Stock Code: 2910

# Tonlin Department Store Co., Ltd.

2021

# The Annual Report

Printed on April 10, 2022
Inquiry Websitehttp://mops.twse.com.tw MOPS
http://www.sfi.org.tw Securities and Futures Institute
http://www.tonlin.com.tw Tonlin Department Store Co., Ltd.

I. Company Spokesperson
Name: Stephen Chen
Title: Vice President
Tel: (02) 2752-2222 ext 501
E-mail: stephen@tp.tonlin.com.tw

II. Deputy Spokesperson
Name: Tina Huang
Title: Manager, Finance Department
Tel: (02) 2752-2222 ext 301
E-mail: tina@tp.tonlin.com.tw

III. Address and Telephone Number of the Company
Headquarter in Taipei
Address: 10F-6, No. 197, Zhongxiao E. Rd., Section 4, Taipei City
Tel: (02) 2752-2222
Taoyuan Branch
Address: No. 61, Zhongzheng Rd., Taoyuan City
Tel: (03) 336-2626

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

I. Foreword

In 2021, under the impacts of the evolving COVID-19 pandemic, while the vaccination rate exceed 70%, but the domestic activities still performed poorly. Economic growth rate for 2021 was concluded at 6.45%, up from the 3.36% in 2020. 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 proactive efforts at selling its Yangmingshan project. The Jiaoxi project, on the other hand, has commenced sale since the 4th quarter, 2017 and 16 units remained unsold at the end of 2021.

II. Business Report

Below is an analysis of operating results, budget execution, financial ratios, and profitability for 2021:

(I) Business performance — Unit: NTD thousands

| Item | 2021 consolidated | 2020 consolidated | Growth rate (%) |
|---|---|---|---|
| Operating revenues | 528,595 | 554,440 | (4.66) |
| Operating cost | 205,906 | 190,011 | 8.37 |
| Gross profit | 322,689 | 364,429 | (11.45) |
| Operating expenses | 191,302 | 202,611 | (5.58) |
| Operating profit | 131,387 | 161,818 | (18.81) |
| Non-operating income (expenses), net | 10,455 | ( 5,575) | 287.53 |
| Profit before tax | 141,842 | 156,243 | (9.22) |
| Income tax expense | 1,147 | 42,084 | (97.27) |
| Current net income | 140,695 | 114,159 | 23.24 |
| Other comprehensive income | (19,053) | ( 2,340) | (714.23) |
| Comprehensive income for the current year | 121,642 | 111,819 | 8.78 |

1. The 2021 operating revenue was NT$25,845 thousand lower than 2020.; a year-by-year comparison is provided below (unit: NTD thousands)

| | 2021 | 2020 | Difference |
|---|---|---|---|
| Incomes from department stores | 115,954 | 201,207 | (85,253) |
| Lease incomes | 242,743 | 247,744 | (5,001) |
| Construction incomes | 133,329 | 59,669 | 73,660 |
| Other operating revenues | 36,569 | 45,820 | (9,251) |
| | 528,595 | 554,440 | (25,845) |

2. Overall, revenues in 2021 were NT$25,845,000 lower compared to 2020. Meanwhile, costs increased by NT$15,895,000, increasing gross profit by approximately NT$41,740,000.

   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$11,309,000.

   Net non-operating income increased by NT$16,030,000 mainly as a result of decreased reversal of impairments: NT$15,000,000, increased loss on disposal of financial assets: NT$8,034,000; interest expenses decreased: NT$5,425,000, other income increased: 7,523,000, investment gains increased: NT$3,842,000, net loss from disposal of fixed asset decreased : NT$3,934,000; and increased net gains of financial assets valuation: NT$20,040,000.

   Increased loss in other comprehensive income: NT$16,713,000, which includes the increased actuarial gains of defined benefit plan for NT$1,252,000 and recognized unrealized valuation loss of equity instruments at FVTOCI increased by NT$25,641,000, as well as deferred income tax decreased by NT$7,676,000.

   Overall, the Company reported comprehensive income at NT$121,642,000 for 2021, NT$111,819,000 up from the NT$9,823,000 reported in 2020.

(II) Budget execution:

Operating revenues decreased in 2021 due to the effect of COVID-19. Although economic growth for 2021 has been estimated at 6.45%, versus 3.36% in 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; the current net income increased mildly by NT$26,536 thousand from 2020.

De Hong Development had completed its project - Yu Yangming located in Yangmingshan, Taipei City, in 2014, and more than 40% of the units have been sold by the end of 2021. The Jiaoxi project commenced the sales since Q4, 2017. The Company will continue selling the above projects in 2022.

(III) Analysis of financial ratios and profitability:

| Item | 2021 | 2020 | Increase/decrease (%) |
|---|---|---|---|
| Debt to assets ratio | 60.19% | 62.25% | ( 3.31) |
| Long-term capital to property, plants and equipment | 213.40% | 206.39% | 3.40 |
| Current ratio | 114.09% | 100.69% | 13.31 |
| Quick ratio | 52.66% | 41.39% | 27.23 |
| Return on assets | 2.68% | 2.27% | 18.06 |
| Return on equity | 5.91% | 4.82% | 22.61 |
| Net profit margin | 26.62% | 20.59% | 29.29 |
| EPS (NT$) | 0.80 | 0.65 | 23.08 |

(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 2022

In the regard of global economic outlook, the U.S-China trade war, regional economic protective policies, COVID-19 pandemic, and penetrating vaccination, have resulted various countries lifted outward and domestic restrictions, and co-exist with the virus. However, Russia and Ukraine started a war in February 2022, resulting in rising prices of oil and natural resources. On the other hand, the pandemic have affected the global logistic, with surging freight that will trigger inflations; meanwhile, central banks decrease their balance sheets and raise interests. There are more unfavorable uncertainties in 2022, but the growth from 2021 is still expected. As a trade-oriented economy, Taiwan will undoubtedly benefit from the above changes. For 2022, Directorate General of Budget, Accounting and Statistics expected the domestic economic growth rate would be 4.42% on February 24, 2022, lower than in 2021. The rising price and interest rates will result in lower consumption of people.

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 2017 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. De Hong Development Co., Ltd. will continue selling its Yangminshan project and the residential project located in Jiaoxi, Yilan, throughout 2022.
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 $m^2$ 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 2020, 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 CHAN Investment, Jia Fong Investment, SONG 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 2021, 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, De Hong Development. The capital at the establishment was NT$200,000 thousand. |
| November 2009 | The Company invested De Hong 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 De Hong Development for NT$50,000 thousand, and the capital became NT$430,000 thousand after the capital increase. |
| September 2012 | The Company invested De Hong 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 De Hong 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 De Hong 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 |

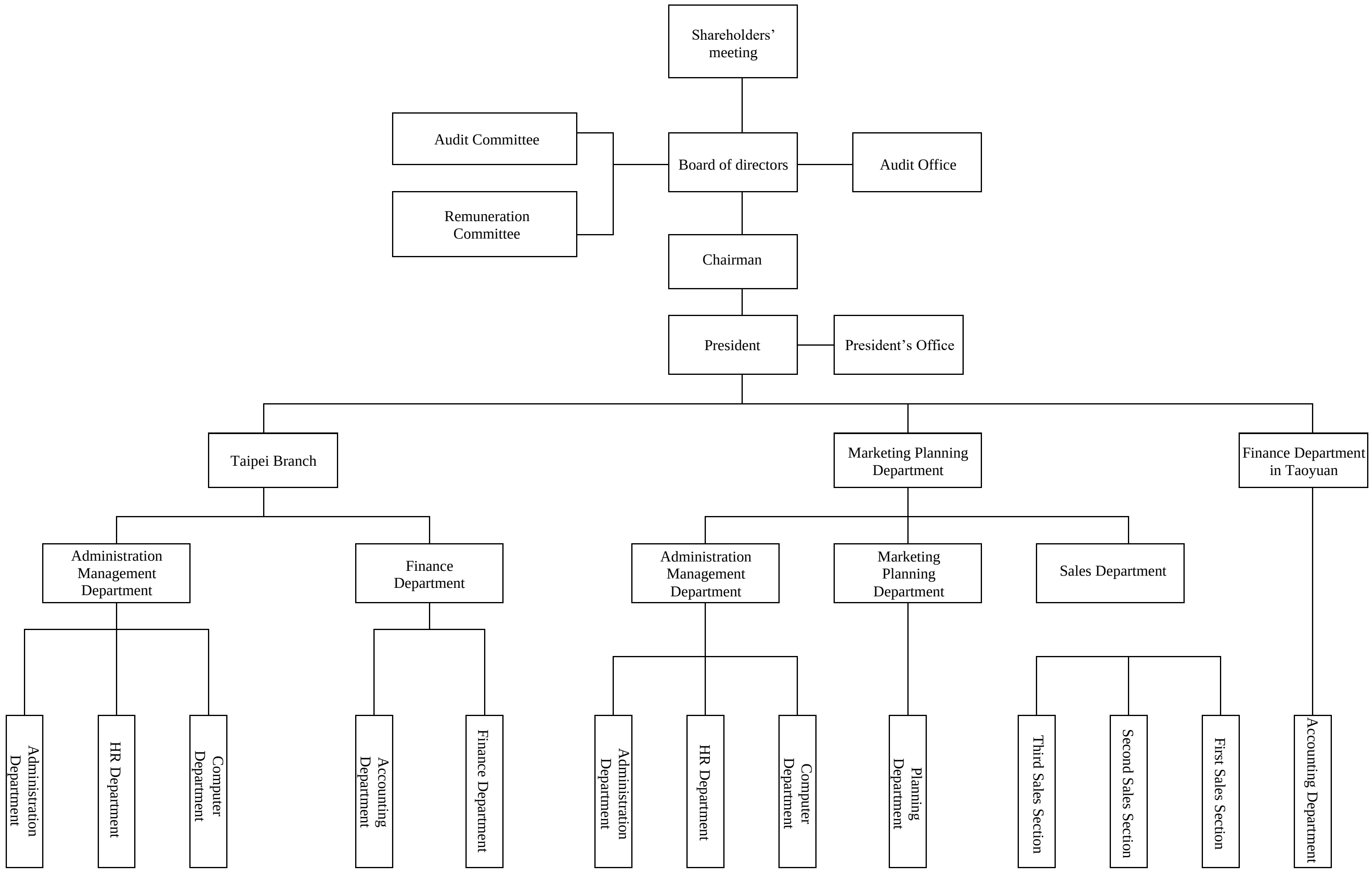
NT$30,000 thousand was conducted; the capital became NT$72,000 thousand after the capital increase.

| | |
|---|---|
| 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. |
| August 2021 | The Company's key subsidiary, De Hong Development Co., Ltd., decreased capital for NT$150,000 thousand to offset deficits; the capital became NT$450,000 thousand after the capital decrease. |
| March 2022 | Mr. Su, Chien-Hsing resign from the Chairman of the Company's key subsidiary, De Hong Development Co., Ltd. Mr. Su, Chien-Yi was elected as the successor. |

# Three. Corporate governance report

## I. Organization and system

(I) Organizational structure



(II) Business of each major segment

| Major Segment | Functions |
|---|---|
| Audit Committee | Based on the authorization of the Board of directors, the main function of the Audit Committee is to supervise the following matters:<br>1. Fair presentation of the financial reports of the Company<br>2. The hiring (and dismissal), independence, and performance of certificated public accountants<br>3. The effective implementation of the internal control system of the Company<br>4. Compliance with relevant laws and regulations by the Company<br>5. Management of the existing or potential risks of the Company |
| Remuneration Committee | Faithfully perform the following duties and submit the suggestions to the Board of directors for discussion:<br>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<br>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 | 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. |
| Audit Office | 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. |
| President’s Office | 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. |
| Taipei Branch | 1. According to the Company's business strategy and objectives, implement the annual business plan and management of the Taipei Branch.<br>2. Responsible for the general affairs, procurement, construction and other related businesses of the Taipei Branch.<br>3. Responsible for computer and personnel related business of the Taipei Branch . |
| Finance Department | Establish the accounting system, the accounting treatment of various accounts and taxation, the general preparation of financial management and budget, and other related businesses. |
| Taoyuan Branch | 1. According to the Company's business strategy, objectives, and marketing planning, implement the annual business plan and management of the Taoyuan Branch.<br>2. Responsible for the general affairs, procurement, construction and other related businesses of the Taoyuan Branch.<br>3. Responsible for computer and personnel related business of the Taoyuan Branch . |

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

### (I) Directors

#### 1. Information of directors

April 16 2022

| Title | Nationality or place of registration | Name | Gender and age | 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<br>71 | August 31, 2021 | 3 | 1982.07.05 | 5,581,075 | 2.67% | 5,481,075 | 2.63% | - | - | - | - | Department of Accounting & Statistics, Takming University of Science and Technology<br>Te Li Construction - Finance Manager<br>Wen Pu Construction - Vice President | Chung Hsiao Enterprise - Chairman<br>SONG YUAN INVESTMENT - Chairman (corporate representative)<br>De Hong Development - Chairman (institution representative) | None | | | - |
| Director | Republic of China | UN INVESTMENT CO., LTD. (Note 2) | | August 31, 2021 | 3 | 1995.06.25 | 6,836,060 | 3.28% | 6,679,060 | 3.20% | - | - | - | - | | | | | | |
| | Republic of China | Representative: Su, Chi-Wei | Male<br>51 | | | | | | 2,674,000 | 1.28% | 40,000 | 0.02% | - | - | University of Melbourne Bachelor of Arts<br>AVP, Barits Securities Corporation | GUAN CHAN INVESTMENT- Director (institution representative), UN INVESTMENT- Director<br>New Leaders Asia Enterprise- Chairman | Director (institution representative) | Su, Yong-Chun | Brother and sister | - |
| | Republic of China | Representative: Su, Yong-Chun | Female<br>50 | | | | | | 1,537,241 | 0.74% | - | - | - | - | University of Melbourne Master of Education | UN INVESTMENT - Supervisor<br>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) | | August 31, 2021 | 3 | 2004.06.12 | 5,002,000 | 2.40% | 5,002,000 | 2.40% | - | - | - | - | | | | | | |
| | Republic of China | Representative: Huang Chung-Sheng | Male<br>68 | | | | | | 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<br>JIA FONG INVESTMENT - Chairman (institution representative)<br>FlySun Development - Director<br>GUAN CHAN and SHUN TAI INVESTMENT - Director (institution representative) | None | | | - |
| Director | Republic of China | JIN DUO LIH ENTERPRISES PTY. LTD. (Note 4) | | August 31, 2021 | 3 | 2001.06.12 | 22,936,442 | 10.99% | 22,936,442 | 10.99% | - | - | - | - | | | | | | (Note 5) |
| | Republic of China | Representative: Weng Chun-Chih | Male<br>78 | | | | | | 21,749,920 | 10.42% | 3,832,991 | 1.84% | - | - | Taipei Kai-Nan High School | JIN DUO LIH ENTERPRISES, Weng Huang Chin Social Welfare Foundation - Chairman<br>GUAN CHAN, SHUEN SHYANG - Chairman (institution representative)<br>JIA FONG INVESTMENT, SONG YUAN INVESTMENT, and De Hong Development - Director (institution representative)<br>Chung Hsiao Enterprise - Director<br>Weng Yu Mei Enterprise - Person-in-charge | Director (institution representative)<br>Director (institution representative)<br>Director (institution representative) | Weng, Ju-I<br>Weng, Hua-Tieng<br>Weng, Hua-Li | Father and daughter<br>Father and son<br>Father and son | (Note 5) |
| | Republic of China | Representative: Weng Ju-I | Female<br>50 | | | | | | 4,294,309 | 2.06% | - | - | 718,000 | 0.34% | Masters Degree, Faculty of Arts, Monash University | Tonlin Department Store - CFO, U-Chen Information Co., Ltd. - Chairman<br>JIN DUO LIH ENTERPRISES - Director, SHUEN SHYANG - Director (institution representative)<br>SHUN TAI INVESTMENT - Chairman (institution representative)<br>JIA FONG INVESTMENT, SONG YUAN INVESTMENT, and De Hong Development - Supervisor (institution representative) | Director (institution representative)<br>Director (institution representative)<br>Director (institution representative) | WENG CHUN-CHIH<br>Weng, Hua-Tieng<br>Weng, Hua-Li | Father and daughter<br>Sister and brother<br>Sister and brother | (Note 5) |
| | Republic of China | Representative: Weng Hua-Tieng | Male<br>49 | | | | | | 3,715,682 | 1.78% | 488,000 | 0.23% | 140,000 | 0.07% | Master of Public Policy and Management, University of Southern California<br>Jinduoli Food (Dongguan) - Chairman's Special Assistant<br>Food Junction Holding Ltd. - Manager<br>Te Chou Construction - Special Assistant | SHUEN SHYANG - Director (institution representative)<br>JIN DUO LIH ENTERPRISES - Director, Chia Yu Company - Chairman<br>SHUN TAI INVESTMENT - Supervisor (institution representative)<br>De Hong Development - Vice Chairman (institution representative)<br>Kainan University - Director | Director (institution representative)<br>Director (institution representative)<br>Director (institution representative) | WENG CHUN-CHIH<br>Weng, Ju-I<br>Weng, Hua-Li | Father and son<br>Sister and brother<br>Brothers | (Note 5) |
| | Republic of China | Representative: Weng Hua-Li | Male | | | | | | 5,365,999 | 2.57% | 1,731,000 | 0.83% | 1,657,000 | 0.79% | School of Political Science and Economics, Meiji University<br>Te Chou Construction - Special Assistant | Tonlin Department Store - President, Sheng Wei Company - Chairman<br>SONG YUAN INVESTMENT, De Hong Development, and SHUEN SHYANG - Director (institution representative) | Director (institution representative)<br>Director (institution representative) | WENG CHUN-CHIH<br>Weng, Ju-I | Father and son<br>Sister and brother | (Note 5) |

| Title | Nationality or place of registration | Name | Gender and age | 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 | |
| | | | 47 | | | | | | | | | | | | | JIN DUO LIH ENTERPRISES and Weng Huang Chin Foundation - Director,<br><br>GUAN CHAN - Supervisor (institution representative) | Director (institution representative) | Weng, Hua-Tieng | Brothers | |
| Independent Director | Republic of China | Lu, Yu-Ting | Male<br><br>64 | August 31, 2021 | 3 | 2015.06.03 | - | - | - | - | 530,331 | 0.25% | - | - | Department of Business Administration, National Taipei University of Business<br>L'Occitane Taiwan Limited - President<br>Wei Li Yang Company - Chairman and President | Melvita Taiwan Ltd. - Chairman<br><br>Albert Investment Co., Ltd. - Chairman | None | | | - |
| Independent Director | Republic of China | Chan, Shen-Hua | Male<br><br>74 | August 31, 2021 | 3 | 2015.06.03 | - | - | - | - | - | - | - | - | Department of Civil Engineering, Feng Chia University<br>Kentai Construction Co., Ltd. - Chairman<br>Ken Tai Construction Co., Ltd. and Kuang Chen Co., Ltd. - Director<br>Yu Fu Co., Ltd. - Supervisor | Ken Tai Construction Co., Ltd. - Chairman<br><br>Chen Chuan Co., Ltd. - Chairman<br><br>Kentai Construction Co., Ltd. - Supervisor<br><br>Hong Wan Co., Ltd. - Supervisor | None | | | - |
| Independent Director | Republic of China | Yang, Wen-Ching | Male<br><br>60 | August 31, 2021 | 3 | 2018.06.07 | - | - | - | - | - | - | - | - | Ph.D. in Economic Law, Peking University Law School<br>Securities and Futures Bureau, Ministry of Finance - Chief of Legal Affairs<br>Financial Examination Bureau, Financial Supervisory Commission - Deputy Director General<br>Nanoplus Limited (Cayman) Taiwan Branch - Director | Cheng Shin Law Firm - Director<br>Ever Rich Asset Management Co., Ltd. - Chairman<br><br>Chih Chin Financial Consultancy, and Chengsin Consulting Company - Director<br>Oriental Excellency Investment Co., Ltd. - Director<br><br>International Bills Finance Corporation - Director (institution representative)<br>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, Un 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, 2022

| Name of institutional shareholders | Major shareholders of institutional shareholders |
|---|---|
| UN INVESTMENT CO., LTD. | Su-Chang, Chuan Mei 13.62%; Su, Chuan-Hui 23.77%; New Leaders Asia 42.69%; Su, Yong-Chun 19.85% |
| 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, 2022

| 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%;<br>Genesis Investment 20.63% |
| Genesis Investment Co., Ltd. | MARCO POLO INTERNATIONAL HOLDING LTD.100% |
| SHUEN SHYANG CO., LTD. | Yuanda Holding (BVI) Co., Ltd.<br>YUAN DAR HOLDING CO., LTD. 99.02% |
| Sheng Wei Co., Ltd. | Weng, Hua-Li 56.73%; Weng, Chun-Chih 22.53%; Weng-Kuo, Jin-Ying 9.89% |
| Yu Chen Co., Ltd. | Weng, Ju-I 65.01%, Weng-Kuo, Jin-Ying 34.99% |
| Chia Yu Co., Ltd. | Weng Hua-Tieng 68.84%; Weng-Kuo, Jin-Ying 24.95% |
| New Leaders Asia Enterprise | Su, Chi-Wei 100% |

4. Information disclosure regarding professional qualifications of directors and the independence of independent directors:

(1) Diversity of the board of directors: to enhance the corporate governance, and promote the health development of the board's composition and structure, it is confirmed that the board's diversity is helpful to improve the Company's overall performance. The board members particularly emphasize the abilities of judgments about operations, business management, leadership and decision-making, as well as crisis management. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities: 1. Ability to make operational judgments; 2. Ability to perform accounting and financial analysis.; 3.

