main financial instruments used by the Company include equity and debt instruments, fund beneficiary certificates, accounts receivable, accounts payable, and loans. The Company's Financial Management Department is responsible for supporting business units, making coordinated use of capital, and performing treasury transactions in local and international financial markets. It monitors and manages financial risks within the Company by preparing internal reports, which analyze the scope and severity of risk exposures. These risks include market risk (including currency risk, interest rate risk, and other price risks), credit risk, and liquidity risk.

1. Market risk

(1) Exchange rate risk

See Note 28 for information on financial assets denominated in non-functional currencies as at the balance sheet date. No sensitivity analysis was provided as the effect of exchange rate variation was insignificant.

(2) Interest rate risk

The Company is exposed to interest rate risks due to capital borrowed at both fixed and floating rates.

The book value of financial assets and financial liabilities susceptible to interest rate risks as at the balance sheet date is presented below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Fair value interest rate risk		
-Financial assets	\$ 331	\$ 44,100
-Financial liabilities	2,856,000	2,816,000
Cash flow interest rate risk		
-Financial assets	54,192	73,098
-Financial liabilities	-	100,000

Bank deposits and loans that the Company has placed/borrowed at fixed rate are susceptible to interest rate risk in the form of fair value change. However, the management considers the impact of interest rate variation to be insignificant given the short borrowing tenor and low borrowing rate.

Demand deposits and loans that the Company has placed/borrowed at floating rate are susceptible to interest rate risk in the form of cash flow changes. No sensitivity analysis was provided as the effect of interest rate variation was insignificant.

(3) Other price risk

The Company is exposed to the risk of equity price variation due to investment in domestic and foreign listed equity securities. The Company does not engage in active trading of such investment. Equity price risk of the Company is mainly concentrated in equity instruments issued within the Greater China Region.

Sensitivity analysis

The following sensitivity analysis was conducted based on equity price risks as at the balance sheet date.

If equity prices increased/decreased by 10%, pre-tax profit for 2020 and 2019 would have increased/decreased by NT\$11,802,000 and NT\$9,490,000, respectively, due to a rise/fall in the fair value of financial assets at FVTPL. Meanwhile, pre-tax other comprehensive income for 2020 and 2019 would have increased/decreased by NT\$6,646,000 and NT\$7,750,000, respectively, due to a rise/fall in the fair value of financial assets at FVTOCI.

2. Credit risk

Credit risk refers to the risk of financial loss due to counterparties' failure in fulfilling contractual obligations. As at the balance sheet date, the Company's maximum exposure to the risk of loss due to counterparties' default on contractual obligations is represented by the book value of financial assets shown on the standalone balance sheet.

Lease proceeds receivable by the Company were concentrated in three main customers, which accounted for 94% and 95% of the balance as at December 31, 2020 and 2019, respectively. However, the Company expects no significant credit risk as it has collected appropriate amounts of deposit.

Furthermore, due to the fact that the consolidated entity places liquid capital with banks of high credit rating issued by reputable international rating agencies, there should be limited level of credit risk exposure.

3. Liquidity risk

The Company maintains adequate position of cash and cash equivalents as well as bank credit lines to support corporate operations and to mitigate effects of cash flow variation. The management monitors use of bank limits and makes sure that borrowing terms are duly complied.

Maturity analysis for contracted non-derivative financial liabilities was prepared based on the earliest possible repayment dates, using undiscounted cash flows (including principal and estimated interest). Cash flows include interest and principal payments.

The following table shows the earliest times that the Company may be demanded to make immediate repayment of bank loans, without considering the likelihood of such demands. Maturity analysis of other non-derivative financial liabilities is prepared based on the agreed repayment date.

Undiscounted amounts of floating interest cash flow are estimated using yield curve as at the balance sheet date.

December 31, 2020

	Repayable upon demand or within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	\$ 228,639	\$ -	\$ -	\$ -
Fixed rate instruments	<u>220,000</u>	<u>520,000</u>	<u>-</u>	<u>2,116,000</u>
	<u>\$ 448,639</u>	<u>\$ 520,000</u>	<u>\$ -</u>	<u>\$ 2,116,000</u>

December 31, 2019

	Repayable upon demand or within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	\$ 197,781	\$ -	\$ -	\$ -
Floating rate instruments	-	-	-	100,000
Fixed rate instruments	<u>280,000</u>	<u>630,000</u>	<u>-</u>	<u>1,906,000</u>
	<u>\$ 477,781</u>	<u>\$ 630,000</u>	<u>\$ -</u>	<u>\$ 2,006,000</u>

Bank borrowing constitutes a main source of liquidity for the Company. As at December 31, 2020 and 2019, the Company had undrawn bank limits of NT\$1,385,000,000 and NT\$1,333,000,000, respectively.

XXVI. Related party transaction

In addition to disclosures made in other footnotes, the Company had the following transactions with related parties.

(I) Related party name and category

<u>Related Party Name</u>	<u>Relationship with the Company</u>
GUAN QUAN INVESTMENT CO., LTD. (GUAN QUAN INVESTMENT)	The Company's subsidiary
JIA FONG INVESTMENT CO., LTD. (JIA FONG INVESTMENT)	The Company's subsidiary
SONG YUAN INVESTMENT CO., LTD. (YUNG YUAN INVESTMENT)	The Company's subsidiary
SHUN TAI INVESTMENT CO., LTD. (SHUN TAI INVESTMENT)	The Company's subsidiary
DeHome Development Co., Ltd. (DeHome Development)	The Company's subsidiary
Chung Hsiao Enterprise Co., Ltd. (Chung Hsiao Enterprise)	Associated company of the Company

(II) Other related party transactions

1. Associated company - Chung Hsiao Enterprise passed resolutions to distribute cash dividends for 2019 and 2018 in board of directors meetings held in March 2020 and March 2019, which the Company received a sum of NTS3,115,000 and NT\$3,096,000, respectively, at the prevailing shareholding percentage.
2. Subsidiaries JIA FONG INVESTMENT, SONG YUAN INVESTMENT, and SHUN TAI INVESTMENT passed resolutions in board of directors meetings held in April 2020 to distribute cash dividends for 2019 totaling NT\$1,666,000.
3. In January 2015, the Company signed a property leasing agreement with DeHome Development to lease out part of the Company's office premise for use by the counterparty at monthly rent of NTS50,000. The Company has also been cooperating with DeHome Development on the sale of property inventory; as at December 31, 2020 and 2019, the Company had NT\$439,000 and NT\$1,586,000 of outstanding advertising expenses, respectively, that were payable to DeHome Development.

(III) Compensation of key management personnel

The Company had paid the following compensations to its directors and the executive management:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 14,198	\$ 14,261
Post-employment benefits	<u>180</u>	<u>180</u>
	<u>\$ 14,378</u>	<u>\$ 14,441</u>

Compensation to directors and members of the executive management is determined by the Remuneration Committee based on individual performance and market trends.

XXVII. Pledged Assets

The Company has placed part of its property, plant, equipment, and investment property as collaterals to secure bank borrowings. Below is a summary of assets pledged as collaterals:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, Plant and Equipment		
- Land	\$ 835,520	\$ 835,520
- Buildings	768,610	796,435
Investment Property	<u>902,818</u>	<u>907,701</u>
	<u>\$ 2,506,948</u>	<u>\$ 2,539,656</u>

XXVIII. Foreign currency-denominated financial assets of material impact

The following is a summarized presentation of foreign currencies used by the Company other than the functional currency. The exchange rates disclosed are the rates at which the respective foreign currency is converted into the functional currency. Foreign currency assets of material effect:

December 31, 2020

<u>Financial asset</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Monetary items</u>			
USD	\$ 501	28.480	<u>\$ 14,271</u>
<u>Non-monetary items</u>			
USD	2,237	28.480	\$ 63,715
RMB	1,029	4.377	4,505
ZAR	2,391	1.949	<u>4,661</u>
			<u>\$ 72,881</u>

December 31, 2019

<u>Financial asset</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Monetary items</u>			
USD	\$ 1,871	29.980	<u>\$ 50,087</u>
<u>Non-monetary items</u>			
USD	601	29.980	\$ 18,022
RMB	1,017	4.305	4,379
ZAR	2,265	2.120	4,801
			<u>\$ 27,202</u>

The Company reported net gain (realized and unrealized) on exchange totaling NT\$1,095,000 in 2020 and -NT\$1,730,000 in 2019. Due to the broad diversity of foreign currencies used for transactions, the Company was unable to disclose exchange gains/losses separately for each significant foreign currency.

XXIX. Additional Disclosures

- (I) Information related to significant transactions:
1. Loans to external parties. (None)
 2. Endorsements/guarantees to external parties. (None)
 3. Marketable securities held at year-end. (Appendix 1)
 4. Cumulative purchase or sale of a single security totaling more than NT\$ 300 million or 20% of paid-in capital. (None)
 5. Acquisition of real estate properties amounting to more than NTS 300 million or 20% of paid-in capital. (None)
 6. Disposal of real estate properties amounting to more than NT\$ 300 million or 20% of paid-in capital. (None)
 7. Sales and purchases to/from related parties amounting to more than NT\$ 100 million or 20% of paid-in capital. (None)
 8. Related party receivables amounting to more than NT\$ 100 million or 20% of paid-in capital. (None)
 9. Trading of derivatives. (None)
- (II) Information on business investments. (Appendix 2)
- (III) Information relating to investments in the Mainland. (None)
- (IV) Major shareholders: Names of shareholders with more than 5% ownership interest, and the number and percentage of shares held. (Appendix 3)

Tonlin Department Store Co., Ltd. and Subsidiaries

Marketable securities held

December 31, 2020

Table 1

Unit: NTD thousand

Holding Company Name	Name and type of marketable security	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Remarks
				Shares / units	Carrying amount	Shareholding percentage	Fair value	
Tonlin Department Store Co., Ltd.	Common share							
	WK Technology Fund VII	-	Equity instrument at FVTOCI - Non-current	2,240,000	\$ 14,100	5.32	\$ 14,100	
	WK Technology Fund VIII	-	Equity instrument at FVTOCI - Non-current	2,890,000	13,300	6.67	13,300	
	WK Technology Fund	-	Equity instrument at FVTOCI - Non-current	598,282	9,315	3.00	9,315	
	WK Technology Fund V	-	Equity instrument at FVTOCI - Non-current	2,167,500	10,175	4.17	10,175	
	Wholesome Biopharm Pty Ltd.	-	Equity instrument at FVTOCI - Non-current	10,000,000	14,630	12.16	14,630	
	Fortune Technology Fund II Ltd.	-	Equity instrument at FVTOCI - Non-current	242,296	374	13.49	374	
	Harbinger Venture Capital Corp.	-	Equity instrument at FVTOCI - Non-current	3,367	-	1.70	-	
	Budworth Investment Limited	-	Equity instrument at FVTOCI - Non-current	15,186	-	1.67	-	
	Julien's International Entertainment Group Co., Ltd.	-	Equity instrument at FVTOCI - Non-current	373,501	4,563	1.30	4,563	
	KDH Design CO., Ltd.	-	Equity instrument at FVTOCI - Non-current	40,000	-	2.03	-	
	Preferred share							
	Phyto Ceutica Inc.	-	Equity instrument at FVTOCI - Non-current	20,000	-	-	-	
	Beneficiary certificate							
Jih Sun Money Market Fund	-	Financial assets at FVTPL - Current	2,022,622.43	30,238	-	30,238		
Franklin Templeton Sinoam Money Market Fund	-	Financial assets at FVTPL - Current	2,058,507.27	21,467	-	21,467		
FSITC Taiwan Money Market	-	Financial assets at FVTPL - Current	2,544,733.50	39,274	-	39,274		

(To be Continued)

(Continued)