Ability to conduct management administration; 4. Ability to conduct crisis management; 5. Knowledge of the industry; 6. An international market perspective; 7. Ability to lead; 8. Ability to make policy decisions

The diversity of the current board members are implemented as following: April 10, 2022

| Diversity / Directors Name | Basic composition | | | | | Industrial experience | | | | | Professional abilities | | | Number of other public companies in which the individual is concurrently serving as an independent director |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nationality | Gender | Serving as an employee | Age | Tenure and term of office as an independent director | Retail | Development of lands; real estate leasing | Food and beverage | Finance | Information and technology | Law | Accounting | Management | |
| Su Chien-I | Republic of China | Male | No | 71 | Omitted | V | V | V | V | | | V | V | None |
| Su, Yong-Chun | Republic of China | Female | No | 50 | Omitted | V | | | | V | | | V | None |
| WENG CHUN-CHIH | Republic of China | Male | No | 78 | Omitted | V | V | | | | | | V | None |
| Weng, Ju-I | Republic of China | Female | Yes | 50 | Omitted | V | | | V | | | V | V | None |
| Weng, Hua-Tieng | Republic of China | Male | No | 49 | Omitted | V | V | V | | | | | V | None |
| Weng, Hua-Li | Republic of China | Male | Yes | 47 | Omitted | V | V | V | | | | | V | None |
| HUANG CHUNG-SHENG | Republic of China | Male | No | 68 | Omitted | | V | | | | | | V | None |
| Chan, Shen-Hua Independent director | Republic of China | Male | No | 74 | 7 | | V | V | | | | V | V | None |
| Lu, Yu-Ting Independent director | Republic of China | Male | No | 64 | 7 | V | | V | | | | | V | None |
| Yang, Wen-Ching Independent director | Republic of China | Male | No | 60 | 4 | | | | V | | V | | | 1 |

(2) Independence of the board: Among ten directors of the Company, three of them are independent directors, accounting for 30%. Among the directors, no more than half having the relationship as spouse or relatives within the second degree of kinship; the majority of the directors do not concurrently serve as the Company's employee or managerial officers.

None of the Company's independent directors, their spouses and relatives within the second degree of kinship serve as the director, supervisor, or employee of the company or any of its affiliates, or the companies having special relationship with the Company.

For the independent director' shareholdings and the weight thereof president, please refer to the (1) Information of Directors in the section of information of directors, presidents, vice president, associate vice president, and head of branches.

In the recent two years, no director has provided commercial, legal, financial, accounting or related services to the company or any affiliate of the company, and received related compensations.

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

April 10, 2022

| 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, Hua-Li | Male | 2011.01.01 | 5,365,999 | 2.57 | 1,731,000 | 0.83 | 1,657,000 | 0.79 | School of Political Science and Economics, Meiji University<br>Te Chou Construction - Special Assistant | Sheng Wei Co., Ltd. - Chairman<br>SONG YUAN INVESTMENT, De Hong Development, and SHUEN SHYANG - Director (institution representative)<br>JIN DUO LIH ENTERPRISES and Weng Huang Chin Foundation - Director,<br>GUAN CHAN - Supervisor (institution representative) | Chief Finance Officer | Weng, Ju-I | Sister and brother | - |
| Chief Finance Officer (Note 1) | Republic of China | Weng, Ju-I | Female | 2012.7.5 | 4,294,309 | 2.06 | - | - | 718,000 | 0.34 | Masters Degree, Faculty of Arts, Monash University | U-Chen Information Co., Ltd. - Chairman<br>JIN DUO LIH ENTERPRISES PTY. LTD.- Director<br>SHUEN SHYANG - Director (institution representative)<br>SHUN TAI INVESTMENT - Chairman (institution representative)<br>JIA FONG INVESTMENT, SONG YUAN INVESTMENT, and De Hong Development - Supervisor (institution representative) | President | Weng, Hua-Li | Sister and brother | - |
| Vice President | Republic of China | Stephen Chen | Male | 2001.01.01 | - | - | - | - | - | - | Law and Business School, National Chung Hsing University<br>VP, Underwriting Department, Tai Yu Securities Co., Ltd. before 1994 | None | - | - | - | - |
| Finance Department Manger | Republic of China | Tina Huang | Female | 1996.02.01 | - | - | - | - | - | - | Department of Accounting & Statistics, Takming University of Science and Technology<br>Manager, Auditing Department, Deloitte Taiwan before 1993 | None | - | - | - | - |
| Branch Director of Taoyuan Branch (Note 2) | Republic of China | Li, Yi-Hua | Female | 2010.03.01 | - | - | - | - | - | - | Department of Social Work, Shih Chien School of Home Economics and Economics,<br>Vice Manager, Printemps Department Store Co. Ltd. | None | - | - | - | - |
| | Republic of China | Kuo, Mei-Chun | Female | 2021.04.01 | - | - | - | - | - | - | Department of Comprehesive Commerce, Shih Hsin High School of Engineering and Business<br>Branch Director, Breeze 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, 2021, the Board of directors approved to appoint Kuo, Mei-Chun as the Director of Taoyuan Branch from April 1, 2021. Li, Yi-Hua was reappointed as an adviser, untill November, 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, reasonableness, 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

(I) General and independent directors' remunerations

Unit: NT$ thousands

| Title | Name | Directors' remunerations | | | | | | | | Sum of A, B, C and D as a percentage of after-tax profit % (Note 5) | | 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 reinvested business other than subsidiaries or parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Remuneration (A) (Note 1) | | Severance pay and pension (B) | | Director's remuneration (C) (Note 2) | | Fee for services rendered (Note 3) | | | | Salary, bonuses, and special allowances, etc (E) (Note 4) | | Severance pay and pension (F) | | Employee's remuneration (G) | | | | | | |
| | | 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 | 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 | | | |
| Chairman | SU CHIEN-I | 2,100 | 2,100 | 0 | 0 | 0 | 0 | 600 | 600 | 2,700<br>1.92 | 2,700<br>1.92 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,700<br>1.92 | 2,700<br>1.92 | 450 |
| Corporate entity | UN INVESTMENT CO., LTD. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | None |
| Director | Su, Yong-Chun | 0 | 0 | 0 | 0 | 0 | 0 | 600 | 600 | 600<br>0.43 | 600<br>0.43 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 600<br>0.43 | 600<br>0.43 | None |
| Corporate entity | JIN DUO LIH ENTERPRISES PTY. LTD. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | None |
| Director | WENG CHUN-CHIH | 0 | 0 | 0 | 0 | 0 | 0 | 600 | 600 | 600<br>0.43 | 600<br>0.43 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 600<br>0.43 | 600<br>0.43 | None |
| Director | Weng, Ju-I | 0 | 0 | 0 | 0 | 0 | 0 | 600 | 600 | 600<br>0.43 | 600<br>0.43 | 1,400 | 1,400 | 0 | 0 | 0 | 0 | 0 | 0 | 2,000<br>1.42 | 2,000<br>1.42 | None |
| Director | Weng, Hua-Li | 0 | 0 | 0 | 0 | 0 | 0 | 600 | 600 | 600<br>0.43 | 600<br>0.43 | 1,400 | 1,400 | 0 | 0 | 0 | 0 | 0 | 0 | 2,000<br>1.42 | 2,000<br>1.42 | None |
| Director | Weng, Hua-Tieng | 0 | 760 | 0 | 0 | 0 | 0 | 600 | 621 | 600<br>0.43 | 1,381<br>0.98 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 600<br>0.43 | 1,381<br>0.98 | None |
| Corporate entity | Jih-I Investment Co., Ltd.; | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | None |
| Director | HUANG CHUNG-SHENG | 0 | 0 | 0 | 0 | 0 | 0 | 600 | 600 | 600<br>0.43 | 600<br>0.43 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 600<br>0.43 | 600<br>0.43 | None |
| Independent Director | Lu, Yu-Ting | 0 | 0 | 0 | 0 | 0 | 0 | 600 | 600 | 600<br>0.43 | 600<br>0.43 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 600<br>0.43 | 600<br>0.43 | None |
| Independent Director | Yang, Wen-Ching | 0 | 0 | 0 | 0 | 0 | 0 | 600 | 600 | 600<br>0.43 | 600<br>0.43 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 600<br>0.43 | 600<br>0.43 | None |
| Independent Director | Chan, Shen-Hua | 0 | 0 | 0 | 0 | 0 | 0 | 600 | 600 | 600<br>0.43 | 600<br>0.43 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 600<br>0.43 | 600<br>0.43 | 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 20, 2022, the Remuneration Committee convened the 1st meeting of the 5th 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 non-employee consultants of the parent company, all companies in financial reports/reinvestee) 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 an all re-invested business |
| Less than NT$1,000,000 | UN INVESTMENT CO., LTD.; Jih-I Investment Co., Ltd.; JIN DUO LIH ENTERPRISES PTY. LTD.; Su, Yong-Chun Huang, Chung-Sheng; Weng, Chun-Chih Weng, Ju-I; Weng, Ju-I Weng Hua-Tieng; 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, 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, Yong-Chun Huang, Chung-Sheng; Weng, Chun-Chih Weng Hua-Tieng; 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, 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) | - | Weng, Hua-Tieng | - | Weng, Hua-Tieng |
| NTD$2,000,000 (inclusive) to NTD$3,500,000 (exclusive) | Su Chien-I | Su Chien-I | Su, Chien-I; Weng Hua-Li Weng, Ju-I | Su, Chien-I; Weng Hua-Li Weng, Ju-I |
| 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 | 13 | 13 | 13 | 13 |

Note 1: These are the salary and bonus received by the chairman of the Company and the vice chairman of the subsidiary in 2021.
Note 2: It is the employees' remuneration in 2021. No distribution was resolved by the Board of directors on March 14, 2022, but has to be reported in the shareholders' meeting.
Note 3: These are the transportation fees of the directors and the meal subsidies for the vice chairman of the subsidiary in 2021.
Note 4: These are and bonus received by the directors concurrently serving as employees in 2021.
Note 5: Net income after tax is the net income after tax of the 2021 parent-company only financial statements

(II) Supervisor’s remuneration: he Company has all the independent directors to form the Audit Committee as the replacement of supervisors.

(III) 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 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 | Cash amount | Share amount | Cash amount | Share amount | The Company | All companies in the financial statements | |
| President | Weng, Hua-Li | 1,200 | 1,200 | 0 | 0 | 200 | 200 | 0 | 0 | 0 | 0 | 1,400<br>1.00 | 1,400<br>1.00 | None |
| Chief Finance Officer | Weng, Ju-I | 1,200 | 1,200 | 0 | 0 | 200 | 200 | 0 | 0 | 0 | 0 | 1,400<br>1.00 | 1,400<br>1.00 | None |
| Vice President | Stephen Chen | 1817 | 1,817 | 164 | 164 | 410 | 410 | 9 | 0 | 9 | 0 | 2,400<br>1.71 | 2,400<br>1.71 | 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 NT$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 2021.

Note 2: These are the year-end bonuses, meal subsidies and bonuses of three festivals in 2021.

Note 3: These are the employees’ remuneration for 2021. The distributed amount was resolved by the Board of directors on March 14, 2022, 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 2020.

Note 4: Net income after tax is the net income after tax of the 2021 parent-company only financial statements

## (IV) 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 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 | Cash amount | Share amount | Cash amount | Share amount | The Company | All companies in the financial statements | |
| President | Weng, Hua-Li | 1,200 | 1,200 | 0 | 0 | 200 | 200 | 0 | 0 | 0 | 0 | 1,400<br>1.00 | 1,400<br>1.00 | None |
| Chief Finance Officer | Weng, Ju-I | 1,200 | 1,200 | 0 | 0 | 200 | 200 | 0 | 0 | 0 | 0 | 1,400<br>1.00 | 1,400<br>1.00 | None |
| Vice President | Stephen Chen | 1,817 | 1,817 | 164 | 164 | 410 | 410 | 9 | 0 | 9 | 0 | 2,400<br>1.71 | 2,400<br>1.71 | None |
| Finance Department Manager | Tina Huang | 1,139 | 1,139 | 111 | 111 | 288 | 288 | 7 | 0 | 7 | 0 | 1,545<br>1.10 | 1,545<br>1.10 | None |
| Taoyuan Branch Director (Note 5) | Kuo, Mei-Chun | 1,260 | 1,260 | 0 | 0 | 293 | 293 | 7 | 0 | 7 | 0 | 1,560<br>1.11 | 1,560<br>1.11 | None |
| | Li, Yi-Hua | 891 | 891 | 0 | 0 | 7 | 7 | 0 | 0 | 0 | 0 | 898<br>0.64 | 898<br>0.64 | None |

Note 1: These are the salaries and position allowance for 2021.

Note 2: These are the year-end bonuses, meal subsidies and bonuses of three festivals in 2021.

Note 3: These are the employees' remuneration for 2021. The distributed amount was resolved by the Board of directors on March 14, 2022, 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 2020.

Note 4: Net income after tax is the net income after tax of the 2021 parent-company only financial statements

Note 5: On March 22, 2021, the Board of directors approved to appoint Kuo, Mei-Chun as the Director of Taoyuan Branch from April 1, 2021. Li, Yi-Hua was reappointed as an adviser, untill November, 2021.

(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, 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

I. 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 | | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | Increase (decrease) | 2021 | 2020 | Increase (decrease) |
| Director | 7.77% | 10.43% | (25.50%) | 8.32% | 11.70% | (28.89%) |
| President and vice presidents | 3.71% | 4.63% | (19.87%) | 3.71% | 4.63% | (19.87%) |

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 conditions and the remuneration over the years, to respond to the raging COVID-19 pandemic, for the Company and subsidiaries, the board of directors resolve not ot distribute the remunerations to the directors for 2021; therefore, the overall remuneration paid was lower than 2020. Also, the net profit after tax of the parent company-only financial statements in 2021 increased by about NT$2,654 thousand comparing to 2020, 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 from 2020.

II. 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 and directors' remuneration on the book are both NT$1,000 thousand for 2021. However, by the resolution adopted in the board meeting on March 14, 2022, the actual distributed amount is NT$15 thousand for employees' remuneration and NT$0 for directors' remuneration. The difference between the book and actual distribution will be adjusted in the income/loss of 2022. The actual distribution resolved by the board is expected to be reported in the AGM convened 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 forapproval.

## IV. Operation of corporate governance

(I) Operation of Board of Directors

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

(January 1, 2021 to April 10, 2022)

| Title | Name | Attendance in person B | Times of attendance by proxy | Actual attendance rate (%) (B/A) (Note 1) | Remarks |
|---|---|---|---|---|---|
| Chairman | Su Chien-I | 9 | 0 | 100% | Re-elected on August 31, 2021 |
| Director | UN INVESTMENT CO., LTD. | | | | |
| | Representative: Su Yong-Chun | 9 | 0 | 100% | |
| Director | JIN DUO LIH ENTERPRISES PTY. LTD. | | | | August 31, 2021 Re-elected |
| | Representative: Weng Chun-Chih | 9 | 0 | 100% | |
| | Weng, Ju-I | 9 | 0 | 100% | |
| | Weng, Hua-Tieng | 9 | 0 | 100% | |
| | Weng, Hua-Li | 9 | 0 | 100% | |
| Director | Jih-I Investment Co., Ltd. | | | | Re-elected on August 31, 2021 |
| | Representative: Huang Chung-Sheng | 7 | 1 | 78% | |
| Independent Director | Lu, Yu-Ting | 9 | 0 | 100% | August 31, 2021 Re-elected |
| Independent Director | Chan, Shen-Hua | 9 | 0 | 100% | August 31, 2021 Re-elected |
| Independent Director | Yang, Wen-Ching | 8 | 0 | 89% | August 31, 2021 Re-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, 2022, there has been no such thing in the Company.

II. Implementation status of recusal due to conflict of interests

August 31, 2021, the first board meeting of the 16th term. The proposal to appoint three independent directors, Chan, Shen-Hua, Yang, Wen-Ching, and Lu, Yu-Ting as the members of the Remuneration Committee of the 5th term was discussed.

The proposal involved the interests of the independent directors, Chan, Shen-Hua, Yang, Wen-Ching, and Lu, Yu-Ting, and thus they recused themselves.

By inquiring all attending directors’ opinion, the proposal was passed as it was without dissent. The three elected Chan, Shen-Hua as the convener and the chair.

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

<table>
<tr><th>Meeting</th><th>Date</th><th>Proposal</th><th>Opinions of all independent directors and the Company’s treatment to the independent directors’ opinions</th></tr>
<tr><td>19th meeting / 15th term</td><td>2021.03.22</td><td>Assessment of the independence and suitability of the appointed CPAs.</td><td rowspan="4">All independent directors approved the proposal as it was without dissent.</td></tr>
<tr><td>15th Term / 20th Meeting</td><td>2021.05.06</td><td>2021 professional service fees to Deloitte Taiwan<br>Proposal to establish the first corporate governance officer.</td></tr>
<tr><td>15th Term / 22th Meeting</td><td>2021.08.06</td><td>Report on transfer the Company’s investment in Fortune Fund II shares</td></tr>
<tr><td>16th Term / 4th Meeting</td><td>2022.03.14</td><td>Proposal of amendments to the Company’s “Operational Procedures of the Acquisition and Disposal of Assets”<br>Assessment of the independence and suitability of the appointed CPAs.<br>Proposal of contracting the renovation project of Taoyuan branch</td></tr>
</table>

Table 2

## Implementation of the Board of Directors’ appraisal

<table>
<tr><th>Evaluation cycle</th><th>Evaluation period</th><th>Evaluation scope</th><th>Evaluation method</th><th>Evaluation content</th></tr>
<tr><td rowspan="5">Once per year</td><td rowspan="5">January 1, 2021 to December 31, 2021</td><td rowspan="5">Board of directors</td><td rowspan="5">Internal self-evaluation by the board</td><td>Participation in the operation of the company;</td></tr>
<tr><td>Improvement of the quality of the board of directors' decision making;</td></tr>
<tr><td>Composition and structure of the board of directors;</td></tr>
<tr><td>Election and continuing education of the directors; and</td></tr>
<tr><td>Internal control.</td></tr>
<tr><td rowspan="6">Once per year</td><td rowspan="6">January 1, 2021 to December 31, 2021</td><td rowspan="6">Individual board member</td><td rowspan="6">Self-evaluation of individual board member</td><td>Alignment of the goals and mission of the company;</td></tr>
<tr><td>Awareness of the duties of a director;</td></tr>
<tr><td>Participation in the operation of the company;</td></tr>
<tr><td>Management of internal relationship and communication;</td></tr>
<tr><td>Director's professionalism and continuing education; and</td></tr>
<tr><td>Internal control.</td></tr>
</table>

(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:

(January 1, 2021 to April 10, 2022)

| Title | Name | Attendance in person (B) | Times of attendance by proxy | Actual attendance rate (%) (B/A) (Note 1 and 2) | Remarks |
|---|---|---|---|---|---|
| Independent Director | Lu, Yu-Ting | 5 | 0 | 100% | August 31, 2021 Re-elected |
| Independent Director | Chan, Shen-Hua | 5 | 0 | 100% | August 31, 2021 Re-elected |
| Independent Director | Yang, Wen-Ching | 5 | 0 | 100% | August 31, 2021 Re-elected |

Other matters that require reporting

I. For operation of the Audit Committee that meet any of the following descriptions, state the Audit Committee meeting's date, session, independent directors' dissent, qualified opinion, or material recommendations, 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, 2022, 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, 2022, 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 2021. 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 2021. 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: Before the end of the year, none of the independent directors resigned.

Note 2: The Company re-elected all directors on August 31, 2021; the independent directors remained unchanged before and after election. Actual attendance (%) is calculated based on the meetings of the Audit Committee during the term of the office, and the times of in-person attendance.

Table 1

<table>
<tr><th>Session</th><th>Date</th><th>Proposal</th><th>Objections, qualified opinions, or key recommendations of independent directors</th><th>All Audit Committee’s opinions and the Company’s treatment to such opinions</th></tr>
<tr><td>1st Term/ 11th Meeting</td><td>2021.03.22</td><td>2020 assessment for effectiveness of the internal control system, and the Statement of Internal Control System.<br>2020 parent company-only and consolidated financial statements<br>Assessment of the independence and suitability of the appointed CPAs.</td><td>No dissent</td><td rowspan="5">The Audit Committee approved the proposal as it was without dissent.</td></tr>
<tr><td>1st Term/ 12th Meeting</td><td>2021.05.06</td><td>2021 Q1 financial statements<br>2021 professional service fees to Deloitte Taiwan</td><td>No dissent</td></tr>
<tr><td>1st Term/ 13th Meeting</td><td>2021.08.06</td><td>2021 Q2 financial statements</td><td>No dissent</td></tr>
<tr><td>2nd Term/ 1st Meeting</td><td>2021.11.04</td><td>2021 Q3 financial statements</td><td>No dissent</td></tr>
<tr><td>2nd Term/ 2nd Meeting</td><td>2021.03.14</td><td>2021 assessment for effectiveness of the internal control system, and the Statement of Internal Control System.<br>2021 parent company-only and consolidated financial statements<br>Assessment of the independence and suitability of the appointed CPAs.<br>Proposal of the Company’s “Operational Procedures of the Acquisition and Disposal of Assets”</td><td>No dissent</td></tr>
</table>

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 |
|---|---|---|
| 2020.03.23 Audit Committee 2020.03.23 Board of directors | 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 Audit Committee 2020.05.11 Board of directors | Internal audit report | Without dissenting opinion |
| 2020.08.06 Audit Committee 2020.08.06 Board of directors | Internal audit report | Without dissenting opinion |
| 2020.11.09 Audit Committee 2020.11.09 Board of directors | Internal audit report | Without dissenting opinion |
| 2021.03.22 Audit Committee 2021.03.22 Board of directors | Internal audit report 2020 assessment for effectiveness of the internal control system, and the Statement of Internal Control System. | Without dissenting opinion |
| 2021.05.06 Audit Committee 2021.05.06 Board of directors | Internal audit report | Without dissenting opinion |
| 2021.08.06 Audit Committee 2021.08.06 Board of directors | Internal audit report | Without dissenting opinion |
| 2021.11.04 Audit Committee 2021.11.04 Board of directors | Internal audit report 2022 audit plan | Without dissenting opinion |
| 2022.03.14 Audit Committee 2022.03.14 Board of directors | Internal audit report 2021 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 |
|---|---|---|
| 2020.03.23<br>Audit Committee | 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)<br>Assessment of the independence and suitability of the appointed CPAs.<br>Report of regulatory changes | Without dissenting opinion |
| 2020.05.11<br>Audit Committee | Discussion regarding the review of 2020 Q1 financial statements, including any audit problem, and the reply from the management (closed-door meeting)<br>Report of regulatory changes | Without dissenting opinion |
| 2020.08.06<br>Audit Committee | Discussion regarding the review of 2020 Q2 financial statements, including any audit problem, and the reply from the management (closed-door meeting)<br>Report of regulatory changes | Without dissenting opinion |
| 2020.11.09<br>Audit Committee | Discussion regarding the review of 2020 Q3 financial statements, including any audit problem, and the reply from the management (closed-door meeting)<br>Report of regulatory changes | Without dissenting opinion |
| 2021.03.22<br>Audit Committee | 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)<br>Assessment of the independence and suitability of the appointed CPAs.<br>Report of regulatory changes | Without dissenting opinion |
| 2021.05.06<br>Audit Committee | Discussion regarding the review of 2021 Q1 financial statements, including any audit problem, and the reply from the management (closed-door meeting)<br>Report of regulatory changes | Without dissenting opinion |
| 2021.08.06<br>Audit Committee | Discussion regarding the review of 2021 Q2 financial statements, including any audit problem, and the reply from the management (closed-door meeting)<br>Report of regulatory changes | Without dissenting opinion |
| 2021.11.04<br>Audit Committee | Discussion regarding the review of 2021 Q3 financial statements, including any audit problem, and the reply from the management (closed-door meeting)<br>Report of regulatory changes | Without dissenting opinion |
| 2022.03.14<br>Audit Committee | Discussion regarding the audit of 2021 financial statements, including any audit problem, expected key audit matters of the annual report, and the reply from the management (closed-door meeting)<br>Assessment of the independence and suitability of the appointed CPAs.<br>Report of regulatory changes | Without dissenting opinion |

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

| Assessment criteria | Implementation | | | Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| 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 | | The Company has established the "Corporate Governance Best-Practice Principles," December 28, 2020. On May 6, 2021, the board approved to establish the first corporate governance officer. Each operation has complied with the competent authority's regulations; the information of the corporate governance officer and his annual continuing education are disclosed on the Company's website for inquiry. | No material deviation. |
| 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 | | The The Company has established the "Corporate Governance Best-Practice Principles," and the "Procedures of Handling Internal Material Information," approved by the Board of directors on December 28, 2020; and the "Standard Operational Procedures to Handle Directors' Requests," approved by the Board of directors on May 6, 2019. The spokesperson system is established. To ensure the interests of shareholders, the spokesperson and the deputy spokesperson are responsible to handle the suggestions, questions, and disputes of directors. | No material deviation. |
| (II) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller? | Yes | | Through the shareholder registry furnished by the professional stock affair agency, the Company is constantly informed of the shareholdings of its directors, managerial officers, and major shareholders with 10% or more stake, and report the major shareholders' shareholding on time. | No material deviation. |
| (III) Has the Company established and | Yes | | The Company established the "Rules Governing | 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 | Summary | |
| implemented risk management practices and firewalls for companies it is affiliated with? | | | 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. | |
| (IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information? | Yes | | The Company has established the "Procedures of Handling Internal Material Information," the "Code of Ethical Conducts," and "Enforcement Rules of Ethical Corporate Management," to regulate the insiders of the Company shall not use undisclosed information in the market to trade securities, and s informed all directors, managerial officers and employees; the operating procedures and principles are uploaded to the Company's website for all employees to follow. | No material deviation. |
| III. Composition and responsibilities of the Board of Directors | | | | |
| (I) Has the board of directors prescribed the diversity policy, the specific management targets thereof, and implement such? | | 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 |

| Assessment criteria | Implementation | | | Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | | will be set up timely. |
| (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 for 2021 and 2020 in the Board of directors and of individual board member has been completed in January, 2022 and 2021. Currently the Remuneration Committee regularly reviews the policies and standards fo 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 22, 2021 and March 14, 2022 (detailed in the attached table), and has obtained the declaration of independence issued by an accounting firm. | No material deviation. |
| IV. Does the TWSE/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 | 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) and the Financial Department concurrently. The Vice President, Stephen Chen, is designated as the corporate governance officer, in charge of supervising and implementing the corporate governance operations, and announcing such at the official website for inquiry.<br>As of the publication date of the annual report, the continuing education of the corporate governance officer is described below: | 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 | Summary | |
| producing meeting minutes of Board/Shareholders' meetings)? | | | September 1, 2021: Financial Supervisory Commission - The 13th Taipei Corporate Governance Forum -six hours<br>October 15, 2021: Institute of Financial Law and Crime Prevention - Impacts of ESG on enterprise - three hours<br>November 19, 2021: Institute of Financial Law and Crime Prevention - 2021 5th corporate governance practice seminar - three hours. | |
| 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. |

| Assessment criteria | Implementation | | | Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | | |
| (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 December 13, 2021. 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 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? | | No | The Company has completed the announcement and filing of annual financial reports, the first, second and third quarterly financial reports and monthly operating status reports before the statutory deadlines. | No material deviation. |
| 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 | | 1. Employees' interests<br>The Company protects the employees' interests pursuant to the Labor Standard Act and other related laws and regulations.<br>2. Employees' welfare<br>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.<br>3. Investor and stakeholder relation: | 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 | Summary | |
| | | | The Company's website, http://www.tonlin.com.tw: has shareholders' section and complaint-filing section for stakeholders in place<br>4. Continuing education of directors<br>Director, Su, Yong-Chun:<br>September 1, 2021: Financial Supervisory Commission - The 13th Taipei Corporate Governance Forum - three hours.<br>November 23-24, 2021: Institute of Securities and Futures - Practice seminars for directors and supervisors (independent directors included) and corporate governance officer - 12 hours.<br>5. Supplier section:<br>The Company maintains smooth communication channels with vendors and customers, and maintains a good relationship of mutual assistance and cooperation.<br>6. Stakeholder's rights:<br>Stakeholders may communicate with and make suggestions to the Company to protect their legitimate rights; they may inquire about the Company's financial, business and corporate governance information on the Company's website.<br>7. Implementation of customer policy<br>The Company has a customer service team to insist good service quality by upholding the operating philosophy as customers first.<br>8. Purchase of liability insurance for directors: the Company's Articles of Incorporation has the | |

| Assessment criteria | Implementation | | | Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | related requirement and the insurance has been bought. | |
| 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 | | Improved matters, such as<br>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.<br>2. From 2021, the Company will upload the annual report in English seven days prior to the convention date.<br>3. The Company's dividend policy has be been further clarified via the amendment to the articles of incorporation, which was approve by 2021 AGM.<br>Matter to be improve as the first priority in the future:<br>1. Since 2022, the Company will simultaneously release material information in both Chinese and English.<br>2. The scope of authority and continuing education of the corporate governance officer will be disclosed on the Company's website for inquiries. | 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.<br>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. |

Attached Table

**Tonlin Department Store Co., Ltd.**
**Assessment of the CPA's Independence**
**2021**

| 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 and operation shall be disclosed.

1. Information of Remuneration Committee members April 10, 2022

| Qualification / Name of director (Note) | Basic composition | | | | | Industrial experience | | | | | Professional abilities | | | No. of other listed companies serving as remuneration committee member concurrently |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nationality | Gender | Serving as an employee | Age | Tenure and term of office as an independent director | Retail | Development of lands; real estate leasing | Food and beverage | Finance | Information and technology | Law | Accounting | Management | |
| Chan, Shen-Hua Independent director (convener) | Republic of China | Male | No | 74 | 7 | | V | V | | | | V | V | None |
| Lu, Yu-Ting Independent director | Republic of China | Male | No | 64 | 7 | V | | V | | | | | V | None |
| Yang, Wen-Ching Independent director | Republic of China | Male | No | 60 | 4 | | | | V | | V | | | 1 |

Note: The Remuneration Committee members' conformity to the independence criteria as below:

None of the member of the Remuneration Committee, their spouses and relatives within the second degree of kinship serve as the director, supervisor, or employee of the company or any of its affiliates, or the companies having special relationship with the Company.

For the members of the Remuneration Committee, their spouse, or relative within the second degree of kinship's (or held by the person under any other's name) shareholdings and the weight thereof, please refer to the (1) Information of Directors in the section of information of directors, presidents, vice president, associate vice president, and head of branches.

In the recent two years, no member of the Remuneration Committee has provided commercial, legal, financial, accounting or related services to the company or any affiliate of the company, and received related compensations.

2. Operation of the Remuneration Committee

(1) There are total three members of the Remuneration Committee

(2) Term of office for the 5th Term members: from August 31, 2021 to August 30, 2024. During the most recent year, five (A) meetings were held by the Remuneration Committee. The attendance and qualification of members was as follows:

(January 1, 2021 to April 10, 2022)

| Title | Name | Attendance in person (B) | Times of attendance by proxy | Actual attendance rate (%) (B/A) (Note) | Remarks |
|---|---|---|---|---|---|
| Convenor | Chan, Shen-Hua | 5 | 0 | 100% | August 31, 2021 Re-elected |
| Member | Lu, Yu-Ting | 5 | 0 | 100% | August 31, 2021 Re-elected |
| Member | Yang, Wen-Ching | 4 | 0 | 80% | August 31, 2021 Re-elected |
| Other matters that require reporting<br>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.) :<br>March 14, 2022 The 2nd meeting of the Remuneration Committee of the 5th Term approved the distribution of employees' and directors' remuneration for NT$1 million each; provided, in the 4th board meeting of the 16th Term on March 14, 2022, it was revised and approved, after the discussion of all attending directors, to distribute NT$150,000 as the employees' remuneration, and NT$0 as the directors' remuneration. The difference between the actual distributed amount and the estimated amount in the book is NT$1.85 million, and will be adjusted as the profit/loss for 2022. Such will be report to the shareholders' meeting.<br>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/ 9th Meeting | 2021.01.28 | 2021 working plan of the Remuneration Committee<br>Review the scope of applicable managerial officers that the Company should submit to the Remuneration Committee for remuneration pre-review.<br>Review the various salary and remuneration projects that the Company plans to implement in 2021.<br>Review the policies, systems, standards and structure of directors and managerial officers' performance evaluation and remuneration.<br>2020 year-end bonus for managerial officers. | The Remuneration Committee approved the proposal as it was without dissent. |
| 4th Term/ 10th Meeting | 2021.03.22 | Proposal of 2020 allocation of employee remuneration and director remuneration.<br>Change of the managerial officer for the Taoyuan Branch. | |
| 4th Term/ 11th Meeting | 2021.05.06 | Proposal of 2020 allocation of employee remunerations to managerial officers, and directors and supervisors' remunerations. | |
| 5th Term/ 1st Meeting | 2022.01.20 | 2022 working plan of the Remuneration Committee<br>Review the scope of applicable managerial officers that the Company should submit to the Remuneration Committee for remuneration pre-review.<br>Review the various salary and remuneration projects that the Company plans to implement in 2022.<br>Review the policies, systems, standards and structure of directors and managerial officers' performance evaluation and remuneration.<br>2021 year-end bonus for managerial officers. | |
| 5th Term/ 2nd Meeting | 2022.03.14 | Proposal of 2021 allocation of employee remuneration and director remuneration. | |

(V) Implementation of Promoting Sustainable Development and Variance from “the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies”

| Promotion item | Implementation | | | Variance from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Has the company established the governance framework for promoting sustainable development a designated unit in charge of promoting sustainable development, and the senior management is authorized by the board of directors for handling, as well as the status of board of directors’ oversight? | | V | The Company has not established the governance framework for promoting sustainable development a designated unit in charge of promoting sustainable development, and the senior management is authorized by the board of directors for handling, as well as the status of board of directors’ oversight? | 1. As of 2021, the Company has not established the Sustainable Development Committee.<br>2. It is expected to establish the Sustainable Development Committee in the latter half of 2022.<br>(1) It consists of the chairman, president and senior executives from various area, and prescribe the work plans and functions.<br>(2) It is expected to report to the board of directors at least every six months.<br>(3) The board of directors will regularly supervise the sustainable development, including but not limited to: management guidelines, strategy and goal establishment, inspection measures. |
| II. 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? | | V | The Company has not assessed 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 | 1. The Company's current environmental, social and corporate governance (ESG) are handled pursuant to environmental protection regulations, business regulations and corporate governance requirements by the competent authorities.<br>2. In the future, the standards, processes, results and risk management policies or strategies of risk assessment for the materiality issues related to ESG will be identified based on the principle of |

| Promotion item | Implementation | | | Variance from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | | materiality. |
| III. Environmental Issue<br>(I) Does the company set up an appropriate environmental management system, according to the feature of the industry? | V | | The Company handles daily affairs by complying with the environmental protection related regulations (such as indoor air quality, waste disposal, air-conditioning temperature, use of disposable utensils). | The future annual energy saving target is not yet established, nor the preparation of the sustainability report. |
| (II) Is the Company committed to improving energy utilization efficiency and to the use of renewable materials with low environmental impact? | V | | When planning the Company's energy, the energy efficiency (e.g. energy-saving products such as ice water mainframe, power-saving lamps, and photocopying with recycled paper) is taken into account. | The future annual energy saving target is not yet established, nor the preparation of the sustainability report. |
| (III) Does the Company evaluate current and future climate change potential risks and opportunities and take measures to respond the climate related issues? | | V | The current and future potential risks and opportunities of climate change to the business have not been assessed. | In the future, the countermeasures will be taken by understanding the regulations, the assistance of experts; such will be disclosed in the sustainability report in the future as required. |
| (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 reducing green house gas, reducing using water, or other waste? | | V | The Company has not calculated the emission of green house gas, water consumption, and the amount of waste, nor set up a managerial policy of reducing green house gas, reducing using water, or other waste. | After the establishment of the Sustainable Management Committee, it will be committed to the implementation of the aforesaid policies, and disclose such in the sustainability report in the future as required. |
| IV. Social Issues | | | | |
| (I) Does the Company establish policies and procedures in compliance with regulations and internationally recognized human rights principles? | V | | The Company handles pursuant to laws and regulations, such as the Labor Standards Act and the Act of Gender Equality in Employment. | The Company has not established policies and procedures in compliance with regulations and internationally recognized human rights principles Related rules will be prescribed in the future, and disclosed in the sustainability report. |
| (II) Has the Company established and implemented reasonable employee | V | | 1. Employee remuneration: The year-end bonus of the Company is | The Company has not prepared the sustainability report. |

| Promotion item | Implementation | | | Variance from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| welfare measures (including remuneration, vacation and other benefits) and appropriately reflected the business performance or results in the employee remuneration policy? | | | distributed to all employees based on the business condition of the current year, individual attendance, seniority, performance appraisal outcomes, to motivates all employees to work together for the Company's goals. For the employees’ remuneration, pursuant to the Company’s Articles of Incorporation, if the Company makes a profit in a year, 0.1%-4% shall be appropriated as employees’ remuneration, and no more than 4% as the remuneration to directors.<br>2. Employee welfare measures: The Company has established an Employee Welfare Committee. The Company contributes about NT$600,000 in employee welfare annually, to plan and provide various benefits for employees, such as: organizing domestic and foreign employee travels, employee travel subsidies, scholarships and grants to the employees and their children for education; the Procedures of Education Grant for Employee were established to provided subsidies for various art and culture courses; birthday gifts, marriage allowances, maternity allowances, aids for major emergency and disaster, mutual aid | |

| Promotion item | Implementation | | | Variance from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | for hospitalization, funeral allowances, among other things. In addition, the Company also provides employees with regular free health examinations; the 5th day every month is the employee’s shopping day, and the employees are entitled to discount when shopping. For employees who have situations alike childcare, serious injuries, or major accidents, and need time to handle such issues, they may also apply for leave without pay, so that employees can take care of themselves and families.<br>3. Equal opportunities for reward and promotion in the workplace: the equal pay, equal work, and equal opportunities for promotion for both male and female are realized, and the employees are provided with a work and service environment free from sexual harassment, by taking appropriate preventive, corrective, disciplinary and handling measures, to implement a friendly and safe workplace .<br>4. Overall salary policy: by referring to the annual market salary survey, salaries are adjusted based on the salary survey of department store | |

| Promotion item | Implementation | | | Variance from "the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | peers at North Taiwan, economic level and individual performance, in order to maintain the holistic salary competitiveness. | |
| (III) Has the Company provided employees with a safe and healthy working environment and regularly conducted safety and health training? | V | | Occupational health and safety policies<br>1. Pursuant to the Occupational Safety and Health Act and the Company's business features, the Company has prescribed the code of working suitable for employees to implement, as the basis for employees to conduct operations.<br>2. Pursuant to the Occupational Safety and Health Act, the Company's contracted vendors, contractors, and construction provider for renovation are informed with the hazards when working on site, and other matters to be pay attentions to regarding health and safety when working.<br>3. Pursuant to the Regulations of the Labor Health Protection, the Company began to implement the on-site healthcare service plan provided by medical practitioners from 2022.<br>4. Pursuant to the Occupational Safety and Health Education and Training Rules, the Company conducts health and safety education and training sessions for related personnel. Specify the number of occupational accidents, the number of employees involved, and the ratio to the total number of employees | The Company has not prepared the sustainability report. |

| Promotion item | Implementation | | | Variance from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | in the current year, and related improvement measures.<br>Working environment for workers monitoring:<br>Pursuant to the Regulations Governing the Monitoring to Work Environment for Worker, the Company shall monitor the carbon dioxide concentration at least once every six months in the indoor workplaces of buildings with central air-conditioning regulators, to provide employees with a healthy and comfortable working environment. | |
| (IV) Has the Company established an effective career development training program for employees? | V | | 1. The company has planned complete functional trainings for employees, including orientations, professional training, to help employees to continue learning and growing through diversified learning methods, while introducing courses related to corporate ethics and belief development, to cultivate the key capabilities of employees.<br>2. In 2021, total 331 attendees completed the professional on-the-job trainings, with a total of 6459.5 person-hours.<br>3. Occupational health and safety training has completed 100% re-training. | The Company has not prepared the sustainability report. |
| (V) Has the Company complied with the relevant regulations and international standards and formulated policies for consumer or customer protection and grievance procedures with respect to | V | | 1. The Company holds and controls the value key of merchandise, and continues to track merchandise safety information, and improve the internal reporting mechanism; the Company has | The Company has not prepared the sustainability report. |

| Promotion item | Implementation | | | Variance from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| consumer health and safety, customer privacy, marketing and labeling of products and services? | | | established the “Procedures for Ethical Management and Guidelines for Conduct” as the implementation of merchandise safety promise.<br>2. The Company has established a personal information protection management system and policy, and has appointed a personal information protection task force, to manage and protect the privacy of customers; through internal audit of personal information, external verification, crisis prevention and training, the customer information is safeguarded.<br>3. The Company strictly observes relevant government regulations, and established relevant operating procedures for marketing and advertisements internally, while entering agreements with external vendors that some marketing materials must be reviewed by the Company's customer service before marketing.<br>4. The Company has established the procedures for handling customer complaints, which are handled by dedicate personnel and reviewed by senior executives. | |
| (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 | V | | Currently, suppliers are required to sign "Ethical Management Principles" and "Ethical Commitment Statement." | The Company have no requirement for supplier to comply with regulations related to environment, occupational health and safety, or labor’s human rights; It is expected to established the related |

<table>
<tr><th rowspan="2">Promotion item</th><th colspan="3">Implementation</th><th rowspan="2">Variance from “the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>reported the implementation?</td><td></td><td></td><td></td><td>regulation at the latter half of 2022.</td></tr>
<tr><td>V. Has the Company referred to international reporting standards or guidelines in its preparation of sustainability 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?</td><td></td><td>V</td><td>The sustainability report is under preparation.</td><td>Pursuant to the laws, the sustainability report will be released in 2023.</td></tr>
<tr><td colspan="5">VI. If the company has its own Sustainable Development Best Practice Principles in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe the difference between its operation and the established Principles:<br>The Company has not established its own Sustainable Development Best Practice Principles in accordance with the "Sustainable Development for TWSE/GTSM Listed Companies."</td></tr>
<tr><td colspan="5">VII. Other important information to help understand the operation of sustainable development implementation:<br>The Company will release the “sustainability report” in 2023, as required.</td></tr>
</table>

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

| Assessment criteria | Implementation | | | Deviations with Ethical Corporate Management Best Practice Principles for for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| 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” and the “Code of Ethical 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 | 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 | No material deviation. |

| Assessment criteria | Implementation | | | Deviations with Ethical Corporate Management Best Practice Principles for for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| Companies? | | | management before the establishment of a business relationship and appropriate review procedures, and implemented accordingly. | |
| (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. | No material deviation. |
| 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. | No material deviation. |
| (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.<br>For instance, the unit in charge of promotion reported the corporate ethical management implementation of 2021 in the board meeting on March 14, 2022 (refer to the attachment). | No material deviation. |
| (III) Does the Company prepare the policies | Yes | | Pursuant to the “Procedures for Ethical | No material deviation. |

| Assessment criteria | Implementation | | | Deviations with Ethical Corporate Management Best Practice Principles for for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| against interest conflict and provide and implement the proper statement channel? | | | 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. | |
| (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? | Yes | | Other than promoting in meetings, it will be included in the training courses from time to time. | No material deviation. |
| 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."<br>The Company's website has a complaint-filing channel for stakeholders and a toll-free line, and the President's Office is responsible for | No material deviation. |

| Assessment criteria | Implementation | | | Deviations with Ethical Corporate Management Best Practice Principles for for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | handling related affairs pursuant to the procedures and regulations. | |
| (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."<br>The Company has established relevant investigation 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."<br>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:<br>The Company implements pursuant to laws and regulations; no material deviation. | | | | |

<table>
<tr><th rowspan="2">Assessment criteria</th><th colspan="3">Implementation</th><th rowspan="2">Deviations with Ethical Corporate Management Best Practice Principles for for TWSE/TPEx Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">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)<br>1. The Company amends the the “Ethical Corporate Management Best Practice Principles” and the “Code of Ethical Conducts” timely based on the requirements of competent authorities and actual needs of the Company, while disclosing on the Company’s website and MOPS for compliance and operation.<br>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.</td></tr>
</table>

(II) 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 be established; please refer to the Company’s website at http://www.tonlin.com.tw.

(III) 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.