Holding Company Name	Name and type of marketable security	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Remarks
				Shares / units	Carrying amount	Shareholding percentage	Fair value	
	Prudential Financial Money Market Fund	-	Financial assets at FVTPL - Current	1,883,681.50	\$ 30,054	-	\$ 30,054	
	Mega Diamond Money Market	-	Financial assets at FVTPL - Current	2,060,895.39	26,070	-	26,070	
	CTBC Asia Pacific Real Income Fund	-	Financial assets at FVTPL - Current	200,000.00	2,124	-	2,124	
	Taishin 1699 Money Market	-	Financial assets at FVTPL - Current	1,465,652.44	20,000	-	20,000	
	Capital Potential Income Mlt-Asst NA USD	-	Financial assets at FVTPL - Current	11,062.62	3,873	-	3,873	
	Franklin Utilities Fund A	-	Financial assets at FVTPL - Current	2,145.00	1,202	-	1,202	
	Franklin Templeton Investment Funds- Franklin U.S. Government Fund	-	Financial assets at FVTPL - Current	7,692.31	1,970	-	1,970	
	Eastspring Investments - US Investment Grade Bond Fund - ADM	-	Financial assets at FVTPL - Current	14,483.79	5,365	-	5,365	
	Pictet-Russian Equities R USD	-	Financial assets at FVTPL - Current	50.50	115	-	115	
	Franklin Templeton Investment Funds- Franklin U.S. Government Fund (dividend-paying) (FOF)	-	Financial assets at FVTPL - Current	10,276.25	2,631	-	2,631	
	Franklin Technology Fund (sub-fund)	-	Financial assets at FVTPL - Current	715.85	789	-	789	
	Franklin Biotechnology Discovery Fund (sub-fund)	-	Financial assets at FVTPL - Current	605.76	778	-	778	
	BlackRock Global Funds - World Technology Fund A2	-	Financial assets at FVTPL - Current	628.75	1,396	-	1,396	
	0202 JPMorgan ASEAN Fund	-	Financial assets at FVTPL - Current	367.32	1,503	-	1,503	
	LionGlobal Vietnam Fund	-	Financial assets at FVTPL - Current	51,206.01	938	-	938	
	Allianz Global Investors Fund - Allianz Oriental Income A	-	Financial assets at FVTPL - Current	244.83	1,476	-	1,476	
	JPMorgan Funds - US Aggregate Bond Fund	-	Financial assets at FVTPL - Current	11,554.62	6,299	-	6,299	
	JPMorgan Funds - China Fund	-	Financial assets at FVTPL - Current	128.95	454	-	454	

(To be Continued)

(Continued)

Holding Company Name	Name and type of marketable security	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Remarks
				Shares / units	Carrying amount	Shareholding percentage	Fair value	
	JPMorgan Asia Growth	-	Financial assets at FVTPL - Current	636.45	\$ 442	-	\$ 442	
	Fuh Hwa South Africa Short-Term Income ZAR Fund A	-	Financial assets at FVTPL - Current	60,470.50	1,946	-	1,946	
	Fuh Hwa South Africa Short-Term Income ZAR Fund B	-	Financial assets at FVTPL - Current	60,260.90	1,073	-	1,073	
	Nomura Four Years Ladder Maturity Emerging Market Bond Fund CNY Acc	-	Financial assets at FVTPL - Current	96,000.00	4,505	-	4,505	
	- Bonds							
	Saudi International Bond (II)	-	Financial assets at FVTPL - Current	2,000	6,826	-	6,826	
	Brazilian Government Bonds (VII)	-	Financial assets at FVTPL - Current	2,000	6,281	-	6,281	
	European Investment Bank Bonds - ZAR	-	Financial assets at FVTPL - Current	8,000	1,642	-	1,642	
	- Corporate bonds							
	AT&T Corporate Bonds (VI)	-	Financial assets at FVTPL - Current	2,000	6,546	-	6,546	
	Walgreens Boots Alliance Corporate Bonds (IV)	-	Financial assets at FVTPL - Current	2,000	5,957	-	5,957	
	Pemex Corporate Bonds (VII)	-	Financial assets at FVTPL - Current	1,200	3,067	-	3,067	
	Apple Inc. Corporate Bonds (VII)	-	Financial assets at FVTPL - Current	1,700	5,808	-	5,808	
	Common shares of domestic companies							
	United Microelectronics Corporation	-	Financial assets at FVTPL - Current	35,801	1,688	-	1,688	
	Lida Holdings Limited	-	Financial assets at FVTPL - Current	51,600	1,858	-	1,858	
	China Petrochemical Development Corporation	-	Financial assets at FVTPL - Current	362,250	4,220	-	4,220	
	Taiwan Tea Corporation	-	Financial assets at FVTPL - Current	309,000	5,531	-	5,531	
	Asia Optical Co. Inc.	-	Financial assets at FVTPL - Current	74,000	5,469	-	5,469	
	Crystalvue Medical Corporation	-	Financial assets at FVTPL - Current	78,000	3,877	-	3,877	

(To be Continued)

(Continued)

Holding Company Name	Name and type of marketable security	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Remarks
				Shares / units	Carrying amount	Shareholding percentage	Fair value	
GUAN QUAN INVESTMENT CO., Ltd.	Twoway Communications, Inc.	-	Financial assets at FVTPL - Current	35,000	\$ 353	-	\$ 353	
	Yageo Corporation	-	Financial assets at FVTPL - Current	29,000	15,022	-	15,022	
	Mutual-Tek industries Co., Ltd.	-	Financial assets at FVTPL - Current	196,000	2,064	-	2,064	
	Powertech Technology Inc.	-	Financial assets at FVTPL - Current	9,000	854	-	854	
	CTBC Financial Holding Co., Ltd.	-	Financial assets at FVTPL - Current	235,000	4,629	-	4,629	
	Wistron Corporation	-	Financial assets at FVTPL - Current	188,000	5,828	-	5,828	
	Ycong Guan Energy Technology Group Company Limited	-	Financial assets at FVTPL - Current	84,962	7,001	-	7,001	
	Ta Chen Stainless Pipe Co., Ltd.	-	Financial assets at FVTPL - Current	37,000	1,158	-	1,158	
	Zhen Ding Technology Holding Limited	-	Financial assets at FVTPL - Current	15,400	1,756	-	1,756	
	PANJIT International Inc.	-	Financial assets at FVTPL - Current	16,000	866	-	866	
	Mirle Automation Corp.	-	Financial assets at FVTPL - Current	21,000	924	-	924	
	King Yuan Electronics Co., Ltd.	-	Financial assets at FVTPL - Current	91,000	3,162	-	3,162	
	FuSheng Precision Co., Ltd.	-	Financial assets at FVTPL - Current	217,000	37,649	-	37,649	
	Taiwan High Speed Rail Corporation	-	Financial assets at FVTPL - Current	445,000	14,106	-	14,106	
	Common shares of domestic companies							
	Tonlin Department Store Co., Ltd.	Parent company	Equity instrument at FVTOCI - Non-current	8,750,000	462,875	4.19	462,875	(Note 1 and 2)
	United Microelectronics Corporation	-	Financial assets at FVTPL - Current	11,851	558	-	558	
Beneficiary certificate Jih Sun Money Market Fund	-	Financial assets at FVTPL - Current	103,455.50	1,547	-	1,547		
Mega Diamond Money Market	-	Financial assets at FVTPL - Current	167,610.60	2,120	-	2,120		