Attachment:

# Implementation of the Company's ethical corporate management principles

The implementation of the Company's ethical corporate management principles during January to December 2021 was described below:

| Item No. | Implementation | Description | Times |
|---|---|---|---|
| 1 | The confidentiality and ethical terms are included in the Company's contracts. | During the period, the Company's contracts with merchandisers and other important contracts all have stipulated non-disclosure agreements and confidentiality clauses. | |
| 2 | Education and training sessions | Promoted to the new employee on the onboard day. | Seven persons One hour per time |
| 3 | Promotion of the ethical management principles, regulations, and cases | I. Promoted in the relevant internal meetings.<br>II. Posted on the company's website, please refer to colleagues. | Two times November 2 and November 9 |
| 4 | Established the whistleblowing and discipline procedures. | The procedures were approved in the board meeting on December 28, 2020, and announced on December 29 in the internal system. | As above |
| 5 | Whistleblowing and reporting. | No whistleblowing occurred during the period. | |

Note: In order to improve the management of ethical management, the President's Office is in charge of prescribing the ethical management policies, and prevention programs, and supervising the implementation, to report to the board of directors periodically.

(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 14, 2022

The Company declares the following concerning its internal control system during the fiscal year 2021, 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. 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. 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. 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. 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, 2021, 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. 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. VII. This Statement has been passed by the Board of Directors Meeting of the Company held on March 14, 2022, 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 |
|---|---|---|---|---|
| August 31, 2021 | Report | Report Items: Summary of 2020 Business. | Approved | |
| | Report | 2020 Audit Committee's Review Report | Approved | |
| | Report | Report on allocation of employee remuneration and director remuneration. | Approved | Disbursed on May 20, 2021 |
| | Report | Report on distribution of cash dividends from earnings. | Approved | Disbursed on May 20, 2021 |
| | Report | Report on amendments to the Company's "Ethical Behavior Guidelines." | Approved | Implemented as the resolution |
| | Ratified | Ratification of 2020 year-end accounts. | Approved | Implemented as the resolution |
| | Ratified | Proposal of 2020 earnings distribution | Approved | Implemented as the resolution |
| | Discussed | Proposal of amendments to the Company’s "Articles of Incorporation.” | Approved | Completed the registration of change on September 16, 2021 |
| | Discussed | on amendments to the Company’s "Directors Election Policy." | Approved | Implemented as the resolution |
| | Election | Re-election of the Company's directors. | The election is completed | Completed the registration of change on September 16, 2021 |
| | Discussed | on the removal of restrictions on competing business involvement for new directors and representatives. | Approved | Implemented as the resolution |

Board of Directors

| Date | Matter | Proposal | Resolution | Implementation |
|---|---|---|---|---|
| January 28, 2021 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 |
| March 22, 2021 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 August 31, 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 August 31, 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 | Disbursed on May 20, 2021 |

| Date | Matter | Proposal | Resolution | Implementation |
|---|---|---|---|---|
| | Discussed | Proposal of 2020 earnings distribution | Approved by the Audit Committee and submitted for Board of Directors' discussion | Submitted to the shareholders' meeting for discussion on August 31, 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. | Disbursed on May 20, 2021 |
| | Discussed | 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 | August 31, 2021 Full re-election of the board of directors. |
| | 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 August 31, 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 August 31, 2021. |
| | Discussed | affairs related to the convention of 2021 AGM | Approved to convent the 2021 AGM at B2, No.61, Zhongzheng Rd., Taoyuan District, Taoyuan City at 9:00 am, June 22, 2021. | On August 8, 2021, the date to convene 2021 AGM was re-determined as August 31, 2021. |
| | Discussed | Assessment of the independence and suitability of the appointed CPAs. | Approved by the Audit Committee and submitted to Board of Directors; and approveed by Board of Directors | |
| | Discussed | the renovation project at the rear of the Taipei Store. | Approved | Implemented as the resolution |
| | Discussed | Change of the managerial officer for the Taoyuan | Approved | Implemented as the resolution |

| Date | Matter | Proposal | Resolution | Implementation |
|---|---|---|---|---|
| | | Branch. | | |
| | Discussed | the change of the Company’s organizational chart. | Approved | Implemented as the resolution |
| May 6, 2021 15th Term/ 20th | Report | Results of the 7th Term of Corporate Governance Evaluation | Approved for reference. | |
| | Discussed | 2021 Q1 financial statements | Approved | Announced on May 11, 2021 |
| | Discussed | 2021 professional service fees to Deloitte Taiwan | Approved | Implemented as the resolution |
| | Discussed | Proposal of 2020 allocation of employee remunerations to managerial officers, and directors’ remunerations. | Approved | Disbursed on May 20, 2021 |
| | Discussed | Proposal of amendments to the Company’s "Articles of Incorporation.” | Approved | Submitted to the shareholders’ meeting for discussion on August 31, 2021. |
| | Discussed | Proposal for additional causes to convene 2021 AGM. | Approved | Announced. |
| | Discussed | Proposal to establish the first corporate governance officer. | From the same day, Stephen Chen, Vice President was appointed as the corporate governance officer. | Reported on May 7, 2021 |
| May 20, 2021 15th Term/ 21st | Report | Report on the renovation construction expenses for 1F, Tonlin Building. | Approved for reference. | |
| | Discussed | the revision of the Company’s organizational chart. | Approved | Implemented as the resolution |
| August 6, 2021 15th Term/ 22nd | Report | the liability insurance bought for the directors and key staffs. | Approved for reference. | Implemented as the resolution |
| | Report | Report on transfer the Company’s investment in Fortune Fund II shares | Approved for reference. | |
| | Report | the Company’s capability to prepare | Approved for reference. | |

| Date | Matter | Proposal | Resolution | Implementation |
|---|---|---|---|---|
| | | the financial statements | | |
| | Discussed | 2021 Q2 financial statements | Approved | Reported on August 10, 2021 |
| | Discussed | Proposal to re-determine the date and venue to convene 2021 AGM. | Approved | Disbursed on August 31, 2021 |
| August 31, 2021, 16th Term/ 1st meeting | Discussed | Proposal to elect the new chairman. | Approved | Completed the registration of change on September 16, 2021 |
| | Discussed | Intention of appointing the members of the Remuneration Committee | Approved to appoint three independent directors, Chan, Shen-Hua Yang, Wen-Ching, and Lu Yu Ting as the members of the Remuneration Committee, 5th Term | The proposal involved the interests of directors, Chan, Shen-Hua, Yang, Wen-Ching, and Lu, Yu-Ting, and thus they recused themselves. |
| November 4, 2021 16th Term/ 2nd meeting | Report | the Company's capability to prepare the financial statements | Approved for reference. | |
| | Discussed | 2021 Q3 financial statements | Approved | Announced and reported on November 19, 2021. |
| | Discussed | Proposal of 2022 audit plan | Approved | Announced and reported on November 16, 2021. |
| | Discussed | Established the Managerial Measures for Complying with the Company's Regulations. | Approved | Implemented pursuant to the approved regulations. |
| | Discussed | Proposal to appoint the sales manager for Taoyuan Branch. | Fu, Li-Fen was appointed as the sales manager. | Onboard on November 1, 2021 |
| January 20, 2022 16th Term/3rd meeting | Discussed | year-end bonus | The second proposal was adopted. | Disbursed on January 27, 2022 |
| | Discussed | Proposal of 2022 business plan | Approved | Implemented as the resolution |
| | Discussed | Proposal to amend the approval authority of the Finance Department. | Approved | Implemented as the resolution |
| | Discussed | Proposal to adjust salaries. | Agreed the salaries to be adjusted for 3% in average. | Adjusted in February, 2022. |

| Date | Matter | Proposal | Resolution | Implementation |
|---|---|---|---|---|
| March 14, 2022 16th Term/ 4th 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 | Reports on the results of the Board of Directors and members’ performance evaluation for 2021. | Approved for reference. | |
| | Discussed | 2021 assessment for effectiveness of the internal control system, and the Statement of Internal Control System. | Approved | |
| | Discussed | 2021 parent company-only and consolidated financial statements | Approved by the Audit Committee and submitted for Board of Directors’ discussion | Announced and reported on March 25, 2022 |
| | Discussed | 2021 business report | Approved by the Audit Committee and submitted for Board of Directors’ discussion | Submitted to the shareholders’ meeting for discussion on June 14, 2022. |
| | Discussed | 2021 distribution of employees’ and directors’ remunerations suggested by the Remuneration Committee | Approved to distribute NT$150,000 for the employees’ remuneration and NT$0 as directors’ remunerations | Submitted to report to the shareholders’ meeting on June 14, 2022. |
| | Discussed | Proposal of 2021 earnings distribution | Approved by the Audit Committee and submitted for Board of Directors’ discussion, it was intended to distribute cash dividends as NT$0.5 per share. | Submitted to the shareholders’ meeting for discussion on June 14, 2022. |
| | Discussed | Proposal of amendments to the Company’s "Articles of Incorporation.” | Approved | Submitted to the shareholders’ meeting for discussion on June 14, 2022. |
| | Discussed | Proposal of amendments to the Company’s “Operational | Approved | Submitted to the shareholders’ meeting for discussion on June 14, 2022. |

| Date | Matter | Proposal | Resolution | Implementation |
|---|---|---|---|---|
| | | Procedures of the Acquisition and Disposal of Assets” | | |
| | Discussed | Proposal of re-establishing the Company’s “Rules of Procedure for Shareholder Meetings.” | Approved | Submitted to the shareholders’ meeting for discussion on June 14, 2022. |
| | Discussed | to determine the ex-dividend base date and related affairs | Approved the ex-dividend trade date as April 14, 2022; ex-dividend base date as April 20, 2022; and distribution date as May 9, 2022. | Implemented as the resolution |
| | Discussed | the proposal of 2022 budget | Approved | Implemented as the resolution |
| | Discussed | Proposal of affairs related to the convention of 2022 AGM. | Approved to convent the 2022 AGM at B2, No.61, Zhongzheng Rd., Taoyuan District, Taoyuan City at 9:00 am, June 14, 2022. | Implemented as the resolution<br>Proposal acceptance period: April 8, 2021 to April 18, 2021. |
| | Discussed | Assessment of the independence and suitability of the appointed CPAs. | Approved by the Audit Committee and submitted to Board of Directors; and approveed by Board of Directors | |
| | Discussed | Proposal of contracting the renovation project of Taoyuan branch | Authorized the chairman to handle by proposal. | 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

Unit: NT$ thousand

| Name of the accounting firm | Name of CPAs | Duration of Audit | Audit fee | Non-audit fee (Note) | Total | Remarks |
|---|---|---|---|---|---|---|
| Deloitte Taiwan | Huang, Hsiu-Chun | Q1 to Q4, 2021 | 2255 | 504 | 2,759 | |
| | Jeff Chen | | | | | |

Note: Non-audit fees include NT$260,000 tax certification, NT$100,000 for reviewing investment property appraisal reports, NT$30,000 for the non-management payroll declaration, NT$40,000 for various change registrations, and advances and estimated amount for NT$74,000.

(1) 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.

(2) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 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

<table>
<tr><td>Date of Replacement</td><td colspan="6">Not applicable</td></tr>
<tr><td>Reason for replacement</td><td colspan="6">Internal rotation of the accounting firm</td></tr>
<tr><td rowspan="3">Specifying whether it was the CPA that voluntarily ended the engagement or declined further engagement, or the company that terminated or discontinued the engagement.</td><td colspan="2">Appointee<br>Situation</td><td colspan="3">CPA</td><td>The Company</td></tr>
<tr><td colspan="2">Voluntarily ended the engagement</td><td colspan="2">-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Discontinue the engagement</td><td colspan="3">-</td><td>-</td></tr>
<tr><td>Have the CPA issued an audit report expressing other than an unqualified opinion during the 2 most recent years, furnish the opinion and reason</td><td colspan="6">None</td></tr>
<tr><td rowspan="6">Disagreement with the company</td><td rowspan="4">Yes</td><td colspan="2">-</td><td colspan="3">Accounting principle or practice</td></tr>
<tr><td colspan="2">-</td><td colspan="3">Disclosure of financial statements</td></tr>
<tr><td colspan="2">-</td><td colspan="3">Audit scope or steps</td></tr>
<tr><td colspan="2">-</td><td colspan="3">Others</td></tr>
<tr><td>None</td><td colspan="5">None</td></tr>
<tr><td colspan="6">Explanation</td></tr>
<tr><td>Other disclosure<br>(Circumstances to be disclosed as specified in Article 10, paragraph 6, subparagraph 1-4 to 1-7 of the Regulations)</td><td colspan="6">None</td></tr>
</table>

(II) Regarding the successor CPAs

| | |
|---|---|
| Name of the accounting firm | - |
| Name of CPAs | - |
| Date of appointment | - |
| 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 | 2019 | | Current year up to April 16 | |
|---|---|---|---|---|---|
| | | 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 | UN INVESTMENT CO., LTD. Representative: Su, Yong-Chun | (211,000) | (725,000) | (87,000) | (580,000) |
| 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 | - | - | - | (1,800,000) |
| Independent Director | Lu, Yu-Ting | - | - | - | - |
| Independent Director | Chan, Shen-Hua | - | - | - | - |
| Independent Director | Yang, Wen-Ching | - | - | - | - |
| President | Weng, Hua-Li | 433,000 | - | 100,000 | - |
| Chief Finance Officer | Weng, Ju-I | 633,000 | - | 250,000 | - |
| Vice President | Stephen Chen | - | - | - | - |
| Managerial Officer | Li, Yi-Hua | - | - | - | - |
| Managerial Officer | Tina Huang | - | - | - | - |
| Major shareholder | SHUEN SHYANG CO., LTD. | - | - | - | (1,100,000) |
| Major shareholder | Weng Chun-Chih | (871,000) | - | (480,000) | - |

(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 (NT$) |
|---|---|---|---|---|---|---|
| Su Chien-I | Gift | April 8, 2021 | Su, Andy | Father and son | 100,000 | 31.55 |
| WENG CHUN-CHIH | Gift | April 15, 2021 | Weng, Hua-Li | Father and son | 380,000 | 31.55 |
| WENG CHUN-CHIH | Gift | April 15, 2021 | Weng, Yi-Sheng | Grandparent and grandchild | 100,000 | 31.55 |
| WENG CHUN-CHIH | Gift | April 15, 2021 | Weng, Kai-Ning | Grandparent and grandchild | 35,000 | 31.55 |
| WENG CHUN-CHIH | Gift | April 15, 2021 | Weng, Shi-Chen | Grandparent and grandchild | 35,000 | 31.55 |
| WENG CHUN-CHIH | Gift | April 15, 2021 | Weng, Shi-Tsong | Grandparent and grandchild | 35,000 | 31.55 |
| WENG CHUN-CHIH | Gift | June 24, 2021 | Weng, Ju-I | Father and daughter | 100,000 | 30.50 |
| WENG CHUN-CHIH | Gift | June 24, 2021 | Weng, Jing-Ning | Grandparent and grandchild | 30,000 | 30.50 |
| WENG CHUN-CHIH | Gift | June 24, 2021 | Weng, Yi-Sheng | Grandparent and grandchild | 126,000 | 30.50 |
| WENG CHUN-CHIH | Gift | June 24, 2021 | Weng, Kai-Ning | Grandparent and grandchild | 30,000 | 30.50 |
| Weng, Hua-Li | Gifted | April 15, 2021 | WENG CHUN-CHIH | Father and son | 380,000 | 31.55 |
| Weng, Ju-I | Gifted | April 8, 2021 | Weng-Kuo, Jin-Ying | Mother and daughter | 480,000 | 31.55 |
| Weng, Ju-I | Gifted | June 24, 2021 | WENG CHUN-CHIH | Father and daughter | 100,000 | 30.50 |
| Su Chien-I | Gift | March 28, 2022 | Su, Andy | Father and son | 100,000 | 30.00 |
| Weng, Hua-Li | Gifted | March 28, 2022 | WENG CHUN-CHIH | Father and son | 100,000 | 30.00 |
| Weng, Ju-I | Gifted | March 28, 2022 | Weng-Kuo, Jin-Ying | Mother and daughter | 250,000 | 30.00 |
| WENG CHUN-CHIH | Gift | March 28, 2022 | Weng, Hua-Li | Father and son | 100,000 | 30.00 |
| WENG CHUN-CHIH | Gift | March 28, 2022 | Weng, Yi-Sheng | Grandparent and grandchild | 300,000 | 30.00 |
| WENG CHUN-CHIH | Gift | March 28, 2022 | Weng, Kai-Ning | Grandparent and grandchild | 40,000 | 30.00 |
| WENG CHUN-CHIH | Gift | March 28, 2022 | Weng, Jing-Ning | Grandparent and grandchild | 40,000 | 30.00 |

(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 Note |
|---|---|---|---|---|---|---|---|---|---|
| | 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 CHAN INVESTMENT | Share the same chairman | - |
| Representative: Weng Chun-Chih | 21,749,920 | 10.42% | 3,832,991 | 1.84% | - | - | Weng, Ju-I | Father and daughter | - |
| JIN DUO LIH ENTERPRISES PTY. LTD. | 22,936,442 | 10.99% | - | - | - | - | SHUEN SHYANG GUAN CHAN INVESTMENT | Share the same chairman | - |
| Representative: Weng Chun-Chih | 21,749,920 | 10.42% | 3,832,991 | 1.84% | - | - | Weng, Ju-I | Father and daughter | - |
| Weng Chun-Chih | 21,749,920 | 10.42% | 3,832,991 | 1.84% | - | - | 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 CHAN INVESTMENT | 8,750,000 | 4.19% | - | - | - | - | SHUEN SHYANG JIN DUO LIH ENTERPRISES PTY. LTD.; | Share the same chairman | - |
| Representative: Weng Chun-Chih | 21,749,920 | 10.42% | 3,832,991 | 1.84% | - | - | Weng, Ju-I | Father and daughter | - |
| SHUN TAI INVESTMENT CO., LTD. | 8,439,000 | 4.04% | - | - | - | - | - | - | - |
| Representative: Weng, Ju-I | 4,294,309 | 2.06% | - | - | 718,000 | 0.34% | WENG CHUN-CHIH | Father and daughter | - |
| SONG YUAN INVESTMENT CO., LTD. | 7,366,000 | 3.53% | - | - | - | - | - | - | - |
| Representative: Su Chien-I | 5,481,075 | 2.63% | - | - | - | - | - | - | - |
| UN INVESTMENT CO., LTD. | 6,679,060 | 3.20% | - | - | - | - | - | - | - |
| Representative: Su Yong-Chun | 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, 2021

| 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% |
| De Hong Development Co., Ltd. | 45,000,000 | 100 | - | - | 45,000,000 | 100 |
| GUAN CHAN INVESTMENT CO., LTD. | 35,000,000 | 100 | - | - | 35,000,000 | 100 |
| JIA FONG INVESTMENT CO., LTD. | 35,000,000 | 100 | - | - | 35,000,000 | 100 |
| SONG 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, 2022; 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, 2022

| 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 78,000 | 〃 | |
| 1992.12 | 10 | 22,770 | 227,700 | 22,770 | 227,700 | Capital reserve transferred to capital increase 19,602<br>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<br>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<br>26 | 60,000 | 600,000 | 60,000 | 600,000 | Capital reserve transferred to capital increase 265,000<br>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<br>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<br>39 | 160,000 | 1,600,000 | 138,000 | 1,380,000 | Capital reserve transferred to capital increase 153,000<br>Surplus transferred to capital increase 162,000<br>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<br>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<br>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<br>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 16, 2022

| Shareholder structure Quantity | Governmental agencies | Financial institution | Other institution | Individuals | Foreign institutions and foreigners | Total |
|---|---|---|---|---|---|---|
| Number of shareholders | 0 | 0 | 23 | 1,312 | 13 | 1,348 |
| No. of shares held | 0 | 0 | 128,099,579 | 80,254,421 | 371,000 | 208,725,000 |
| Shares Ratio | 0.00% | 0.00% | 61.37% | 38.45% | 0.18% | 100.00% |

## (III) Share ownership distribution

Face value NT$ 10 pre share April 16, 2022

| Classification of shareholding | Number of shareholders | No. of shares held | Shareholding percentage (%) |
|---|---|---|---|
| 1------999 | 1,038 | 83,472 | 0.04 |
| 1,000------5,000 | 218 | 432,428 | 0.21 |
| 5,001------10,000 | 15 | 110,618 | 0.05 |
| 10,001------15,000 | 8 | 94,452 | 0.05 |
| 15,001------20,000 | 2 | 34,000 | 0.02 |
| 20,001------30,000 | 3 | 64,780 | 0.03 |
| 30,001------40,000 | 4 | 143,917 | 0.07 |
| 40,001------50,000 | 3 | 132,200 | 0.06 |
| 50,001------100,000 | 5 | 418,000 | 0.20 |
| 100,001------200,000 | 7 | 895,812 | 0.43 |
| 200,001------400,000 | 5 | 1,280,000 | 0.61 |
| 400,001------600,000 | 6 | 3,054,035 | 1.46 |
| 600,001------800,000 | 4 | 2,850,106 | 1.37 |
| 800,001------1,000,000 | 1 | 1,000,000 | 0.48 |
| More than 1,000,001 | 29 | 198,131,180 | 94.92 |
| Total | 1,348 | 208,725,000 | 100.00 |

Note: The Company issued no preference share

## (IV) List of major shareholders

April 16, 2022

| Shares / Name of major shareholders | 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 | 21,749,920 | 10.42 |
| FlySun Development Co., Ltd. | 12,579,333 | 6.03 |
| JIA FONG INVESTMENT CO., LTD. | 8,767,000 | 4.20 |
| GUAN CHAN 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. | 6,679,060 | 3.20 |
| 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 | | | 2021 | 2020 | Current year up to April 10, 2022 (Note 6) |
|---|---|---|---|---|---|
| Market price per share (Note 1) | Highest | | 51.90 | 52.90 | 39.95 |
| | Lowest | | 29.90 | 23.25 | 30.00 |
| | Average | | 34.50 | 33.05 | 31.99 |
| Net value per share | Before distribution | | 13.67 | 13.47 | - |
| | After distribution (Note 2) | | 13.07 | 12.88 | - |
| Earnings per share (EPS) | Weighted average outstanding shares (thousand shares) (Note 7) | | 175,403 | 175,403 | 175,403 |
| | Earnings per share (EPS) | | 0.80 | 0.65 | - |
| Dividend per share | Cash dividends | | 0.50 | 0.50 | - |
| | Bonus Share dividend | Shares dividend from surplus | 0 | 0 | - |
| | | Share dividend from capital reserve | 0 | 0 | - |
| | Cumulative unpaid dividends | | 0 | 0 | - |
| Return on investment analysis | Price to earnings ratios (Note 3) | | 43.13 | 50.85 | - |
| | Price to dividend ratio (Note 4) | | 69.00 | 66.10 | - |
| | Dividend Yield (Note 5) | | 1.45 | 1.51 | - |

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 board meeting.

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:

| | 2021 | 2020 |
|---|---|---|
| Weighted average outstanding shares | 208,725 thousand shares | 208,725 thousand shares |
| Total shareholders' equity | NT$3,227,917 thousand | NT$3,210,638 thousand |
| Net value per share | NT$15.46 | NT$15.38 |
| Earnings per share (EPS) | NT$0.67 | NT$0.55 |
| Price to earnings ratios | 51.49 times | 60.09 times |

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

2. 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.

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

   As a conventional department store, the Company experiences no major change in sales volume but foresees moderate growth. After taken into consideration its long-term development plans and goals of maximizing shareholders' interest, the Company has adopted a dividend policy that makes consistent payouts primarily in cash. The shareholders' dividends are not lower than 10% of the distributable earnings of the year; of which, cash dividends shall not account for less than 50% of the sum of cash dividends plus stock dividends. However, the Company may forgo dividend payment if distributable earnings amount to NT$0.2 or less in a given year.

3. The proposed distribution of dividends in this AGM

2021 Earnings Distribution Chart

Unit: NTD $

| | | |
|---|---|---|
| Beginning unappropriated earnings | $ | 101,431,221 |
| Disposal of equity instruments at fair value through other comprehensive income, with cumulative gains/losses transferred directly to retained earnings | | (14,253,732) |
| Actuarial gain/loss on defined benefit plan | | 1,031,508 |
| Unappropriated earnings after adjustment | | 88,208,997 |
| Plus: Current net income | | 140,695,333 |
| Less: provision for statutory reserves (10%) | | (12,747,311) |
| Plus: reversal of special reserves previously provided according to Article 41 of the Securities and Exchange Act | | (5,832,132) |
| Earnings available for distribution in the current period | | 210,324,887 |
| Distributions | | |
| Shareholders' cash dividends (NT$0.50 cash per share) | | 104,362,500 |
| Closing unappropriated earnings | $ | 105,962,387 |

Note: (1). Distributions proposed for the current period will be allocated from 2021 after-tax earnings as a priority.
(2). Appropriation of 2021 earnings, as shown above, has been resolved during the board of directors meeting held on March 14, 2022.
(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.

<table>
<tr><th colspan="3">Item</th><th>2022 (Estimate)</th></tr>
<tr><td colspan="3">Beginning paid-up capital (NT$ thousand)</td><td>2,087,250</td></tr>
<tr><td rowspan="3">Distribution of shares and dividend for 2021 (Note 1)</td><td colspan="2">Cash dividends per share (NT$)</td><td>0.50</td></tr>
<tr><td colspan="2">Share dividend per share for the surplus transferred to capital increase</td><td>-</td></tr>
<tr><td colspan="2">Share dividend per share for the capital reserve transferred to capital increase</td><td>-</td></tr>
<tr><td rowspan="7">Change of operating performance</td><td colspan="2">Operating profit</td><td rowspan="7">Not applicable (Note 2)</td></tr>
<tr><td colspan="2">Increase (decrease) percentage of operating profit from the previous year</td></tr>
<tr><td colspan="2">Net income after tax</td></tr>
<tr><td colspan="2">Increase (decrease) percentage of net income after tax from the previous year</td></tr>
<tr><td colspan="2">Earnings per Share</td></tr>
<tr><td colspan="2">Increase (decrease) percentage of EPS from the previous year</td></tr>
<tr><td colspan="2">Average annual ROI (reciprocal of average annual P/E ratio)</td></tr>
<tr><td rowspan="6">Pro forma EPS and P/E ratio</td><td rowspan="2">If all surplus transferred to capital increase distributed as cash dividends in full amount</td><td>Pro forma EPS (NT$)</td><td rowspan="6">Not applicable (Note 3)</td></tr>
<tr><td>Pro forma average annual ROI</td></tr>
<tr><td rowspan="2">If the capital reserve transferred to capital increase is not conducted</td><td>Pro forma EPS (NT$)</td></tr>
<tr><td>Pro forma average annual ROI</td></tr>
<tr><td rowspan="2">If the capital reserve and surplus transferred to capital increase is not conducted, and distributed as cash dividends</td><td>Pro forma EPS (NT$)</td></tr>
<tr><td>Pro forma average annual ROI</td></tr>
</table>

Note 1: It is the distribution resolved by the Board of directors on March 14, 2022, 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 2022; therefore not applicable
Note 3: No bonus share will be distributed this year, so not applicable.

(VIII) Employees' and directors' remunerations
1. 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.

2. 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:

   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 2021 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 and directors' remuneration on the book are both NT$1,000 thousand for 2021. However, by the resolution adopted in the board meeting on March 14, 2022, the actual distributed amount is NT$150 thousand for employees' remuneration and NT$0 for directors' remuneration. The resolved actual distribution is different form the amount recognized in the annual parent-only financial statements; the difference will be adjusted in the income/loss of 2022.
   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 2021 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 22, 2021, the Board of directors resolved to distribute NT$1,000 thousand (63%) as employees' remuneration of and NT$1,000 thousand (0.63%) as directors and supervisors' remuneration, which were not different from the recognized amount in the parent company-only financial statements of 2020.

(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 | 190,986 | 36.13 |
| - Taipei Branch | 198,849 | 37.62 |
| Construction Segment | 133,329 | 25.22 |
| Investment Segment | 5,431 | 1.03 |
| Total | 528,595 | 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, De Hong 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. d. Continue to buy lands for the joint-construction with De Hong 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 | 2021 | | 2020 | |
|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio |
| Taoyuan Branch - revenue of department store | 152,523 | 39.12 | 247,027 | 50.52 |
| - General leasing | 38,463 | 9.87 | 35,336 | 7.22 |
| Taipei Branch - leasing | 198,849 | 51.01 | 206,639 | 42.26 |
| Total | 389,835 | 100.00 | 489,002 | 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 2021 years was NT$389,835 thousand, an decrease of approximately NT$99,167 thousand comparing to the turnover of NT$489,002 thousand in 2020. This was mainly because affected by COVID-19, Taoyuan Branch’s revenue in 2021 only significantly decreased by about NT$94,504 thousand from 2020. 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$7,790 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.

② Stores 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:

① Taoyuan 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.

② The 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 43% 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 62%

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

The subsidiary, De Hong 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 is 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:

①For 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.

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

Unit: NT$ thousand

| 2019 | | | | 2020 | | | | 2022, 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 | 123,780 | 52.16 | None | A | 122,407 | 50.59 | None | | | | |
| B | 37,310 | 15.72 | None | B | 39,591 | 16.36 | None | | Not applicable | | |
| C | 19,050 | 8.03 | None | C | 18,947 | 7.83 | None | | | | |
| Others | 57,172 | 24.09 | None | Others | 61,030 | 25.22 | None | | | | |
| Total | 237,312 | 100.00 | | Total | 241,975 | 100.00 | | | | | |

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

③Construction segment: Yuyangming construction project at Yangming Mountain has been on sale since 2014, five units were sold before 2020, and there was one unit sold sales in 2021. The Jiaoxi Xien-Xien construction project has been on sale since the fourth quarter of 2017. 19 units were sold in 2020, and seven units were sold in 2021.

Unit: NT$ thousand

| 2019 | | | | 2020 | | | | 2022, 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 | 71,107 | 53.33 | None | A | 13,206 | 22.13 | None | | | | |
| B | 10,790 | 8.09 | None | B | 10,742 | 18.00 | None | | Not applicable | | |
| C | 10,575 | 7.93 | None | C | 9,492 | 15.91 | None | | | | |
| D | 8,829 | 6.62 | None | D | 9,347 | 15.67 | None | | | | |
| Others | 32,028 | 24.03 | None | Others | 16,882 | 28.29 | None | | | | |
| Total | 133,329 | 100.00 | | Total | 59,669 | 100.00 | | | | | |

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

Note 2: The total amount in 2021 increased from 2020 by NT$73,660 thousand, mainly becasue one unit of Yuyangming with high unit price was sold.

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

①Department store segment:

Unit: NT$ thousand

| 2021 | | | | 2020 | | | | 2022, up to the Q1 (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 | 68,498 | 9.49 | None | A | 79,884 | 9.36 | None | | | | |
| B | 52,818 | 7.32 | None | B | 57,601 | 6.75 | None | | Not applicable | | |
| C | 48,327 | 6.70 | None | C | 53,371 | 6.25 | None | | | | |
| D | 33,138 | 4.59 | None | D | 39,740 | 4.66 | None | | | | |
| E | 31,798 | 4.41 | None | E | 37,311 | 4.37 | None | | | | |
| F | 28,353 | 3.93 | None | F | 34,483 | 4.04 | None | | | | |
| Others | 458,514 | 63.56 | None | Others | 551,188 | 64.57 | None | | | | |
| Net purchase of goods | 721,446 | 100.00 | | Net purchase of goods | 853,578 | 100.00 | | | | | |

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

②Construction Segment:

Yuyangming construction project at Yangming 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 / Main products | 2021 Production value | 2020 Production value |
|---|---|---|
| Cost of sales | 13,406 | 79,125 |
| Cost of leasing | 37,717 | 39,224 |
| Cost of construction and engineering service sales (Note) | 139,507 | 55,133 |
| Other operating costs | 15,276 | 16,529 |
| Total | 205,906 | 190,011 |

Note: The 2021 figure includes the sales and construction cost of Yuyangming for NT$77,640 thousand, sales and construction cost of Jiaoxi Xien-Xien project for NT$61,867 thousand. For 2020, all figures were the sales and construction cost of Jiaoxi Xien-Xien project.

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

Unit: NTD thousand

| Year / Main products | 2021 Sales value | 2020 Sales value |
|---|---|---|
| Net sales revenues | 115,954 | 201,207 |
| Lease incomes | 242,743 | 247,744 |
| Construction incomes (Note) | 133,329 | 59,669 |
| Other operating revenues | 36,569 | 45,820 |
| Total | 528,595 | 554,440 |

Note: The 2021 figure includes the sales revenue of Yuyangming for NT$71,107 thousand, and sales revenue of Jiaoxi Xien-Xien project for NT$62,222 thousand. For 2020, all figures were the sales revenue of Jiaoxi Xien-Xien project

## III. Employees

| Year | | 2021 | 2020 | Current year up to April 10, 2022 |
|---|---|---|---|---|
| Number of employees | | 84.08 | 85.5 | 78.00 |
| Average age (year) | | 44.51 | 44.31 | 44.63 |
| Average years of service (year) | | 13.02 | 12.52 | 13.25 |
| Distribution of academic qualifications | PhD | 0.00 | 0.00 | 0.00 |
| | Master | 4.76 | 4.68 | 3.85 |
| | College | 68.19 | 68.42 | 69.55 |
| | Senior high school | 27.05 | 26.9 | 26.60 |
| | Lower than senior high school | 0.00 | 0.00 | 0.00 |
| | Total | 100.00 | 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. Cyber security management

(I) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

1. Cyber security risk management framework:

At present, the information security risk management is under the responsibility of the computer department. The Taipei store is directly under the deputy general manager, and the Taoyuan store is directly under the store manager. The two stores report directly to the general manager.

2. Cyber security policies:

A. When any computer is in routine maintenance or with incident, treatment and report are conducted. In the future, it is expected to hold a management review meeting at least annually, and an special meeting may be held when necessary.

B. It is recommended the future management review meeting shall review the follows:

(1) Information security audit results and improvement suggestions.
(2) Suggestions from stakeholder groups such as higher-level supervisory units, internal employees, and external units.
(3) Review for introduction of new information security products or systems.
(4) Review of corrective and preventive measures.
(5) Risk assessment suitability review.
(6) Implementation of the resolutions from the previous management review meeting.
(7) Any change affecting the information security system.

(8) Improvement suggestions made by members of the information security organization.
(9) Report on the implementation status of information security targets.
(10) The Company establishes regulations based on the scope and objectives listed in the "Information Security Policy," and applies such to measure the results of cyber security target achievement assessment.

3. Concrete management programs
   (1) Introduce antivirus software with automatically distribution and updates.
   (2) Enhance the firewall rules and network control to prevent the spread of computer viruses.
   (3) When using an external storage device, the anti-virus mechanism must be activated first to prevent malicious software from entering the Company.
   (4) Regularly communicate the Company's latest information security regulations and precautions.
   (5) Improve the employees' vigilance against social attacks in emails.
   (6) Regularly organize training for employees' ability to identify phishing emails, to enhance employees' information security awareness.
4. Investments in resources for cyber security management
   (1) Human resource: the current headcounts of the IT department, including one for Taipei Branch and four for Taoyuan branch
   (2) Assets: the expenses of various hard- and software in 2021 was NT$550,000.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

## VII.Important contracts

| Nature of contract | Counterparty | Commencement dates and expiration dates | Key content | Restrictive terms |
|---|---|---|---|---|
| Lease contract | Uni-Wonder Corporation | 2013.01.01～2027.02.28 | 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 | 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 | Luxy Corp. | 2021.04.01～2026.12.31 | 10F-7 and corridor on 1F | None |
| Lease contract | KOR International Ltd. | 2021.04.01～2026.12.31 | 10F-7 | None |
| Lease contract | Magic Closet Limited | 2020.03.01～2026.12.31 | 10F-11 | None |
| Lease contract | Vieshow Cinema | 2018.09.21～2030.09.20 | 9-12F, Taoyuan Branch | None |
| Lease contract | Singapore Hai Di Lao Catering Pte. Ltd. Taiwan Fourth Branch | 2018.09.15～2026.09.14 | 8F, Taoyuan Branch | None |
| Mid-term borrowing contract | Bank SinoPac | November 24, 2021 to November 30, 2023 | Limit of borrowing NT$1.4 billion | None |
| Mid-term borrowing contract | Bank of Taiwan | June 24, 2020 to June 24, 2023 | Limit of borrowing NT$700 million | None |
| Mid-term borrowing contract | Hua Nan Commercial Bank | September 3, 2021 to September 3, 2024 | Limit of borrowing NT$493 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 | October 5, 2021 to October 5, 2023 | Limit of borrowing NT$350 million | None |
| Mid-term borrowing contract | Taishin Commercial Bank | September 29, 2021 to September 30, 2024 | Limit of borrowing NT$278 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, 2022 (Note 1) |
|---|---|---|---|---|---|---|---|
| | | 2021 | 2020 | 2019 | 2018 | 2017 | |
| Current assets | | 1,392,796 | 1,502,547 | 1,485,145 | 1,756,795 | 1,741,284 | Not applicable |
| Property, Plant and Equipment | | 2,249,481 | 2,309,908 | 2,360,568 | 2,407,956 | 1,575,366 | |
| Net amount of investment property | | 2,158,918 | 2,165,053 | 2,159,642 | 2,154,199 | 2,153,906 | |
| Other assets | | 220,101 | 282,167 | 288,340 | 276,348 | 307,132 | |
| Total Assets | | 6,021,296 | 6,259,675 | 6,293,695 | 6,595,298 | 5,777,688 | |
| Current liabilities | Before distribution | 1,220,833 | 1,492,180 | 1,618,200 | 2,221,228 | 1,662,226 | |
| | After distribution | 1,325,196 | 1,596,543 | 1,764,308 | 2,221,228 | 1,662,226 | |
| Non-current liabilities | | 2,403,490 | 2,404,462 | 2,301,932 | 2,123,470 | 1,918,183 | |
| Total liabilities | Before distribution | 3,624,323 | 3,896,642 | 3,920,132 | 4,344,698 | 3,580,409 | |
| | After distribution | 3,728,686 | 4,001,005 | 4,066,240 | 4,344,698 | 3,580,409 | |
| Equity attributable to owners of the parent company | | 2,396,973 | 2,363,033 | 2,373,563 | 2,250,600 | 2,197,279 | |
| Share capital | | 2,087,250 | 2,087,250 | 2,087,250 | 2,087,250 | 2,087,250 | |
| Capital reserve | | 523,625 | 506,964 | 483,638 | 483,638 | 483,638 | |
| Retained earnings | Before distribution | 1,159,568 | 1,136,456 | 1,242,216 | 1,131,498 | 892,115 | |
| | After distribution | 1,055,205 | 1,032,093 | 1,096,108 | 1,131,498 | 892,115 | |
| Other interests | | (89,929) | (84,096) | (156,000) | (168,245) | 17,817 | |
| Treasury shares | | (1,283,541) | (1,283,541) | (1,283,541) | (1,283,541) | (1,283,541) | |
| Non-controlling interests | | - | - | - | - | - | |
| Total Equity | Before distribution | 2,396,973 | 2,363,033 | 2,373,563 | 2,250,600 | 2,197,279 | |
| | After distribution | 2,292,610 | 2,258,670 | 2,227,455 | 2,250,600 | 2,197,279 | |

Note 1: The aforesaid information, other than 2022 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 board of directors.

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, 2022 (Note 1) |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 | 2017 | |
| Operating revenue | 528,595 | 554,440 | 650,176 | 462,058 | 282,049 | |
| Operating costs | 205,906 | 190,011 | 323,950 | 150,247 | 47,749 | |
| Operating margin | 322,689 | 364,429 | 326,226 | 311,811 | 234,300 | |
| Operating expenses | 191,302 | 202,611 | 218,954 | 168,574 | 143,999 | |
| Net operating profit | 131,387 | 161,818 | 107,272 | 143,237 | 90,301 | |
| Non-operating income and (expense) | 10,455 | (5,575) | 26,094 | (35,982) | (68,647) | |
| Income tax expenses | 1,147 | 42,084 | 21,581 | 17,151 | (4,309) | |
| Current net income | 140,695 | 114,159 | 111,785 | 90,104 | 25,963 | |
| Current total comprehensive income (net of tax) | (19,053) | (2,340) | 11,178 | (36,783) | (4,539) | |
| Total comprehensive income in the current period | 121,642 | 111,819 | 122,963 | 53,321 | 21,424 | Not applicable |
| Equity attributable to owners of the parent company | 121,642 | 114,159 | 111,785 | 90,104 | 25,963 | |
| Net profit attributable to non-controlling interest | - | - | - | - | - | |
| Total comprehensive income attributable to owners of the parent | 121,642 | 111,819 | 122,963 | 53,321 | 21,424 | |
| Total comprehensive income attributable to the non-controlling interest | - | - | - | - | - | |
| EPS (Note 3) | 0.80 | 0.65 | 0.64 | 0.51 | 0.15 | |

Note 1: The aforesaid information, other than 2022 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 |
|---|---|---|
| 2017 | Chu, Cheng-Chun and Kuo, Tsu- | Unqualified opinion |
| 2018 | Rong | Unqualified opinion |
| 2019 | Huang Hsiu-Chun and Jeff Cheng | Unqualified opinion |
| 2020 | Huang Hsiu-Chun and Jeff Cheng | Unqualified opinion |
| | Huang Hsiu-Chun and Jeff Cheng | |
| 2021 | 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) | | | | |
|---|---|---|---|---|---|---|
| | | 2021 | 2020 | 2019 | 2018 | 2017 |
| Current assets | | 582,976 | 547,866 | 559,426 | 621,487 | 523,493 |
| Property, Plant and Equipment | | 2,249,393 | 2,309,777 | 2,360,386 | 2,407,719 | 1,575,161 |
| Net amount of investment property | | 1,988,201 | 1,992,976 | 1,986,205 | 1,979,402 | 1,977,749 |
| Other assets | | 820,698 | 913,643 | 920,563 | 976,556 | 1,031,101 |
| Total Assets | | 5,641,268 | 5,764,262 | 5,826,580 | 5,985,164 | 5,107,504 |
| Current liabilities | Before distribution | 842,199 | 998,161 | 1,152,478 | 1,612,638 | 993,386 |
| | After distribution | 946,562 | 1,102,524 | 1,298,586 | 1,612,638 | 993,386 |
| Non-current liabilities | | 2,402,096 | 2,403,068 | 2,300,539 | 2,121,926 | 1,916,839 |
| Total liabilities | Before distribution | 3,244,295 | 3,401,229 | 3,453,017 | 3,734,564 | 2,910,225 |
| | After distribution | 3,348,658 | 3,505,592 | 3,599,125 | 3,734,564 | 2,910,225 |
| Share capital | | 2,087,250 | 2,087,250 | 2,087,250 | 2,087,250 | 2,087,250 |
| Capital reserve | | 523,625 | 506,964 | 483,638 | 483,638 | 483,638 |
| Retained earnings | Before distribution | 1,159,568 | 1,136,456 | 1,242,216 | 1,131,498 | 892,115 |
| | After distribution | 1,055,205 | 1,032,093 | 1,096,108 | 1,131,498 | 892,115 |
| Other interests | | (89,929) | (84,096) | (156,000) | (168,245) | 17,817 |
| Treasury shares | | (1,283,541) | (1,283,541) | (1,283,541) | (1,283,541) | (1,283,541) |
| Total equity | Before distribution | 2,396,973 | 2,363,033 | 2,373,563 | 2,250,600 | 2,197,279 |
| | After distribution | 2,292,610 | 2,258,670 | 2,227,455 | 2,250,600 | 2,197,279 |

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 board of directors.