(To be Continued)

(Continued)

Holding Company Name	Name and type of marketable security	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Remarks
				Shares / units	Carrying amount	Shareholding percentage	Fair value	
JIA FONG INVESTMENT CO., Ltd.	Taishin 1699 Money Market	-	Financial assets at FVTPL - Current	470,114.66	\$ 6,415	-	\$ 6,415	(Note 1 and 2)
	Common shares of domestic companies							
	Tonlin Department Store Co., Ltd.	Parent company	Equity instrument at FVTOCI - Non-current	8,767,000	463,775	4.20	463,775	
	United Microelectronics Corporation	-	Financial assets at FVTPL - Current	13,219	623	-	623	
SONG YUAN INVESTMENT CO., Ltd.	Beneficiary certificate							(Note 1 and 2)
	Mega Diamond Money Market	-	Financial assets at FVTPL - Current	616,885.62	7,803	-	7,803	
	Common shares of domestic companies							
	Tonlin Department Store Co., Ltd.	Parent company	Equity instrument at FVTOCI - Non-current	7,366,000	389,662	3.53	389,662	
	United Microelectronics Corporation	-	Financial assets at FVTPL - Current	8,865	418	-	418	
	- Corporate bonds							
	COOPERATIE VE RABOB	-	Financial assets at FVTPL - Current	100,000	2,319	-	2,319	
	Beneficiary certificate							
	Jih Sun Money Market Fund	-	Financial assets at FVTPL - Current	251,707.53	3,763	-	3,763	
	FSITC Taiwan Money Market	-	Financial assets at FVTPL - Current	98,890.60	1,526	-	1,526	
	Mega Diamond Money Market	-	Financial assets at FVTPL - Current	188,454.23	2,384	-	2,384	
	PIMCO GIS	-	Financial assets at FVTPL - Current	16,517.58	5,245	-	5,245	
FRANLIN TEM	-	Financial assets at FVTPL - Current	10,477.65	3,068	-	3,068		
PERMAL MACRO HOLDINGS LTD	-	Financial assets at FVTPL - Current	273.60	2,996	-	2,996		
- Foreign shares								
HK shares								
HSBC HOLDINGS PLC	-	Financial assets at FVTPL - Current	5,220	781	-	781		
KUNLUN ENERGY	-	Financial assets at FVTPL - Current	8,000	197	-	197		

(To be Continued)

(Continued)

Holding Company Name	Name and type of marketable security	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Remarks
				Shares / units	Carrying amount	Shareholding percentage	Fair value	
	CAPITAL ESTATE LTD	-	Financial assets at FVTPL - Current	57,000	\$ 82	-	\$ 82	
	SINOFERT HOLDINGS LIMITED	-	Financial assets at FVTPL - Current	50,000	140	-	140	
	ESPRIT HOLDINGS LTD.	-	Financial assets at FVTPL - Current	12,499	52	-	52	
	CHINA SHANSHUI CEMENT	-	Financial assets at FVTPL - Current	7,000	47	-	47	
	SHENGUAN HOLDINGS	-	Financial assets at FVTPL - Current	16,000	18	-	18	
	LIFESTYLE INTERNATIONAL	-	Financial assets at FVTPL - Current	10,500	237	-	237	
	CHINA COAL ENERGY	-	Financial assets at FVTPL - Current	11,000	94	-	94	
	CHINA COSCO	-	Financial assets at FVTPL - Current	18,000	615	-	615	
	FIH MOBILE LTD	-	Financial assets at FVTPL - Current	13,000	46	-	46	
	LI NING CO LTD	-	Financial assets at FVTPL - Current	7,188	1,407	-	1,407	
	U.S. shares							
	VANECK VECTORS ETF TR	-	Financial assets at FVTPL - Current	1,400	963	-	963	
	RUSSIA ETF	-	Financial assets at FVTPL - Current	700	625	-	625	
	PROSHARES TR ULTRASHORT TR TREAS	-	Financial assets at FVTPL - Current	2,950	1,384	-	1,384	
	PROSHARE TRII PROSHARES ULTRSHORT GOLD	-	Financial assets at FVTPL - Current					
SHUN TAI INVESTMENT CO., Ltd.	Common shares of domestic companies							
	Tonlin Department Store Co., Ltd.	Parent company	Equity instrument at FVTOCI - Non-current	8,439,000	446,423	4.04	446,423	(Note 1 and 2)
	United Microelectronics Corporation	-	Financial assets at FVTPL - Current	22,337	1,053	-	1,053	

(To be Continued)

(Continued)

Holding Company Name	Name and type of marketable security	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Remarks
				Shares / units	Carrying amount	Shareholding percentage	Fair value	
	Beneficiary certificate Jih Sun Money Market Fund	-	Financial assets at FVTPL - Current	172,753.17	\$ 2,583	-	\$ 2,583	
	Taishin 1699 Money Market	-	Financial assets at FVTPL - Current	440,732.50	6,014	-	6,014	

Note 1: Subsidiaries' holding of the Company's shares were reclassified as treasury stock, and accounted using the book value at which the Company was recognized as investment by the subsidiary in the beginning of 2002.

Note 2: See Appendix 2 for information relating to investments in subsidiaries and associated companies.

Tonlin Department Store Co., Ltd. and Subsidiaries

Information of Investees

2020

Table 2

Unit: NTD thousand

Investor	Investor Company	Location	Main Businesses and Products	Investment Amount		As of March 31, 2020		Current period profit (loss) of the investee (Note 2)	Investment gains (losses) recognized in the current period (Note 2)	Remarks
				March 31, 2020	March 31, 2019	Shares	Percentage (%)			
Tonlin Department Store Co., Ltd.	DeHome Development Co., Ltd.	Taipei City	General construction	\$ 600,000	\$ 600,000	60,000,000	100.00	\$ 446,499	(\$24,474)	Subsidiary (Notes 2 and 3)
	Chung Hsiao Enterprise Co., Ltd.	Taipei City	General leasing	101,952	101,952	3,776,000	20.00	162,327	4,176	Equity-accounted investee
	SONG YUAN INVESTMENT CO., LTD.	Taipei City	Investment	350,000	350,000	35,000,000	100.00	81,239	(332)	Subsidiary (Notes 1, 2, and 3)
	SHUN TAI INVESTMENT CO., LTD.	Taipei City	Investment	350,000	350,000	35,000,000	100.00	43,498	1,454	Subsidiary (Notes 1, 2, and 3)
	GUAN QUAN INVESTMENT CO., LTD.	Taipei City	Investment	350,000	350,000	35,000,000	100.00	30,418	451	Subsidiary (Notes 1, 2, and 3)
	JIA FONG INVESTMENT CO., LTD.	Taipei City	Investment	350,000	350,000	35,000,000	100.00	29,915	570	Subsidiary (Notes 1, 2, and 3)

Note 1: Subsidiaries' holding of the Company's shares were reclassified as treasury stock, and accounted using the book value at which the Company was recognized as investment by the subsidiary in the beginning of 2002.