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) | | | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Operating revenue | 423,003 | 519,690 | 464,291 | 356,724 | 249,844 |
| Operating costs | 100,334 | 161,874 | 108,114 | 84,764 | 36,534 |
| Operating margin | 322,669 | 357,816 | 356,177 | 271,960 | 213,310 |
| Operating expenses | 171,719 | 180,589 | 191,479 | 137,712 | 106,564 |
| Net operating profit | 150,950 | 177,227 | 164,698 | 134,248 | 106,746 |
| Non-operating income and (expense) | (9,502) | (21,703) | (32,325) | (27,304) | (85,832) |
| Income tax expenses | 753 | 41,365 | 20,588 | 16,840 | (5,049) |
| Current net income | 140,695 | 114,159 | 111,785 | 90,104 | 25,963 |
| Current total comprehensive income (net of tax) | (19,053) | (2,340) | 11,178 | (36,783) | (4,539) |
| Total comprehensive income in the current period | 121,642 | 111,819 | 122,963 | 53,321 | 21,424 |
| EPS (Note 3) | 0.80 | 0.65 | 0.64 | 0.51 | 0.15 |

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 |
|---|---|---|
| 2017 | Chu, Cheng-Chun and Kuo, Tsu- | Unqualified opinion |
| 2018 | Rong | Unqualified opinion |
| 2019 | Huang Hsiu-Chun and Jeff Cheng | Unqualified opinion |
| 2020 | Huang Hsiu-Chun and Jeff Cheng | Unqualified opinion |
| | Huang Hsiu-Chun and Jeff Cheng | |
| 2021 | Huang Hsiu-Chun and Jeff Cheng | Unqualified opinion |

## II. Financial analysis of most recent five years

1. Consolidated financial analysis

| Analysis Item / Year | | Financial information for the past five fiscal years (Note 1) | | | | | Q1 2022 (Note 2) |
|---|---|---|---|---|---|---|---|
| | | 2021 | 2020 | 2019 | 2018 | 2017 | |
| Financial structure (%) | Debt to assets ratio | 60.19 | 62.25 | 62.29 | 65.88 | 61.97 | Not applicable |
| | Long term funds to property, plant and equipment | 213.40 | 206.39 | 198.07 | 181.65 | 261.24 | |
| Solvency (%) | Current ratio | 114.09 | 100.69 | 91.78 | 79.09 | 104.76 | |
| | Quick ratio | 52.66 | 41.39 | 33.59 | 26.42 | 30.74 | |
| | Interest protection multiples | 577.82 | 545.01 | 462.89 | 392.24 | 152.06 | |
| Operating abilities | Average Collection Turnover (times) | 18.82 | 23.55 | 21.52 | 15.35 | 9.48 | |
| | Average collection days | 19.39 | 15.50 | 16.96 | 23.78 | 38.50 | |
| | Inventory turnover (times) | 0.19 | 0.15 | 0.25 | 0.09 | 0.02 | |
| | Accounts payable turnover (times) | 1.36 | 1.32 | 1.96 | 1.03 | 0.23 | |
| | Average inventory turnover days | 1921.05 | 2433.33 | 1460.00 | 4055.56 | 18250.00 | |
| | Property, plant and equipment turnover (times) | 0.23 | 0.24 | 0.27 | 0.23 | 0.19 | |
| | Total assets turnover (times) | 0.09 | 0.09 | 0.10 | 0.07 | 0.05 | |
| Profitability | ROA (%) | 2.68 | 2.27 | 2.19 | 1.86 | 0.88 | |
| | ROE (%) | 5.91 | 4.82 | 4.83 | 4.05 | 1.16 | |
| | Pre-tax profit to paid-in capital (%) | 6.80 | 7.49 | 6.39 | 5.14 | 1.04 | |
| | Net profit margin (%) | 26.62 | 20.59 | 17.19 | 19.50 | 9.21 | |
| | Earnings per share (NT$) (Note 3) | 0.80 | 0.65 | 0.64 | 0.51 | 0.15 | |
| Cash flows | Cash flow ratio (%) | 21.53 | 11.27 | 24.66 | 13.45 | (4.93) | |
| | Cash flow adequacy (%) | 62.68 | 50.41 | 36.62 | 31.72 | 11.21 | |
| | Cash flow reinvestment ratio (%) | 3.29 | 0.87 | 7.84 | 6.35 | (3.84) | |
| Leverage | Operating leverage | 2.57 | 2.35 | 3.08 | 2.10 | 2.74 | |
| | Financial leverage | 1.29 | 1.28 | 1.52 | 1.27 | 1.48 | |

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 | 2021 | 2020 | Difference (%) | Description |
|---|---|---|---|---|
| Quick ratio | 52.66 | 41.39 | 27.23 | It was mainly because in 2021, the repayment was made to the banks' borrowing for about NT$133 million, and the payment to equipment was made for NT$71 million. |
| Average Collection Turnover (times) | 18.82 | 23.55 | (20.08) | It was mainly because the payment collection days at e-commerce platforms are longer, resulting in higher balance of average account receivables in 2021. |
| Average collection days | 19.39 | 15.50 | 25.10 | It was mainly because the accounts receivable turnover increased in 2021 comparing to 2020. |
| Inventory turnover (times) | 0.19 | 0.15 | 26.67 | It was mainly because the sales of construction projects in 2021 more than in 2020. |
| Average inventory turnover days | 1,921.05 | 2,433.33 | (21.05) | It was mainly because the inventory turnover increased in 2021 comparing to 2020. |
| ROE (%) | 5.91 | 4.82 | 22.61 | It was mainly because the income/loss in 2021 after tax increased by NT$27 thousand from 2020. |
| Net profit margin (%) | 26.62 | 20.59 | 29.29 | It was mainly because the income/loss in 2021 after tax increased by NT$27 thousand from 2020. |
| EPS (NT$) | 0.80 | 0.65 | 23.08 | It was mainly because the income/loss in 2021 after tax increased by NT$27 thousand from 2020. |
| Cash flow ratio (%) | 21.53 | 11.27 | 91.04 | It was mainly because the sales of construction projects in 2021 more than in 2020, resulting in the largeer inflow of funds from operating activities. |
| Cash flow adequacy (%) | 62.68 | 50.41 | 24.34 | It was mainly because the net cash inflow from operating activities for the past five years in 2021 years was significantly increased than that in 2020. |
| Cash flow reinvestment ratio (%) | 3.29 | 0.87 | 278.16 | It was mainly because the net cash inflow from operating activities in 2021 years after deducting distributed cash dividends was significantly increased than that in 2020. |

3. Parent company-only financial analysis

| Analysis Item | | Financial information for the past five fiscal years (Note 1) | | | | |
|---|---|---|---|---|---|---|
| | Year | 2021 | 2020 | 2019 | 2018 | 2017 |
| Financial structure (%) | Debt to assets ratio | 57.51 | 59.01 | 59.26 | 62.40 | 56.98 |
| | Long-term capital to property, plants and equipment | 213.35 | 206.34 | 198.02 | 181.60 | 261.19 |
| Solvency (%) | Current ratio | 69.22 | 54.89 | 48.54 | 38.54 | 52.70 |
| | Quick ratio | 64.06 | 46.77 | 38.75 | 30.51 | 38.86 |
| | Interest protection multiples | 652.57 | 623.05 | 554.92 | 474.49 | 176.53 |
| Operating abilities | Average Collection Turnover (times) | 15.15 | 22.20 | 15.37 | 12.46 | 8.94 |
| | Average collection days | 24.09 | 16.44 | 23.75 | 29.29 | 40.83 |
| | Inventory turnover (times) | 0.81 | 1.14 | 0.38 | 0.36 | 0.09 |
| | Accounts payable turnover (times) | 0.44 | 1.07 | 0.35 | 0.54 | 0.19 |
| | Average inventory turnover days | 450.62 | 320.18 | 960.53 | 1013.89 | 4055.56 |
| | Property, plant and equipment turnover (times) | 0.19 | 0.22 | 0.19 | 0.18 | 0.17 |
| | Total assets turnover (times) | 0.07 | 0.09 | 0.08 | 0.06 | 0.05 |
| Profitability | ROA (%) | 2.83 | 2.38 | 2.29 | 1.96 | 0.87 |
| | ROE (%) | 5.91 | 4.82 | 4.83 | 4.05 | 1.16 |
| | Pre-tax profit to paid-in capital (%) | 6.78 | 7.45 | 6.34 | 5.12 | 1.00 |
| | Net profit margin (%) | 33.26 | 21.97 | 24.08 | 25.26 | 10.39 |
| | Earnings per share (NT$) (Note 2) | 0.80 | 0.65 | 0.64 | 0.51 | 0.15 |
| Cash flows | Cash flow ratio (%) | 24.16 | 14.93 | 24.15 | 16.24 | 4.19 |
| | Cash flow adequacy (%) | 56.50 | 60.22 | 48.55 | 39.25 | 33.38 |
| | Cash flow reinvestment ratio (%) | 1.86 | 0.06 | 5.47 | 5.57 | (1.42) |
| Leverage | Operating leverage | 2.29 | 2.15 | 2.26 | 2.06 | 2.13 |
| | Financial leverage | 1.20 | 1.20 | 1.21 | 1.21 | 1.26 |

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 | 2021 | 2020 | Difference (%) | Description |
|---|---|---|---|---|
| Current ratio (%) | 69.22 | 54.89 | 26.11 | It is mainly because in 2021, the repayments were made to bank’s borrowings fro NT$60 million, and the current liabilities, including equipment payables and the income tax liability of the current period, decrease NT$91 million. |
| Quick ratio (%) | 64.06 | 46.77 | 36.97 | It was mainly because the current assets (excluding inventory and prepaid expenses) in 2021 increased by NT$73 million from 2020, with the current liabilities including the short-term borrowings and equipment payables decreased for about NT$156 million. |
| Average Collection Turnover (times) | 15.15 | 22.20 | (31.76) | It was mainly because the operating income for the whole year of 2021 decreased from 2020; also, the average balance of accounts receivable in from 2020. |
| Average collection days | 24.09 | 16.44 | 46.53 | It was mainly because the accounts receivable turnover in 2021 increased from 2020. |
| Inventory turnover (times) | 0.81 | 1.14 | (28.95) | It was mainly because the sales amount of department stores in 2021 decreased significantly from 2020, and the relative costs also decreased significantly. |
| Accounts payable turnover (times) | 0.44 | 1.07 | (58.88) | It was mainly because the sales amount of department stores in 2021 decreased significantly from 2020, and the relative costs also decreased significantly. |
| Average inventory turnover days | 450.62 | 320.18 | 40.74 | Mainly due to the decrease in inventory turnover in 2021 comparing to 2020. |
| Total assets turnover (times) | 0.07 | 0.09 | (22.22) | It was mainly because the amount of operating revenue in 2021 decreased significantly from 2020. |
| ROE (%) | 5.91 | 4.82 | 22.61 | It was mainly because the income/loss in 2021 after tax increased from 2020. |
| Net profit margin (%) | 33.26 | 21.97 | 51.39 | It was mainly because the income/loss in 2021 after tax increased from 2020. |
| EPS (NT$) | 0.80 | 0.65 | 23.08 | It was mainly because the income/loss in 2021 after tax increased from 2020. |
| Cash flow ratio (%) | 24.16 | 14.93 | 61.82 | It was mainly because the amount of the net cash flow-in from operating activities in 2021 increased from 2020, as well as the current liabilities decreased from 2020 due to repayments to banks. |
| Cash flow reinvestment ratio (%) | 1.86 | 0.06 | 3,000.00 | It was mainly because the net cash inflow from operating activities in 2021 years after deducting distributed cash dividends was significantly increased than that in 2020. |

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 from the Audit Committee**

# Audit Committee's Review Report

We have reviewed the Company's 2021 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

To

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

Audit Committee

Convener: Chan Shen-Hua

March 14, 2022

## 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 2021 (from January 1 to December 31, 2021). 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 14, 2022

## 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, 2021 and 2020, 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, 2021 and 2020.

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 thereof approved by the Financial Supervisory Commission, and presented a fair view of the consolidated financial position of Tonlin Group as at December 31, 2021 and 2020, and consolidated business performance and cash flow for the periods of January 1 to December 31, 2021 and 2020.

**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 2021 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 2021 consolidated financial statements of Tonlin Group are as follows:

Impairment assessment of investment properties

As at December 31, 2021, Tonlin Group had investment properties located at Xinzhuang District that were valued at NT$1,059,951 thousand, representing 18% 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$99,951 thousand in 2021, representing 19% 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 2021 and 2020, 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 abovemenetioned 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 2021 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

Approval reference of the Financial Supervisory Commission
Jin-Guan-Zhgeng-Shen-0990031652

March 14, 2022

*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, 2021 and 2020

Unit: NTD thousand

| Code | Asset | December 31, 2021 Amount | % | December 31, 2020 Amount | % |
|---|---|---|---|---|---|
| | CURRENT ASSETS | | | | |
| 1100 | Cash and cash equivalents (Notes 4 and 6) | $ 104,422 | 2 | $ 98,787 | 2 |
| 1110 | Financial assets at FVTPL (Notes 4 and 7) | 448,112 | 8 | 417,247 | 7 |
| 1136 | Financial assets carried at cost after amortization - current (Notes 4 and 9) | 22,604 | - | 20,731 | - |
| 1150 | Notes receivable (Notes 4 and 10) | - | - | 385 | - |
| 1172 | Accounts receivable (Notes 4 and 10) | 6,604 | - | 2,639 | - |
| 1175 | Lease receivable (Notes 4 and 10) | 7,135 | - | 3,430 | - |
| 1200 | Other receivables (Notes 4, 10 and 23) | 5,714 | - | 10,001 | - |
| 130X | Inventory (Notes 4, 5, 11 and 28) | 746,728 | 12 | 881,153 | 14 |
| 1470 | Prepayments and other current assets | 51,477 | 1 | 68,174 | 1 |
| 11XX | Total current assets | 1,392,796 | 23 | 1,502,547 | 24 |
| | NON-CURRENT ASSETS | | | | |
| 1517 | Financial assets at FVTOCI - non-current (Notes 4 and 8) | 22,201 | - | 66,457 | 1 |
| 1550 | Equity-accounted investments (Notes 4 and 13) | 146,467 | 3 | 162,327 | 3 |
| 1600 | Property, plant, and equipment (Notes 4, 5, 14 and 28) | 2,249,481 | 37 | 2,309,908 | 37 |
| 1760 | Investment property, net (Notes 4, 5, 15 and 28) | 2,158,918 | 36 | 2,165,053 | 35 |
| 1780 | Intangible assets (Notes 4 and 5) | 8,673 | - | 9,015 | - |
| 1840 | Deferred income tax assets (Notes 4, 5 and 23) | 22,218 | 1 | 24,774 | - |
| 1935 | Long-term lease receivable (Notes 4 and 10) | 17,586 | - | 18,406 | - |
| 1920 | Refundable deposits | 2,956 | - | 1,188 | - |
| 15XX | Total non-current assets | 4,628,500 | 77 | 4,757,128 | 76 |
| 1XXX | Total assets | $ 6,021,296 | 100 | $ 6,259,675 | 100 |
| Code | LIABILITIES AND EQUITY | | | | |
| | CURRENT LIABILITIES | | | | |
| 2100 | Short-term borrowings (Notes 4, 11, 14, 15, 16 and 28) | $ 762,450 | 13 | $ 1,022,423 | 16 |
| 2110 | Short-term bills payable (Notes 4, 11, 14, 15, 16 and 28) | 142,487 | 2 | 165,736 | 3 |
| 2150 | Note payable | 31,729 | 1 | 17,261 | - |
| 2170 | Accounts payable (Note 17) | 79,671 | 1 | 96,659 | 2 |
| 2209 | Accrued expenses (Note 18) | 35,961 | 1 | 37,683 | 1 |
| 2213 | Equipment purchase payable (Note 14) | 6,700 | - | 77,226 | 1 |
| 2219 | Other payables | 2,235 | - | 3,618 | - |
| 2230 | Current income tax liabilities (Notes 4, 5 and 23) | 1,189 | - | 21,646 | - |
| 2320 | Long-term borrowings expiring within a year (Notes 4, 14, 15, 16 and 28) | 150,000 | 2 | - | - |
| 2399 | Other current liabilities (Note 21) | 8,411 | - | 49,928 | 1 |
| 21XX | Total current liabilities | 1,220,833 | 20 | 1,492,180 | 24 |
| | NON-CURRENT LIABILITIES | | | | |
| 2540 | Long-term borrowings (Notes 4, 14, 15, 16 and 28) | 2,120,000 | 35 | 2,116,000 | 34 |
| 2572 | Deferred income tax liabilities (Notes 4, 5 and 23) | 216,801 | 4 | 217,878 | 3 |
| 2645 | Guarantee deposits received (Note 21) | 51,759 | 1 | 51,115 | 1 |
| 2640 | Net defined benefit liabilities - non-current (Notes 4 and 19) | 14,930 | - | 19,469 | - |
| 25XX | Total non-current liabilities | 2,403,490 | 40 | 2,404,462 | 38 |
| 2XXX | Total liabilities | 3,624,323 | 60 | 3,896,642 | 62 |
| | EQUITY (Notes 4, 8, 19 and 20) | | | | |
| 3110 | Common share capital | 2,087,250 | 35 | 2,087,250 | 33 |
| 3200 | Additional paid-in capital | 523,625 | 9 | 506,964 | 8 |
| | Retained earnings | | | | |
| 3310 | Statutory reserves | 474,382 | 8 | 470,347 | 7 |
| 3320 | Special reserves | 456,282 | 7 | 495,507 | 8 |
| 3350 | Unappropriated earnings | 228,904 | 4 | 170,602 | 3 |
| 3300 | Total retained earnings | 1,159,568 | 19 | 1,136,456 | 18 |
| 3400 | Other equities | ( 89,929 ) | ( 2 ) | ( 84,096 ) | ( 1 ) |
| 3500 | Treasury stock | ( 1,283,541 ) | ( 21 ) | ( 1,283,541 ) | ( 20 ) |
| 3XXX | Total equity | 2,396,973 | 40 | 2,363,033 | 38 |
| | Total liabilities and equity | $ 6,021,296 | 100 | $ 6,259,675 | 100 |

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

Chairman: Su Chien-I President: Weng Hua-Li Vice President: Chen Wen-Lung Head of Accounting: Huang Shu-Tzu

Tonlin Department Store Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For periods from January 1 to December 31, 2021 and 2020

Unit: NTD thousands, except EPS which is in dollars

| | | 2021 | | 2020 | |
|---|---|---|---|---|---|
| Code | | Amount | % | Amount | % |
| 4000 | Operating revenues (Notes 4 and 21) | $ 528,595 | 100 | $ 554,440 | 100 |
| 5000 | Operating costs (Notes 4, 11 and 22) | 205,906 | 39 | 190,011 | 34 |
| 5900 | Gross profit | 322,689 | 61 | 364,429 | 66 |
| 6000 | Operating expenses (Notes 4, 19, 22 and 27) | 191,302 | 36 | 202,611 | 37 |
| 6900 | Operating profit | 131,387 | 25 | 161,818 | 29 |
| | Non-operating income and expense | | | | |
| 7100 | Interest income (Notes 4 and 22) | 212 | - | 580 | - |
| 7010 | Other income (Notes 4 and 22) | 28,819 | 6 | 17,453 | 3 |
| 7020 | Other gains and losses (Notes 4, 7, 14, 15 and 22) | 7,601 | 1 | 7,326 | 1 |
| 7050 | Financial costs (Note 22) | ( 29,685 ) | ( 6 ) | ( 35,110 ) | ( 6 ) |
| 7060 | Share of gain/loss from associated companies accounted using the equity method (Notes 4 and 13) | 3,508 | 1 | 4,176 | 1 |
| 7000 | Total non-operating income and expenses | 10,455 | 2 | ( 5,575 ) | ( 1 ) |
| 7900 | Profit before tax | 141,842 | 27 | 156,243 | 28 |
| 7950 | Income tax expenses (Notes 4, 5 and 23) | 1,147 | - | 42,084 | 7 |
| 8200 | Current net income | 140,695 | 27 | 114,159 | 21 |

(To be Continued)

(Continued)

| Code | | 2021 Amount | 2021 % | 2020 Amount | 2020 % |
|---|---|---|---|---|---|
| | Other comprehensive income | | | | |
| 8310 | Items that will not be reclassified subsequently to profit or loss | | | | |
| 8311 | Remeasurement of defined benefit plan (Notes 4 and 19) | $ 1,290 | - | $ 38 | - |
| 8316 | Unrealized profit and loss on valuation of equity instruments at FVTOCI (Notes 4, 8, 13 and 20) | ( 17,645 ) | ( 3 ) | 7,996 | 1 |
| 8349 | Income tax on items not reclassified into profit and loss (Notes 4 and 23) | ( 2,698 ) | ( 1 ) | ( 10,374 ) | ( 2 ) |
| 8300 | Other comprehensive income - current | ( 19,053 ) | ( 4 ) | ( 2,340 ) | ( 1 ) |
| 8500 | Total comprehensive income - current | $ 121,642 | 23 | $ 111,819 | 20 |
| | Earnings per share (Note 24) | | | | |
| 9710 | Basic | $ 0.80 | | $ 0.65 | |
| 9810 | Diluted | $ 0.80 | | $ 0.65 | |

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

| Chairman: | President: | Vice President: | Head of Accounting: |
|---|---|---|---|
| Su Chien-I | Weng Hua-Li | Chen Wen-Lung | Huang Shu-Tzu |

Tonlin Department Store Co., Ltd. and Subsidiaries

Consolidated Statements of Changes Equity

For periods from January 1 to December 31, 2021 and 2020

Unit: NTD thousand

| Code | | Common share capital (Notes 4 and 20) | Additional paid-in capital (Note 20) | Retained earnings (Notes 4, 19 and 20) Statutory reserves | Special reserves | Unappropriated earnings | Total | Other equity item (Notes 4, 8, 13 and 20) Unrealized gains/losses on financial assets at FVTOCI | Treasury stock (Note 20) | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| A1 | Balance as at January 1, 2020 | $ 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 |
| | Appropriation and distribution of 2020 earnings | | | | | | | | | |
| B1 | Provision for statutory reserves | - | - | 4,035 | - | ( 4,035) | - | - | - | - |
| B3 | Reversal of special reserves | - | - | - | ( 39,225) | 39,225 | - | - | - | - |
| B5 | Cash dividends on common shares | - | - | - | - | ( 104,363) | ( 104,363) | - | - | ( 104,363) |
| | Total appropriation and distribution of 2020 earnings | - | - | 4,035 | ( 39,225) | ( 69,173) | ( 104,363) | - | - | ( 104,363) |
| M1 | Adjustment to additional paid-in capital for dividends paid to subsidiaries | - | 16,661 | - | - | - | - | - | - | 16,661 |
| D1 | 2021 net income | - | - | - | - | 140,695 | 140,695 | - | - | 140,695 |
| D3 | 2021 other comprehensive income - after tax | - | - | - | - | 1,032 | 1,032 | ( 20,085) | - | ( 19,053) |
| D5 | 2021 total comprehensive income | - | - | - | - | 141,727 | 141,727 | ( 20,085) | - | 121,642 |
| Q1 | Disposal of equity instruments at FVTOCI | - | - | - | - | ( 14,252) | ( 14,252) | 14,252 | - | - |
| Z1 | Balance as at December 31, 2021 | $ 2,087,250 | $ 523,625 | $ 474,382 | $ 456,282 | $ 228,904 | $ 1,159,568 | ($ 89,929) | ($ 1,283,541) | $ 2,396,973 |