Note 2: Calculated based on the entity's audited financial statements as at December 31, 2020.

Note 3: Differences between investment gains/losses the Company had recognized on SONG YUAN INVESTMENT CO., LTD., SHUN TAI INVESTMENT CO., LTD., GUAN QUAN INVESTMENT CO., LTD., and JIA FONG INVESTMENT CO., LTD. and the amount of profit/loss reported by the respective investees were due to distribution of dividends.

Tonlin Department Store Co., Ltd. and Subsidiaries

Information on main investors

December 31, 2020

Table 3

Name of major shareholder	Shares	
	No. of shares held	Shareholding percentage (%)
SHUEN SHYANG CO., LTD. Weng Chun-Chih	35,913,664	17.20
JIN DUO LIH ENTERPRISES PTY. LTD.	23,100,920	11.06
FlySun Development Co., Ltd.	22,936,442	10.98
	12,579,333	6.02

Note 1: Information on major shareholders, as presented in this chart, was taken from records of Taiwan Depository & Clearing Corporation as at the final business day of the reported quarter, and included parties holding book-entry common and preferred shares (including treasury stock) for an aggregate ownership of 5% and above. Share capital reported in the Company's consolidated financial statements may differ from the number of shares delivered via book entry due to different basis of preparation/calculation.

Note 2: The aforementioned information will be disclosed by the trustors' personal accounts settled by the trustees if the shareholders put the shares into a trust. As for the insider declaration of the ownership percentage over 10%, including the shares on hand and those being put in the trust and may be able to decide the usage of the trust assets, please refer to the declaration information on Market Observation Post System (MOPS).

VI. For the most recent year until the publication date of the annual report, financial position impacted by insolvency incidents encountered by the Company and affiliates: none

Seven. Review and analysis of the company's financial position and financial performance, and a listing of risks

I. Financial position:

Unit: NTD thousand

Item	Year	2020	2019	Difference	
				Amount	%
Current asset		1,502,547	1,485,145	17,402	1.17
Property, Plant and Equipment		2,309,908	2,360,568	(50,660)	(2.15)
Net amount of investment property		2,165,053	2,159,642	5,411	0.25
Other assets		282,167	288,340	(6,173)	(2.14)
Total assets		6,259,675	6,293,695	(34,020)	(0.54)
Current liabilities		1,492,180	1,618,200	(126,020)	(7.79)
Long-term borrowings		2,116,000	2,006,000	110,000	5.48
Other liabilities		288,462	295,932	(7,470)	(2.52)
Total liabilities		3,896,642	3,920,132	(23,490)	(0.60)
Share capital		2,087,250	2,087,250	0	0.00
Additional paid-in capital		506,964	483,638	23,326	4.82
Retained earnings		1,136,456	1,242,216	(105,760)	(8.51)
Other equities		(84,096)	(156,000)	71,904	(46.09)
Treasury stock		(1,283,541)	(1,283,541)	0	0.00
Non-controlling interests		0	0	0	0.00
Total Equity		2,363,033	2,373,563	(10,530)	(0.44)
<p>(I) Reasons of material changes to assets, liabilities, and shareholders' equity:</p> <ol style="list-style-type: none"> 1. There is no material change to each asset amount in 2020. 2. In 2020, the long-term and short-term capital allocations were deployed as reducing short-term borrowings and adding long-term financial loans. 3. For the other equity in 2020, it was the transfer of accumulated profits and losses from disposal of equity instruments to retained earnings for approximately NT\$74,274 thousand. <p>(II) For those with material impacts, the future responding plans:</p> <p>It is expected that the construction segment will continue the sales of the Yuyangming project at Yangming Mountain and Jiaoxi construction projects in 2021. In addition, the Taoyuan Branch will actively recruit vendors and launch various promotional campaigns. In the future, the relevant borrowings will be repaid once the inflow of working capital is available in the future.</p>					

II. Financial performance

Unit: NTD thousand

Item	Year		Amount increased (decreased)	Percentage of change (%)
	2020	2019		
Operating income	554,440	650,176	(95,736)	(14.72)
Operating cost	190,011	323,950	(133,939)	(41.35)
Gross profit	364,429	326,226	38,203	11.71
Operating expenses	202,611	218,954	(16,343)	(7.46)
Profit from operations	161,818	107,272	54,546	50.85
Non-operating income and (expense)	(5,575)	26,094	(31,669)	(121.37)
Profit before tax	156,243	133,366	22,877	17.15
Income tax	42,084	21,581	20,503	95.00
Current period net profit	114,159	111,785	2,374	2.12
Other comprehensive income	(2,340)	11,178	(13,518)	(120.93)
Total comprehensive income	111,819	122,963	(11,144)	(9.06)
(I) Analysis and explanation of changes				
<ol style="list-style-type: none"> In 2020, only the Jiaoxi Xien Xien project was sold. Due these units are with smaller space and lower unit price, the related construction revenue and costs were reduced by approximately NT\$31,127 thousand and NT\$168,962 thousand from 2019, resulting in an increase in operating gross profit. In 2020, 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 thousand, resulting in NT\$54,546 thousand increase in the net operating profit from 2019. Net non-operating expenses increased by NT\$31,669 thousand mainly as a result of increased reversal of impairments: NT\$1,000 thousand, increased loss on disposal of property, plant, and equipment: NT\$3,960 thousand, increased unrealized net gain on exchange: NT\$2,789 thousand, decreased gain on disposal of financial assets NT\$9,765 thousand, and increased net loss on valuation of financial assets: NT\$21,402 thousand Other comprehensive income reduced by NT\$13,518 thousand 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 thousand for 2020, down NT\$11,144 thousand from the NT\$122,963 thousand reported in 2019. 				
(II) Expectation and its basis, the possible impact on the Company's future finance and business and the response plan: It is expected that the construction segment will continue the sales of the Yuyangming project at Yangming Mountain and Jiaoxi project in 2021. In addition, after the refurbishment of Tuoyuan Branch, with the enhanced business planning, it is expected to improve the performance of future operations.				