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

Chairman: Su Chien-I President: Weng Hua-Li Vice President: Chen Wen-Lung Head of Accounting: Huang Shu-Tzu

Tonlin Department Store Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For periods from January 1 to December 31, 2021 and 2020

Unit: NTD thousand

| Code | | 2021 | 2020 |
|---|---|---|---|
| | Cash flows from operating activities | | |
| A00010 | Pre-tax profit for the current period | $ 141,842 | $ 156,243 |
| A20010 | Adjustments for: | | |
| A20100 | Depreciation expense | 73,233 | 81,590 |
| A20200 | Amortization | 602 | 595 |
| A20400 | Net loss (gain) on financial assets and liabilities at FVTPL | ( 9,489 ) | 10,551 |
| A20900 | Financial costs | 29,685 | 35,110 |
| A21200 | Interest income | ( 212 ) | ( 580 ) |
| A21300 | Dividend income | ( 6,940 ) | ( 3,902 ) |
| A22300 | Share of gain from associated companies accounted using the equity method | ( 3,508 ) | ( 4,176 ) |
| A22500 | Loss (gain) on disposal and disposition of property, plant and equipment | 68 | 3,948 |
| A22600 | Expenses reclassified from property, plant, and equipment | 269 | - |
| A22700 | Loss on disposal of investment properties | 318 | 372 |
| A23700 | Reversal of impairment on non-financial assets | - | ( 15,000 ) |
| A30000 | Changes in operating assets and liabilities | | |
| A31115 | Financial assets mandatory to be carried at FVTPL | ( 21,376 ) | ( 117,413 ) |
| A31130 | Note receivable | 385 | ( 385 ) |
| A31150 | Trade receivable | ( 3,965 ) | 112 |
| A31240 | Lease receivable | ( 2,885 ) | ( 2,355 ) |
| A31180 | Other receivables | 4,311 | ( 1,487 ) |
| A31200 | Inventories | 134,425 | 57,142 |
| A31230 | Prepayments and other current assets | 15,245 | 2,405 |
| A32130 | Note payable | 14,468 | ( 4,222 ) |
| A32150 | Accounts payable | ( 16,988 ) | 29,247 |
| A32220 | Accrued expenses | ( 1,907 ) | ( 2,513 ) |
| A32180 | Other payables | ( 1,383 ) | ( 6,476 ) |
| A32230 | Other current liabilities | ( 34,851 ) | 36,977 |
| A32240 | Net defined benefit liabilities | ( 3,249 ) | ( 5,347 ) |
| A33000 | Cash inflow from operating activities | 308,098 | 250,436 |
| A33100 | Interest received | 316 | 600 |

(To be Continued)

(Continued)

| Code | | 2021 | 2020 |
|---|---|---|---|
| A33300 | Interest paid | ( 29,549 ) | ( 35,579 ) |
| A33200 | Dividends received | 6,940 | 3,902 |
| A33500 | Income tax paid | ( 22,951 ) | ( 49,974 ) |
| AAAA | Net cash inflow from operating activities | 262,854 | 169,385 |
| | Cash flows from investing activities | | |
| B00010 | Proceeds from liquidation or capital reduction of financial assets at FVTOCI | 41,882 | 3,273 |
| B00020 | Sales of Financial assets at FVTOCI | 321 | - |
| B00040 | Disposal (acquisition) of financial assets carried at cost after amortization | ( 1,873 ) | 24,972 |
| B02700 | Acquisition of property, plant, and equipment | ( 8,973 ) | ( 29,139 ) |
| B03700 | Increase (decrease) in refundable deposits | ( 1,768 ) | 17 |
| B04500 | Acquisition and purchase of intangible assets | ( 260 ) | - |
| B05500 | Proceeds from disposal of investment property | - | 38 |
| B07100 | Increase (decrease) in equipment purchase payable | ( 74,093 ) | 17,537 |
| B07600 | Dividends received from associated companies | 3,776 | 3,115 |
| BBBB | Net cash inflow (outflow) from investing activities | ( 40,988 ) | 19,813 |
| | Cash flows from financing activities | | |
| C00100 | Decrease in short-term borrowings | ( 259,973 ) | ( 180,500 ) |
| C00600 | Short-term bills payable decreased | ( 23,200 ) | ( 1,200 ) |
| C01600 | Proceeds from long-term borrowings | 3,886,000 | 2,804,000 |
| C01700 | Repayments of long-term borrowings | ( 3,732,000 ) | ( 2,694,000 ) |
| C03000 | Increase (decrease) in deposits received | 644 | ( 2,106 ) |
| C04500 | Payment of cash dividends | ( 87,702 ) | ( 122,782 ) |
| CCCC | Net cash outflow from financing activities | ( 216,231 ) | ( 196,588 ) |
| EEEE | Net increase (decrease) in cash and cash equivalents | 5,635 | ( 7,390 ) |
| E00100 | Opening balance of cash and cash equivalents | 98,787 | 106,177 |
| E00200 | Closing balance of cash and cash equivalents | $ 104,422 | $ 98,787 |

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

| Chairman: | President: | Vice President: | Head of Accounting: |
|---|---|---|---|
| Su Chien-I | Weng Hua-Li | Chen Wen-Lung | Huang Shu-Tzu |

Tonlin Department Store Co., Ltd. and Subsidiaries

Notes to consolidated financial statements

For periods from January 1 to December 31, 2021 and 2020

(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, and officially opened for business on October 3, 2018. In addition to retaining top revenue-generating merchants, Taoyuan Branch also brought in restaurant (beverages), 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 Date and Procedures to Approve Financial Statements

This consolidated financial statements were was passed during the board of directors meeting dated March 14, 2022.

## 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 2022

| New, Revised or Amended Standards and Interpretations | Effective date of IASB announcement |
|---|---|
| “Annual Improvements of IFRSs 2018-2020” | January 1, 2022 (Note 1) |
| Amended “Reference to the Conceptual Framework” in IFRS 3 | January 1, 2022 (Note 2) |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 (Note 3) |
| Amendments to IAS 37 - "Onerous Contracts - Cost of Fulfilling a Contract" | January 1, 2022 (Note 4) |

Note 1: The 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 2: The amendment applies to the merges whose acquisition dates after the annual reported periods since January 1, 2022.

Note 3: The amendment applies to the property, plant and equipment achieving the expected operations by the management after January 1, 2021.

Note 4: The amendment applies to the contracts yet performing all obligations as of January 1, 2022.

The consolidated entity continues to evaluate that the amendments to the above standards and interpretations do not materially affect its consolidated financial position and business performance as of the publication date of this financial report.

(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) |
|---|---|
| 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 |
| Amendment to IFRS 17: “Initial Application of IFRS 17 and IFRS 9 — Comparative Information” | 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 2) |
| Amendments to IAS 8 regarding "Definition of Accounting Estimates" | January 1, 2023 (Note 3) |
| Amendment to IAS 12 “deferred tax related to assets and liabilities arising from a single transaction” | January 1, 2023 (Note 4) |

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

Note 2: These amendments will be applied prospectively in reporting periods starting from January 1, 2023.

Note 3: These amendments will be applied to changes in accounting estimates and accounting policies that take place in reporting periods after January 1, 2023.

Note 4: Other than being applicable to the deferred tax for all temporary differences related to leases and decommissioning obligations on January 1, 2022, the amendment is applicable to the transactions occurring after January 1, 2022

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 re-calculation 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. 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, 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 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

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.

When a lease includes both land and building elements, the consolidated company assesses the classification of each element as the finance or operation lease based on whether substantially all of the risks and rewards incidental to ownership of each element have been transferred to the lessee. The leasing payment is shared between the land and building, based on the relative proportions between the fair values of the land and building’s leasing rights on the date the contract executed. If the leasing payment may be reliably shared between the two elements, each element is treated with the applicable lease classification. If both elements are obviously qualified for the operation lease criteria, the overall lease is classified as an operation lease.

(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) Governmental subsidies

Governmental subsidies are only recognized when it is reasonably assured that the consolidated company will comply with the conditions attached to the governmental subsidies and receive such subsidies.

The governmental subsidies related to incomes are recognized under other incomes on the systematic basis during the period when the related costs to which the subsidies intend to compensate are recognized as expenses.

If the governmental subsidies are used to compensate the incurred expenses or losses, or the purpose is providing an immediate financial support to the consolidated company without future related cost, such subsidies are recognized under profit/loss during the period to receive such.

(XVII) 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.

(XVIII) 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. <u>Sources of uncertainty to significant accounting judgments, estimates, and assumptions</u>

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 company incorporates the development of COVID-19 pandemic in Taiwan, and its potential impact on the economic environment, as the considerations for the related material accounting estimates, including estimation of cash flow, growth rate, discount rate, and profitability. The management will continue to review the 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, 2021 and 2020 the Company had deferred income tax assets with book value of NT$22,218 thousand and NT$24,774 thousand, respectively. Due to unpredictability of future profitability, the consolidated entity had NT$193,778 thousand and NT$152,561 thousand of tax losses as at December 31, 2021 and 2020, 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 more than previously expected, there may be significant deferred income tax assets recognized additionally during the period of occurrence.

(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 property, plant, equipment, investment properties, and intangible 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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Petty cash and cash on hand | $ 294 | $ 294 |
| Check and demand (current) deposit | 95,824 | 98,493 |
| Cash equivalents | | |
| Time deposits with an original tenor of 3 months or less. | 8,304 | - |
| | $ 104,422 | $ 98,787 |

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Demand deposits | 0.01%~0.80% | 0.01%~0.05% |

VII. Financial assets at FVTPL - Current

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Financial assets designated as at FVTPL | | |
| Non-derivative financial assets | | |
| - TWSE, TPEX, and Emerging Stock Market shares | $ 129,384 | $ 120,667 |
| - Fund beneficiary certificates | 275,834 | 251,446 |
| - Foreign shares | 6,942 | 6,688 |
| - Corporate bonds | 30,819 | 23,697 |
| - Bonds | 5,133 | 14,749 |
| | $ 448,112 | $ 417,247 |

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

VIII. Financial assets at FVTOCI

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Non-current | | |
| Domestic investments | | |
| Emerging Stock Market shares | $ 4,563 | $ 4,563 |
| Unlisted shares | 5,008 | 46,890 |
| Foreign investments | | |
| Unlisted shares | 12,630 | 15,004 |
| Total | $ 22,201 | $ 66,457 |

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.

In June 2021, the consolidated company adjusted the investment positions to diversify risks. Thus, the all the common shares of Fortune Technology Fund II Ltd. were sold as the fair value for NT$321 thousand. The related other equity - unrealized valuation loss of the financial assets at fair value through other comprehensive income, NT$14,252 thousand, was transferred to the retained earnings.

The investees, WK 7 Innovation Co., Ltd., WK 8 Innovation Co., Ltd., WK Innovation Co., Ltd., and WK 5 Innovation Co., Ltd, all conducted capital decreases in cash in March 2021, and refund the share payments. The consolidated company recovered total NT$41,882 thousand per shareholdings. These companies were resolved for liquidation by their board of directors in April 2021. The liquidation has not yet been completed as of the date of the consolidated report.

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

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

The consolidated entity recognized NT$2,000 thousand and NT$8,200 thousand of unrealized loss on valuation of equity instruments at FVTOCI in 2021 and 2020, respectively.

IX. Financial assets carried at cost after amortization - current

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Domestic investments | | |
| Time deposit with initial maturity of more than 3 months | $ 22,604 | $ 20,731 |

As at December 31, 2021 and 2020, time deposits with initial tenors of 3 months or longer accrued interests ranges are all 0.815%～3.200% per annum.

X. Notes receivable, accounts receivable, and other receivables

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Arising from business activities | | |
| Note receivable | $ - | $ 385 |
| Trade receivable | 6,604 | 2,639 |
| Operating lease receivable | | |
| - Current | 7,135 | 3,430 |
| - Non-current | 17,586 | 18,406 |
| Subtotal | 24,721 | 21,836 |
| | | |
| Other receivables | | |
| Amount receivable from sale of securities | - | 5,405 |
| Utility and management fees receivable | 1,168 | 1,174 |
| Rent receivable | 126 | 126 |
| Tax refund receivable (Note 23) | 170 | 42 |
| Others | 4,250 | 3,254 |
| Subtotal | 5,714 | 10,001 |
| Total | $ 37,039 | $ 34,861 |

(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.

Note and account receivables, and age are analyzed as below:

| | December 31, 2021 | December 31, 2020 |
| --- | --- | --- |
| Not overdue | $ 1,364 | $ 3,024 |

The consolidated entity found no sign of impairment in accounts and notes receivable as at December 31, 2021 and 2020.

(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

| | December 31, 2021 | December 31, 2020 |
| --- | --- | --- |
| Proprietary inventory | | |
| Cosmetics and women's undergarments | $ 3,169 | $ 6,349 |
| Properties pending sale | | |
| Huagang Section, Shilin District, Taipei City | 603,278 | 673,457 |
| Jiaoxi Gongyuan Section, Yilan | 140,281 | 201,347 |
| | $ 746,728 | $ 881,153 |

Amount of cost of goods sold recognized from inventory totaled NT$152,913 thousand in 2021 and NT$134,258 thousand in 2020.

The consolidated entity's property pending sale at Jiaoxi Gongyuan Section, Yilan County, forms part of the joint construction agreement entered into by subsidiary - De Hong Development and a non-related party in January 2014. Under this agreement, the landlord contributed land located in Jiaoxi while De Hong 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 1.11% for 2021 and 1.15% for 2020.

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:

| | | | % of Ownership | | |
|---|---|---|---|---|---|
| Investor | Investee | Main Business | December 31, 2021 | December 31, 2020 | Explanation |
| The Company | GUAN CHAN INVESTMENT CO., LTD. | Investment | 100.0% | 100.0% | As at December 31, 2021, 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, 2021, 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, 2021, 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, 2021, the entity held 8,439,000 shares of the Company, representing 4.04% of outstanding common shares. |
| The Company | De Hong Development Co., Ltd. | Housing and Building Development and Rental | 100.0% | 100.0% | - |

The Company’s subsidiary, De Hong Development Co., Ltd., resolved by its board of directors on August 25, 2021, conducted a capital decrease to offset the deficit, with 15,000 thousand issued shares cancelled. After the capital decrease, the paid-in capital is NT$450,000 thousand, divided into 45,000 thousand shares.

XIII. Equity-accounted investments

Investments in Associates

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Associated companies with significant influence | | |
| Chung Hsiao Enterprise Co., Ltd. | $ 146,467 | $ 162,327 |

| | Percentage of share ownership/voting rights | |
|---|---|---|
| | December 31, 2021 | December 31, 2020 |
| 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:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Current asset | $ 262,235 | $ 349,312 |
| Non-current assets | 222,414 | 222,820 |
| Current liabilities | ( 26,622 ) | ( 37,117 ) |
| Non-current liabilities | ( 60,234 ) | ( 57,923 ) |
| Equity | $ 397,793 | $ 477,092 |
| Shareholding percentage of the consolidated entity | 20% | 20% |
| Consolidated entity's share of equity | $ 79,558 | $ 95,418 |
| Adjustment to fair value of non-current assets due to acquisition of shares | 66,909 | 66,909 |
| Book value of investment | $ 146,467 | $ 162,327 |

| | 2021 | 2020 |
|---|---|---|
| Current operating revenues | $ 21,737 | $ 24,650 |
| Current net income | $ 17,542 | $ 20,878 |
| Other comprehensive income - current | ($ 77,961 ) | $ 80,982 |
| Share of current net income | $ 3,508 | $ 4,176 |
| Share of other comprehensive income - current | ($ 15,592 ) | $ 16,196 |
| Dividends received from Chung Hsiao Enterprise Co., Ltd. | $ 3,776 | $ 3,115 |

Share of profit/loss and other comprehensive income from equity-accounted associated companies in 2021 and 2020 were recognized based on audited financial statements of the respective associated companies for the corresponding periods.

XIV. Property, Plant and Equipment

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Book value for each category | | |
| Land | $ 858,029 | $ 853,457 |
| Buildings, net | 1,373,230 | 1,433,238 |
| Computer and communication equipment, net | 10,734 | 11,723 |
| Transport equipment, net | 955 | 1,369 |
| Other equipment, net | 5,213 | 6,885 |
| Construction in progress | 1,320 | 3,236 |
| | $ 2,249,481 | $ 2,309,908 |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Opening balance | Increase in current year | Disposal in current year | Other adjustments | Closing balance |
| Cost | | | | | |
| Land | $ 853,457 | $ - | $ - | $ 4,572 | $ 858,029 |
| Buildings | 1,911,058 | - | ( 7,894) | 1,531 | 1,904,695 |
| Computer and communication equipment | 17,715 | 378 | ( 249) | - | 17,844 |
| Transport equipment | 4,906 | - | - | - | 4,906 |
| Other equipment | 11,242 | 140 | ( 159) | - | 11,223 |
| Construction in progress | 3,236 | 8,455 | - | ( 10,371) | 1,320 |
| | 2,801,614 | $ 8,973 | ($ 8,302) | ($ 4,268) | 2,798,017 |
| Accumulated depreciation | | | | | |
| Buildings | 477,820 | $ 61,043 | ($ 7,894) | $ 496 | 531,465 |
| Computer and communication equipment | 5,992 | 1,325 | ( 207) | - | 7,110 |
| Transport equipment | 3,537 | 414 | - | - | 3,951 |
| Other equipment | 4,357 | 1,786 | ( 133) | | 6,010 |
| | 491,706 | $ 64,568 | ($ 8,234) | $ 496 | 548,536 |
| Total | $ 2,309,908 | | | | $ 2,249,481 |

| | 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 | 1,736 | 1,500 | - | - | 3,236 |
| | 2,788,809 | $ 29,139 | ($ 10,583) | ($ 5,751) | 2,801,614 |
| 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 | 2,709 | 1,747 | ( 99) | - | 4,357 |
| | 428,241 | $ 72,411 | ($ 6,635) | ($ 2,311) | 491,706 |
| Total | $2,360,568 | | | | $2,309,908 |

Remodeling of Taoyuan Branch began in February 2017 and ended in September 2018. The project incurred a sum of approximately NT$1,112,410 thousand. As at December 31, 2021 and 2020, the project still had unpaid billings of NT$3,133 thousand and NT$77,226 thousand, respectively, that were presented as equipment purchase payable. Taoyuan Store was officially opened 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. 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 thousand for contract modification. A portion of the modification billing had already been accounted for; the unaccounted balance of NT$27,395 thousand will be adjusted prospectively into buildings - NT$27,249 thousand and repair expenses - NT$146 thousand in 2020.

As per assessment, the consolidated entity's property, plant, and equipment showed no sign of impairment as at December 31, 2021 and 2020.

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Investment Property | | |
| Xinzhuang District, New Taipei City | $ 1,059,951 | $ 1,059,951 |
| Da'an District, Taipei City | 1,098,967 | 1,105,102 |
| | $ 2,158,918 | $ 2,165,053 |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Opening balance | Increase in current year | Decrease in current year | Other adjustments | Closing balance |
| Cost | | | | | |
| Land | $ 2,016,189 | $ - | $ - | ($ 4,572) | $ 2,011,617 |
| Buildings | 325,275 | - | ( 2,945) | 6,924 | 329,254 |
| | 2,341,464 | $ - | ($ 2,945) | $ 2,352 | 2,340,871 |
| Accumulated depreciation | | | | | |
| Buildings | 176,411 | $ 8,665 | ($ 2,627) | ($ 496) | 181,953 |
| Total | $ 2,165,053 | | | | $ 2,158,918 |

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Opening balance | Increase in current year | Decrease in current year | Other adjustments | Closing balance |
| Cost | | | | | |
| Land | $ 2,016,189 | $ - | $ - | $ - | $ 2,016,189 |
| Buildings | 325,810 | - | ( 535) | - | 325,275 |
| | 2,341,999 | $ - | ($ 535) | $ - | 2,341,464 |
| Accumulated depreciation | | | | | |
| Buildings | 167,357 | $ 9,179 | ($ 125) | $ - | 176,411 |
| Cumulative impairment | | | | | |
| Land | 15,000 | $ - | ($ 15,000) | $ - | - |
| Total | $ 2,159,642 | | | | $ 2,165,053 |

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 were recognized based on fair values as at December 31, 2020. 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 both at 1.17% as at December 31, 2021 and 2020

The consolidated entity also owned several investment properties located at Renai Section, Da'an District, Taipei City, with fair values determined at NT$6,982,916 thousand and NT$6,942,566 thousand as at December 31, 2021 and 2020, 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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Secured borrowings | | |
| Bank borrowings | $ 762,450 | $ 1,022,423 |

Working capital bank borrowings bore interest rates of 0.88%～2.55% and 0.88%～1.85% as at December 31, 2021 and 2020, respectively.