III. Cash flow

(I) Analysis and explanation of the changes to the cash flows in the most recent year

Item	Year		
	2020	2019	Percentage of change (%)
Cash flow ratio (%)	11.27	24.66	(54.30)
Cash flow adequacy (%)	50.41	36.62	37.66
Cash flow reinvestment ratio (%)	0.87	7.84	(88.90)
Analysis and explanation of changes			
1. Decreased cash flow ratio: Mainly due to the sale of two large-size units of Yuyangming higher unit price in 2019, resulting in the large inflow of funds from operating activities.			
2. Increased cash flow adequacy: Mainly due to the substantial decrease in capital expenditure and inventory increase in the past five years in 2020 comparing to 2019.			
3. Decreased cash flow reinvestment ratio: Mainly because the net cash inflow from operating activities in 2020 years after deducting distributed cash dividends was significantly lower than that in 2019.			

(II) Improvement plan to illiquidity: The Company will actively sell the Yuyangming and Jiaoxi projects, and also strive to stabilize the leasing business of the Taipei Branch; meanwhile, the operation and revenue of the Taoyuan Branch will also increase the inflow of working capital, so there should be no liquidity risk of being unable to raise funds to fulfill contractual obligations.

(III) Analysis of cash flow for the next year

Unit: NTD thousand

Cash balance at the beginning of the year①	Estimated yearly net cash inflow from operating activities②	Estimated yearly net cash outflow③	Anticipated cash surplus (shortage)①+②-③	Remedies for cash deficits	
				Investment plans	Financing plans
54,514	252,385	251,799	55,100	-	-
1. Analysis of cash flow changes for next year					
(1) Operating activities: It is expected that the sales of the Jiaoxi project under the construction segment in 2021, and the operation of the Taoyuan Branch after the refurbishment will increase the inflow of working capital by then.					
(2) No material investment is expected in the next year.					

IV. Impacts of major capital expenditures in the most recent year to financial performance

Due to the declining operating performance of the traditional department store counters, the Company resolved to approve the Taoyuan Branch's refurbishment proposal by the board of directors on October 24, 2016. On February 10, 2017, the board of directors resolved to contract the construction project of Taoyuan Branch to non-related parties. The total contract price of the construction project was NT\$680,000 thousand (tax included). The refurbished Branch was officially opened for operation in October 2018. In addition to retaining top revenue-generating merchants, Taoyuan Branch also brought in major quick fashion, restaurant, sports, leisure, entertainment, and cinema brands to support its new transformation.

V. Causes of profit or loss incurred on re-investments in the most recent year, any improvement plan and the investment plan for the next year:

(I) The Company's reinvestment targets are mostly venture capital companies, seeking to create income outside of its own business through the professional management of venture capital companies. The dividend income for 2020 totaled NT\$3,902 thousand. Since most of the venture capital companies in which the Company invested were established between 1998 and 2000, the agreed durations have expired, and the Company has been divesting to recover the investments. The Company will gradually recover investment costs through capital decrease of the venture capital companies and dividend distributions.

(II) The Company expanded to the construction industry in 2009 for diversified operation; up to the end of 2020, the Company has invested NT\$600 million in DeHome Development Co., Ltd. The subsidiary has begun to sell projects since 2014.

(III) The Company has no plan for significantly increase the amount of re-investment in the next year.

VI. Assessment of risks

- (I) During the most recent fiscal year up to the publication date of the annual report, the effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

Interest fluctuations	The Company has stable financial position, creditworthiness, and good relationships with financial institutions, so it may obtain better interest rates. The Company adjusts its loan portfolio based on market capital conditions, to reduce changes in the Company's financing costs. As of the publication date of the annual report, changes in interest rates have not had any significant impact on the Company's overall operations.
Exchange rate fluctuations	Since the Company does not engage in foreign exchange-related transactions for the purpose of arbitrage or speculation, and the Company's purchases and sales are mainly received and paid in New Taiwan Dollars, during 2020 and as of the publication date of the annual report, the exchange rate changes have not had any significant impact on on the company's profit and loss.
Inflation	The consumer price index rose, but the overall price trend is still stable relative to the increased prices in neighboring Asian countries. During 2020 and as of the publication date of the annual report, the Company has not yet had an immediate and significant impact due to inflation.
Responding measures	The Company will keep on monitoring interest rates, exchange rate trends and related information about changes, in order to reduce the impact of interest rate and exchange rate changes; meanwhile, it will immediately grasp the domestic and foreign financial situation and strengthen risk control. In the event of major economic changes, it should be cautiously impose the responding measures to reduce possible losses in the Company's finance and business due to changes in interest rates and exchange rates.

- (II) During the most recent fiscal year up to the publication date of the annual report, the company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

1. The Company does not engage high-risk investments, highly leveraged investments and derivatives transactions. Due to the principle of robustness and pragmatism, the Company does not plant to engage high-risk investments, highly leveraged investments and derivatives transactions in the future.
2. The Company has established the "Operational Procedures for Loaning of Funds to Others" pursuant to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" issued and enacted by the competent authority, and submitted to the Board of directors and the shareholders' meeting for approval. To implement the loaning of fund to others, the "Operational Procedures for Loaning of Funds to Others" approved by the Board of directors and the shareholders' meeting must be followed, to prevent negative impacts on the Company.
3. The Company has established the "Operational Procedures for Endorsements/Guarantees" pursuant to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" issued and enacted by the competent authority, and submitted to the Board of directors and the shareholders' meeting for approval. To implement the endorsement/guarantee, the "Operational Procedures for Endorsements/Guarantees" approved by the Board of directors and the shareholders' meeting must be followed to conform to the risk control, and prevent negative impacts on the Company.

- (III) During the most recent fiscal year up to the publication date of the annual report, the research and development work to be carried out in the future, and further expenditures expected for research and development work.

The Company itself is not involved in product development and manufacturing, so there is no R&D plan and cost.

- (IV) During the most recent fiscal year up to the publication date of the annual report, the effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The Company has taken appropriate responding measures to deal with important domestic and foreign policy and legal changes in recent years. In the future, the President's Office and Finance Department will monitor the latest regulatory changes and consult professional opinions from lawyers and accountants. The responding measures to important domestic and foreign policy and legal changes will be studied and

discussed to achieve compliance and reduce the impact on the Company's finance and business.

- (V) During the most recent fiscal year up to the publication date of the annual report, the effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response.

Technology is evolving every day, and the Internet is everywhere. The functions of mobile devices such as smart phones and tablets have been continuously strengthened and the prices are getting cheaper; emerging services such as applications, cloud applications, and big data, have developed rapidly, creating online business opportunities, and impact the mortar and brick market. In light of this, the Company has been committed to using high-tech products and launching the O2O marketing model to create higher sales.

- (VI) During the most recent fiscal year up to the publication date of the annual report, the effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response.

The Company has been committed to maintaining a good corporate image for many years and complying with laws and regulations. In order to effectively control the quality of communication with the media and avoid improper handling of crises that damages corporate image, the Company has implemented a spokesperson mechanism, to assign dedicate staff for customer complaints and shareholder suggestions, to effectively maintain the Company's reputation and image. During 2020 up to the publication date of the annual report, there has been no crisis due to changes in the Company's corporate image.

- (VII) During the most recent fiscal year up to the publication date of the annual report, the expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken.

During 2020 up to the publication date of the annual report, the Company has had no plan of M&A.

- (VIII) During the most recent fiscal year up to the publication date of the annual report, the expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken.

During 2020 up to the publication date of the annual report, the Company has had no material plan for capital expenditure.

- (IX) During the most recent fiscal year up to the publication date of the annual report, the risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken.

The Company belongs to the department store and construction industry. It sells diversified products and does not purchase from or sell goods to a single supplier or customer. Therefore, there is no risk of purchase or sales concentration.

- (X) During the most recent fiscal year up to the publication date of the annual report, the effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken.

During 2020 up to the publication date of the annual report, there has been no major quantity of shares transferred or has otherwise changed hands, and thus no concern of risk for material changes.

- (XI) During the most recent fiscal year up to the publication date of the annual report, the effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken.

During 2020 and up to the publication date of the annual report, there has been no such thing.

- (XII) Litigious and non-litigious matters:

The Company's Taoyuan Branch has reopened at the end of 2018. The construction payment of the decoration contract signed with the builder has been transferred to the property, plant and equipment at the original quoted amount. However, there was a delay in renovation works that caused Taoyuan Branch to postpone its official opening, and the Company has since been negotiating with the contractor according to the terms of the renovation contract to agree on the amount of losses, compensation, and construction billings payable. However, the two parties were unable to reach an agreement and sought resolution through arbitration in 2020. The arbitration tribunal then held inquisitions in May, July, and October later that year. According to the ruling made by Chinese Arbitration Association, Taipei in January 2021, the Company was required to pay the contractor the contracted sum of construction billing plus an additional billing of NT\$139,071,000 for contract modification. A portion of the modification billing had already been accounted for; the unaccounted balance of NT\$27,395,000 has been accounted as a deferred adjustment this year.

- (XIII) Other important risks, and mitigation measures being or to be taken

Management structure for information security risk

Divided as four major parts

I. Information security authorities and trainings

1. For personnel handling sensitive and confidential information, they have to fill in relevant document to apply per regulations.
2. For resigned (suspended) personnel, it shall be handled pursuant to the procedures for personnel resignation (suspended), and all accesses to use various system resources shall be cancelled

immediately.

3. Based on roles and functions, to personnel at different levels, the information security trainings and promotions are conducted according to actual needs, to prompt employees to understand the importance of information security.

II. Information security operation and protection

1. Establish a change management notification mechanism for information facilities and systems to avoid loopholes in system security.
2. Handle and protect personal information prudentially pursuant to regulations related of computer process in the Personal Data Protection Act.
3. Establish system backup facilities and regularly perform the backup operations for essential data and software, so that in the event of a disaster or storage media failure, normal operations can be quickly restored.

III. Network security management

1. For websites connected to external networks, firewalls are set up to control data transmission and data access between external networks and intranets, and a rigorous identification operation is also performed.
2. Regularly inspect the internal network information security facilities and anti-virus software, and automatically update the virus code of the anti-virus system and various security measures.

IV. System access control management

1. The access authority of each system must be applied by the user in writing, and the application form is reviewed by the supervisor and handed over to the system administrator for configuration.
2. After the system account is opened and logged in, the password must be changed immediately and the password complexity requirements must be met.
3. In terms of information security management and control, peripheral device monitoring systems and application management mechanisms must be introduced. The use or installation of unauthorized external devices is strictly prohibited.

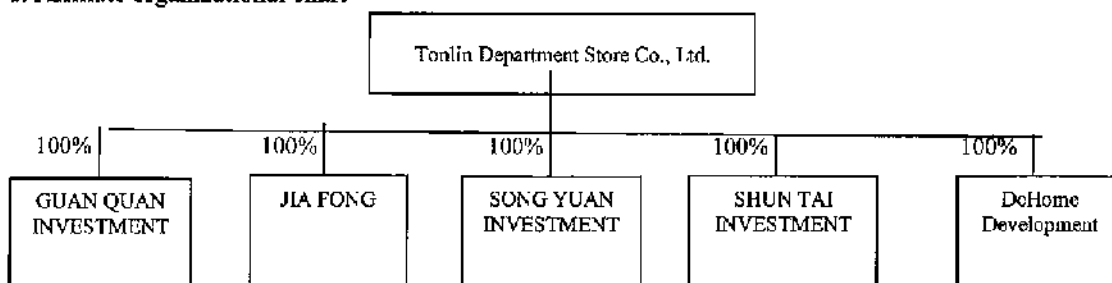
VII. Other important matters: none

Eight. Other items deserving special mention

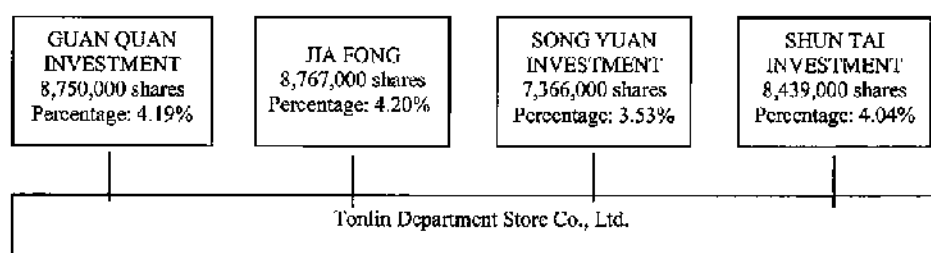
I. Information related to affiliates:

(I) Consolidated business report of affiliated

1. Affiliate organizational chart



2. Investments from affiliates to the parent company



3. Basic Information of affiliates

Name of enterprise	Date of establishment	Address	Paid-in Capital	Main Businesses and Products
GUAN QUAN INVESTMENT	Mar. 16, 2001	10F-6, No. 197, Zhongxiao E. Rd. Sec. 4, Taipei City	NT\$350 million	General investment
JIA FONG	Mar. 19, 2001	10F-6, No. 197, Zhongxiao E. Rd. Sec. 4, Taipei City	NT\$350 million	General investment
SONG YUAN INVESTMENT	Mar. 15, 2001	10F-6, No. 197, Zhongxiao E. Rd. Sec. 4, Taipei City	NT\$350 million	General investment
SHUN TAI INVESTMENT	Mar. 16, 2001	10F-6, No. 197, Zhongxiao E. Rd. Sec. 4, Taipei City	NT\$350 million	General investment
DeHome Development	Oct. 22, 2009	10F-6, No. 197, Zhongxiao E. Rd. Sec. 4, Taipei City	NT\$600 million	General construction

4. Information of common shareholders of the companies presumed to be controller and subordinate: none

5. Industries covered by all affiliates: department store retailing, leasing of buildings, professional investment, and construction.

6. Information of directors, supervisors, and president of each affiliates

Investor	Name of enterprise	Title	Name or representative	Unit: shares	
				Number of shares	Shares Ratio
The Company	GUAN QUAN INVESTMENT	Chairman Director Director Supervisor	Tonlin Department Store (Representative: Weng, Chun-Chih) Tonlin Department Store (Representative: Huang Chung-Sheng) Tonlin Department Store (Representative: Su, Chi-Wei) Tonlin Department Store (Representative: Weng, Hua-Li)	35,000,000	100 %
The Company	JIA FONG	Chairman Director Director Supervisor	Tonlin Department Store (Representative: Huang Chung-Sheng) Tonlin Department Store (Representative: Weng, Chun-Chih) Tonlin Department Store (Representative: Su, Chuan-Hai) Tonlin Department Store (Representative: Weng, Ju-I)	35,000,000	100 %
The Company	YUNG YUAN INVESTMENT	Chairman Director Director Supervisor	Tonlin Department Store (Representative: Su, Chien-I) Tonlin Department Store (Representative: Weng, Chun-Chih) Tonlin Department Store (Representative: Weng, Hua-Li) Tonlin Department Store (Representative: Weng, Ju-I)	35,000,000	100 %
The Company	SHUN TAI INVESTMENT	Chairman Director Director Supervisor	Tonlin Department Store (Representative: Weng, Ju-I) Tonlin Department Store (Representative: Su Yong-Chun) Tonlin Department Store (Representative: Huang Chung-Sheng) Tonlin Department Store (Representative: Weng, Hua-Tieng)	35,000,000	100 %
The Company	DeHome Development	Chairman Director Director Director Supervisor	Tonlin Department Store (Representative: Su, Chien-Hsing) Tonlin Department Store (Representative: Su, Chien-I) Tonlin Department Store (Representative: Weng, Chun-Chih) Tonlin Department Store (Representative: Weng, Hua-Tieng) Tonlin Department Store (Representative: Weng, Hua-Li) Tonlin Department Store (Representative: Weng, Ju-I)	60,000,000	100 %

7. Overview of affiliates' operations

Name of enterprise	Paid-in Capital	Total assets (NT\$ thousand)	Total liabilities (NT\$ thousand)	Net value (NT\$ thousand)	Operating income (NT\$ thousand)	Profit or loss before tax (NT\$ thousand)	Current profit and loss (After tax)	Earnings per Share (After tax; NT\$)
GUAN QUAN INVESTMENT	NT\$350 million	508,714	15,421	493,293	7,257	6,623	6,576	0.1879
JIA FONG	NT\$350 million	491,129	439	493,690	7,199	6,801	6,707	0.19
YUNG YUAN INVESTMENT	NT\$350 million	527,850	56,950	470,900	19,578	5,156	4,824	0.14
SHUN TAI INVESTMENT	NT\$350 million	490,613	692	489,921	8,591	7,608	7,362	0.21
DeHome Development	NT\$600 million	868,849	422,350	446,499	29,581	(24,474)	(24,474)	(0.41)

(II) Declaration Concerning Consolidated Financial Statements of Affiliated Enterprises

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

II. Private placement of securities in the most recent year until the publication date of the annual report: None

III. The shareholding or disposal of shares of the Company by subsidiaries in the most recent year until the publication date of the annual report:

Unit: NT\$, shares, %

Name of subsidiary	Paid-up capital (NT\$ thousand)	Source of capital	Shareholding percentage of the Company %	Date of acquisition	Shares and amount acquired	Shares and amount disposed	Investment profit or loss	Shares and amount held up to the publication date of the annual report	Status of pledge	Amount of endorsement/guarantee provided by the Company to subsidiaries	Amount loaned by the Company to subsidiaries
GUAN QUAN INVESTMENT	350,000	Self-owned	100	2001.4.26 ~2001.5.3	8,750,000 shares NT\$337,065,642	-	-	8,750,000 shares NT\$337,065,642	None	None	None
JIA FONG	350,000	Self-owned	100	2001.4.25 ~2001.5.3	8,767,000 shares NT\$337,787,068	-	-	8,767,000 shares NT\$337,787,068	None	None	None
YUNG YUAN INVESTMENT	350,000	Self-owned	100	2001.4.16 ~2001.11.13	7,366,000 shares NT\$283,544,855	-	-	7,366,000 shares NT\$283,544,855	None	None	None
SHUN TAI INVESTMENT	350,000	Self-owned	100	2001.4.26 ~2001.4.27	8,439,000 shares NT\$325,143,167	-	-	8,439,000 shares NT\$325,143,167	None	None	None

IV. Other supplementary information: none

V. If any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, has occurred during 2020: none

Tonlin Department Store Co., Ltd.



Chairman: Su, Chien-I