(II) Short-term bills payable

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Commercial paper | $ 142,600 | $ 165,800 |
| Less: Unamortized discounts on bills payable | 113 | 64 |
| | $ 142,487 | $ 165,736 |

Commercial papers bore interest rates of 0.31%～0.80% and 0.25%～0.65% as at December 31, 2021 and 2020, 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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Secured borrowings | | |
| Bank SinoPac | | |
| Credit line: NT$1,400,000,000. Contract tenor: October 8, 2020 to October 31, 2022. A new contract starting November 24, 2021 and ending November 30, 2023 was signed on November 24, 2021. | $ 1,050,000 | $ 1,100,000 |

(To be Continued)

(Continued)

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Bank of Taiwan | | |
| Credit line: NT$600,000,000. Contract tenor: June 24, 2020 to June 24, 2023. | $ 600,000 | $ 446,000 |
| Hua Nan Bank | | |
| Credit line: NT$293,000,000. The contract periods are January 11, 2019 to January 11, 2020; and December 31, 2019 to December 31, 2020. Within the borrowing limit, term of each drawdown is three years. The borrowings have been due since January 2022 to May 2023, successively. | 290,000 | 290,000 |
| Taishin Bank | | |
| Credit line: NT$278,000,000. Contract tenor: September 30, 2021 to September 30, 2024. | 50,000 | - |
| First Commercial Bank | | |
| Credit line: NT$350,000,000. Contract tenor: August 28, 2020 to August 28, 2022. A new contract starting October 5, 2021 and ending October 5, 2023 was signed on October 5, 2021. | 280,000 | 280,000 |
| | 2,270,000 | 2,116,000 |
| Less: parts that listed as due within in a year | 150,000 | - |
| Long-term borrowings | $ 2,120,000 | $ 2,116,000 |

Effective interest rate range for long-term borrowings:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Effective interest rate: | | |
| Floating interest rate borrowing | 0.800%~1.050% | 0.800%~1.050% |
| Fixed interest rate borrowing | 0.875%~0.890% | 0.875%~0.910% |

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Accounts payable | | |
| Arising from business activities | $ 79,671 | $ 96,659 |

The average credit term for trade purchases is 30 days.

XVIII. Accrued expenses

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Salary and bonus payable | $ 15,099 | $ 16,348 |
| Tax payable | 8,962 | 8,987 |
| Utility expenses payable | 4,668 | 4,914 |
| Others | 7,232 | 7,434 |
| | $ 35,961 | $ 37,683 |

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:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Present value of defined benefit obligations | $ 40,883 | $ 43,545 |
| Fair value of plan assets | ( 25,953 ) | ( 24,076 ) |
| Net defined benefit liabilities | $ 14,930 | $ 19,469 |

Changes in net defined benefit liability:

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liabilities |
|---|---|---|---|
| January 1, 2021 | $ 43,545 | ( $ 24,076 ) | $ 19,469 |
| Servicing costs | | | |
| Service costs for the current period | 393 | - | 393 |
| Interest expense (income) | 163 | ( 91 ) | 72 |
| Recognized in profit or loss | 556 | ( 91 ) | 465 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts already included in net interest) | - | ( 328 ) | ( 328 ) |
| Actuarial loss - change in demographic assumption | 654 | - | 654 |
| Actuarial profit - change in financial assumption | ( 747 ) | - | ( 747 ) |
| Actuarial gain - adjustment based on past experience | ( 869 ) | - | ( 869 ) |
| Recognized in other comprehensive income | ( 962 ) | ( 328 ) | ( 1,290 ) |
| Employer's contribution | - | ( 3,714 ) | ( 3,714 ) |
| Plan asset payments | ( 2,256 ) | 2,256 | - |
| December 31, 2021 | $ 40,883 | ( $ 25,953 ) | $ 14,930 |
| | | | |
| January 1, 2020 | $ 42,274 | ( $ 17,420 ) | $ 24,854 |
| Servicing costs | | | |
| Service costs for the current period | 417 | - | 417 |
| Interest expense (income) | 318 | ( 133 ) | 185 |
| Recognized in profit or loss | 735 | ( 133 ) | 602 |
| 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 ) | - | ( 788 ) |
| Recognized in other comprehensive income | 536 | ( 574 ) | ( 38 ) |
| Employer's contribution | - | ( 5,949 ) | ( 5,949 ) |
| December 31, 2020 | $ 43,545 | ( $ 24,076 ) | $ 19,469 |

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

| | 2021 | 2020 |
|---|---|---|
| Administrative expenses | $ 465 | $ 602 |

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:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Discount rate | 0.625% | 0.375% |
| 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:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Discount rate | | |
| 0.25% increase | ( $ 733 ) | ( $ 889 ) |
| 0.25% decrease | $ 755 | $ 918 |
| Expected salary increase | | |
| 0.25% increase | $ 732 | $ 886 |
| 0.25% decrease | ( $ 714 ) | ( $ 863 ) |

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.

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Expected contributions in the next year | $ 360 | $ 389 |
| Average maturity of defined benefit obligations | 7.2 years | 8.1 years |

XX. Equity

(I) Common share capital

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Authorized and issued shares (thousand shares) | 208,725 | 208,725 |
| Authorized and paid-in capital | $ 2,087,250 | $ 2,087,250 |

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Shares premium from issuance | $ 71,028 | $ 71,028 |
| Treasury stock transaction | 452,597 | 435,936 |
| | $ 523,625 | $ 506,964 |

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.

The Company's shareholders' meeting resolved to amend the Articles of Incorporation on August 31, 2021. 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. The shareholders' dividends are not lower than 10% of the distributable earnings of the year; of which, cash dividends shall not account for less than 50% of the sum of cash dividends plus stock dividends. However, the Company may forgo dividend payment if distributable earnings amount to NT$0.2 or less in a given year.

Other than aforesaid, the shareholders' meeting also specified that as required by laws, the Company shall make provision for special earnings reserve from unappropriated earnings carried from previous years for any net contra-equity balances accumulated under other contra-equity items in previous years before distributing earnings. If the Company is unable to make adequate provision from unappropriated earnings carried from previous years, the Company shall treat current net income and non-net income items as unappropriated earnings and make provisions accordingly.

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.

The distribution of earnings for 2020 and 2019 are described as following:

| | 2020 | 2019 |
|---|---|---|
| Statutory reserves | $ 4,035 | $ 11,072 |
| Reversal of special reserves | ($ 39,225) | ($ 176,716) |
| Cash dividends | $ 104,363 | $ 146,108 |
| Cash dividends per share (NT$) | $ 0.5 | $ 0.7 |

The aforesaid cash dividend distributions were resolved by the board of directors on March 22, 2021 and March 23, 2020; and the earning distribution item for 2019 were resolved by the AGM on June 22, 2020. To respond to the "Measures Related to Postponing Shareholders' Meeting of Public Companies to Cope with the Pandemic," announced by FSC, the Company cancelled the originally scheduled shareholders' meeting, and convened the meeting on August 31, 2021.

Details of the 2021 earnings appropriation plan proposed by the board of directors in meeting dated March 14, 2022 are as follows:

| | Appropriation of Earnings |
|---|---|
| Provision for statutory reserves | $ 12,747 |
| Provision for special reserves | $ 5,832 |
| Cash dividends | $104,363 |
| Cash dividends per share (NT$) | $ 0.5 |

For the above cash dividend, the board of directors has resolved to set April 20, 2022 as the baseline date, and May 9, 2022 as the expected cash dividend payment date. Appropriation of 2021 earnings is still pending for shareholders' resolution in the annual general meeting scheduled on June 14, 2022.

(IV) Special reserves

The Company reclassified NT$372,185 thousand 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 2020 and 2019 earnings, the Company made reversal and provision for special reserves totaling NT$39,225 thousand and NT$176,716 thousand, 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.

(V) Other items of equity

Unrealized gain/(loss) on financial assets at FVTOCI

| | 2021 | 2020 |
|---|---|---|
| Opening balance | ($ 84,096) | ($ 156,000) |
| Incurred in the current year | | |
| Unrealized loss - equity instrument (Note 8) | ( 4,493) | ( 7,960) |
| Share of equity-accounted associated companies | ( 15,592) | 16,196 |
| Adjustment to previous years | | |
| Unrealized gain/(loss) - Equity instruments | - | ( 10,606) |
| Transfer of cumulative gains/losses to retained earnings following disposal of equity instrument | 14,252 | 74,274 |
| Closing balance | ($ 89,929) | ($ 84,096) |

(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 |
|---|---|---|---|---|
| 2021 | | | | |
| Subsidiaries' holding of the Company's shares reclassified from investment into treasury stock | 33,322 | - | - | 33,322 |
| 2020 | | | | |
| Subsidiaries' holding of the Company's shares reclassified from investment into treasury stock | 33,322 | - | - | 33,322 |

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 |
|---|---|---|---|
| December 31, 2021 | | | |
| GUAN CHAN INVESTMENT CO., LTD. | 8,750 | $ 337,066 | $ 350,000 |
| JIA FONG INVESTMENT CO., LTD. | 8,767 | 337,787 | 350,680 |
| SONG YUAN INVESTMENT CO., LTD. | 7,366 | 283,545 | 294,640 |
| SHUN TAI INVESTMENT CO., LTD. | 8,439 | 325,143 | 337,560 |
| | | $ 1,283,541 | $ 1,332,880 |
| December 31, 2020 | | | |
| GUAN CHAN 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 | 325,143 | 446,423 |
| | | $ 1,283,541 | $ 1,762,735 |

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

| | 2021 | 2020 |
|---|---|---|
| Net sales revenues | $ 115,954 | $ 201,207 |
| Lease incomes | 242,743 | 247,744 |
| Construction incomes | 133,329 | 59,669 |
| Other operating revenues | 36,569 | 45,820 |
| | $ 528,595 | $ 554,440 |

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

| | 2021 | 2020 |
|---|---|---|
| Net sales revenues | | |
| Revenues from sale of merchandise | $ 16,003 | $ 91,736 |
| Retail commission income | 99,951 | 109,471 |
| | $ 115,954 | $ 201,207 |
| Construction incomes | | |
| Income from sale of property | $ 133,329 | $ 59,669 |
| Other operating revenues | | |
| Incomes from merchants' subsidy for department renovation | $ 1,326 | $ 5,359 |
| Management fee income | 28,590 | 30,073 |
| Others | 6,653 | 10,388 |
| | $ 36,569 | $ 45,820 |

Analysis of retail commission income:

| | 2021 | 2020 |
|---|---|---|
| Total department sales | $ 829,926 | $ 975,696 |
| Retail commission income | $ 99,951 | $ 109,471 |

(III) Contract balance

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Contract liability | $ 6,391 | $ 46,996 |

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) Lease incomes

| | 2021 | 2020 |
|---|---|---|
| Lease incomes | | |
| Investment Property | $ 204,280 | $ 212,408 |
| Share of mall rental income | 38,463 | 35,336 |
| | $ 242,743 | $ 247,744 |

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, 2021 and 2020, the consolidated entity had collected deposits totaling NT$51,609 thousand and NT$50,965 thousand, 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

| | 2021 | 2020 |
|---|---|---|
| Cost of sales | $ 13,406 | $ 79,125 |
| Cost of leasing | 37,717 | 39,224 |
| Construction cost | 139,507 | 55,133 |
| Other operating costs | 15,276 | 16,529 |
| | $ 205,906 | $ 190,011 |

(II) Interest income

| | 2021 | 2020 |
|---|---|---|
| Cash in banks | $ 212 | $ 580 |

(III) Other income

| | 2021 | 2020 |
|---|---|---|
| Carpark income | $ 7,630 | $ 9,244 |
| Dividend income | 6,940 | 3,902 |
| Incomes from governmental subsidies | 9,813 | - |
| Others | 4,436 | 4,307 |
| | $ 28,819 | $ 17,453 |

The governmental subsidies are the subsidies to the business having difficulties due to impacts of COVID-19 in service sectors, provided by MOEA, and the compensation of the re-zoning urban land announced by New Taipei City Government. In 2021, the total amount received was NT$9,813 thousand.

(IV) Other gains or losses

| | 2021 | 2020 |
|---|---|---|
| Loss from disposal of property, plant and equipment | ($ 68) | ($ 3,948) |
| Loss on disposal of investment properties | ( 318) | ( 372) |
| Net gain (loss) on currency exchange | ( 119) | 956 |
| Gain (loss) on financial assets mandatory to be carried at FVTPL | 10,444 | ( 1,563) |
| Sundry expenses | ( 2,338) | ( 2,747) |
| Reversal of impairment loss on investment property (Note 15) | - | 15,000 |
| | $ 7,601 | $ 7,326 |

Net gain/loss on financial assets mandatory to be carried at FVTPL includes: (A) Gain/loss on fair value changes totaling -NT$9,489 thousand of gain in 2021 and NT$10,551 thousand of loss in 2020; and (B) Gain on disposal totaling NT$955 thousand in 2021 and NT$8,988 thousand in 2020.

(V) Financial costs

| | 2021 | 2020 |
|---|---|---|
| Interest on bank loans | $ 29,685 | $ 35,110 |

There was no capitalization of interest in 2021 and 2020.

(VI) Depreciation and amortization

| | 2021 | 2020 |
|---|---|---|
| Property, Plant and Equipment | $ 64,568 | $ 72,411 |
| Investment Property | 8,665 | 9,179 |
| Intangible asset | 602 | 595 |
| Total | $ 73,835 | $ 82,185 |
| An analysis of depreciation by function | | |
| Operating costs | $ 17,500 | $ 19,870 |
| Operating expenses | 55,733 | 61,720 |
| | $ 73,233 | $ 81,590 |
| An analysis of amortization by function | | |
| Operating costs | $ 148 | $ 149 |
| Operating expenses | 454 | 446 |
| | $ 602 | $ 595 |

(VII) Employee benefits expense

| | 2021 | 2020 |
|---|---|---|
| Retirement benefits (Note 19) | | |
| Defined contribution plans | $ 2,059 | $ 2,133 |
| Defined benefit plan | 465 | 602 |
| Subtotal | 2,524 | 2,735 |
| Other employee benefits | 69,192 | 70,173 |
| Total | $ 71,716 | $ 72,908 |
| An analysis by function | | |
| Operating expenses | $ 71,716 | $ 72,908 |

(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). 2021 and 2020 employee/director remuneration were resolved in board of directors meetings dated March 14, 2022 and March 22, 2021, respectively. Details are as follows:

Ratio

| | 2021 | 2020 |
|---|---|---|
| Remuneration to employees | 0.10% | 0.63% |
| Remuneration to directors | - | 0.63% |

Amount

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Cash | Stocks | Cash | Stocks |
| Remuneration to employees | $ 150 | $ - | $ 1,000 | $ - |
| Remuneration to directors | - | - | 1,000 | - |

The amount actually paid of the employee' and directors' remunerations resolved by the board of directors on March 14, 2022 are different form the recognized amount in the annual consolidated financial statements. The difference is adjusted as the profit/loss in 2022.

| | 2021 | |
|---|---|---|
| | Remuneration to employees | Remuneration to directors |
| The distribution amou resolved by the boa of directors | $ 150 | $ - |
| The amount recognized the annual consol dated financial stat ments | 1,000 | 1,000 |

The actual amounts of 2020 and 2019 employee remuneration and director remuneration paid were indifferent from the amounts recognized in the 2020 and 2019 financial statements.

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

(IX) Gains (losses) on foreign currency exchange

| | 2021 | 2020 |
|---|---|---|
| Foreign exchange gains | $ 13,913 | $ 14,340 |
| Total loss on currency exchange | ( 14,032 ) | ( 13,384 ) |
| Net (loss) profit | ( $ 119 ) | $ 956 |

## XXIII. Income tax

### (I) Income tax recognized in profit or loss

Major components of tax expense were as follows:

| | 2021 | 2020 |
|---|---|---|
| Tax currently payable | | |
| Incurred in the current year | $ 1,399 | $ 33,730 |
| Levied on unappropriated earnings | - | 5,131 |
| Prior years adjustment | 967 | ( 387 ) |
| | 2,366 | 38,474 |
| Deferred tax | | |
| Incurred in the current year | ( 1,219 ) | 3,610 |
| Income tax expense recognized in profit or loss | $ 1,147 | $ 42,084 |

Reconciliation of accounting income and income tax expense:

| | 2021 | 2020 |
|---|---|---|
| Profit before tax | $ 141,842 | $ 156,243 |
| Income tax derived by applying the statutory tax rate to pre-tax net profit | $ 26,756 | $ 31,447 |
| Loss (gain) on valuation of financial assets | ( 1,900 ) | 2,109 |
| Levied on unappropriated earnings | - | 5,131 |
| Tax-exempt income | ( 4,161 ) | ( 1,250 ) |
| Unrecognized losses carried forward | 8,244 | 3,820 |
| Unrecognized temporary difference | 243 | 1,214 |
| Difference to paid for the basic tax amount | 998 | - |
| Recognized deficit offset with the capital decrease of the subsidiary | ( 30,000 ) | - |
| Previous income taxes adjusted in the current year | 967 | ( 387 ) |
| Income tax expense recognized in profit or loss | $ 1,147 | $ 42,084 |

(II) Income tax recognized in other comprehensive income

| | 2021 | 2020 |
|---|---|---|
| Deferred tax | | |
| Incurred in the current year | | |
| - Remeasurement of defined benefit plan | ($ 258) | ($ 8) |
| - Equity instruments at FVTOCI | ( 2,440) | 240 |
| Prior years adjustment | | |
| - Equity instruments at FVTOCI | - | ( 10,606) |
| | ($ 2,698) | ($ 10,374) |

(III) Current income tax assets and liabilities

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Current income tax asset | | |
| Tax refunds receivable (presented as other receivables) | $ 170 | $ 42 |
| Current tax liabilities | | |
| Income tax payable | $ 1,189 | $ 21,646 |

(IV) Deferred income tax assets and liabilities

Below are changes in deferred income tax assets and liabilities:

2021

| Deferred tax assets | Opening balance | Recognized in profit or loss | Recognized in other comprehensive income | Closing balance |
|---|---|---|---|---|
| Temporary difference | | | | |
| Impairment loss of financial assets at FVTOCI | $ 15,474 | $ - | ( $ 2,440) | $ 13,034 |
| Defined benefit plan | 9,261 | - | ( 258) | 9,003 |
| Others | 39 | 142 | - | 181 |
| | $ 24,774 | ($ 142) | ($ 2,698) | $ 22,218 |

(To be Continued)

(Continued)

| Deferred tax liabilities | Opening balance | Recognized in profit or loss | Recognized in other comprehensive income | Closing balance |
|---|---|---|---|---|
| Temporary difference | | | | |
| Provision for land increment value tax | $ 213,961 | $ - | $ - | $ 213,961 |
| Adjustment for rent-free period | 3,917 | ( 1,077 ) | - | 2,840 |
| | $ 217,878 | ( $ 1,077 ) | $ - | $ 216,801 |

2020

| Deferred tax assets | Opening balance | Recognized in profit or loss | Recognized in other comprehensive income | Closing balance |
|---|---|---|---|---|
| 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 | 628 | ( 589 ) | - | 39 |
| | $ 38,737 | ( $ 3,589 ) | ( $ 10,374 ) | $ 24,774 |

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

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Loss carried forward | | |
| 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 | 57,509 | 57,509 |
| Expiring 2030 | 19,285 | 19,285 |
| Expiring in 2031 | 41,217 | - |
| | $ 193,778 | $ 152,561 |

(VI) Income tax assessments

The Company and subsidiaries De Hong Development as of 2019 and GUAN CHAN INVESTMENT, JIA FONG INVESTMENT, SHUN TAI INVESTMENT, and SONG YUAN INVESTMENT as of 2020, the income tax filings have been certified by the tax authority.

XXIV. EPS

Unit: share/NT$

| | 2021 | 2020 |
|---|---|---|
| Basic earnings per share | $ 0.80 | $ 0.65 |
| Diluted earnings per share | $ 0.80 | $ 0.65 |

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

Current net income

| | 2021 | 2020 |
|---|---|---|
| Current net income | $ 140,695 | $ 114,159 |

Number of shares

Unit: Thousand Shares

| | 2021 | 2020 |
|---|---|---|
| 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 | 32 | 26 |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | 175,435 | 175,429 |

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, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Domestic listed shares | | | | |
| - Equity investments | $ 129,384 | $ - | $ - | $ 129,384 |
| Foreign public-listed (OTC-traded) securities | | | | |
| - Equity investments | 6,942 | - | - | $ 6,942 |
| - Bond investments | 35,952 | - | - | 35,952 |
| Fund beneficiary certificates | 275,834 | - | - | 275,834 |
| Total | $ 448,112 | $ - | $ - | $ 448,112 |

(To be Continued)

(Continued)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTOCI | | | | |
| Investment in equity instruments | | | | |
| - Emerging stock market shares | $ - | $ - | $ 4,563 | $ 4,563 |
| - Domestic unlisted shares | - | - | 5,008 | 5,008 |
| - Foreign unlisted shares | - | - | 12,630 | 12,630 |
| Total | $ - | $ - | $ 22,201 | $ 22,201 |

December 31, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| 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 | 251,446 | - | - | 251,446 |
| Total | $ 417,247 | $ - | $ - | $ 417,247 |
| 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 | $ - | $ - | $ 66,457 | $ 66,457 |

There was no change of fair value input between level 1 and level 2 in 2021 and 2020.

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 2021 and 2020 balances is explained below:

| | 2021 | 2020 |
|---|---|---|
| Opening balance | $ 66,457 | $ 77,497 |
| Recognized as other comprehensive income (unrealized loss on valuation of financial assets at FVTOCI) | ( 2,000 ) | ( 8,200 ) |
| Refund from capital reduction | ( 41,882 ) | ( 2,840 ) |
| Disposal | ( 374 ) | - |
| Closing balance | $ 22,201 | $ 66,457 |

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Financial asset | | |
| At FVTPL | | |
| Financial assets designated as at FVTPL | $ 448,112 | $ 417,247 |
| Financial assets at amortized cost (Note 1) | 142,130 | 133,689 |
| Financial assets at FVTOCI - Investment in equity instruments | 22,201 | 66,457 |
| Financial liability | | |
| Financial liabilities carried at amortized cost (Note 2) | 3,358,931 | 3,526,386 |

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 refundable deposits, 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 liabilities due within one year, refundable deposits, 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 instrument investmets, 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:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Fair value interest rate risk | | |
| -Financial assets | $ 8,608 | $ 331 |
| -Financial liabilities | 1,654,487 | 1,737,236 |
| Cash flow interest rate risk | | |
| -Financial assets | 117,882 | 118,781 |
| -Financial liabilities | 1,520,450 | 1,566,923 |

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 2021 and 2020 pre-tax profit by NT$3,506 thousand and NT$3,620 thousand, 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 company is exposed to the risk of equity price variation due to investment in domestic and foreign listed 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 2021 and 2020 would have increased/decreased by NT$13,633 thousand and NT$12,736 thousand, respectively, due to a rise/fall in the fair value of financial assets at FVTPL. Meanwhile, pre-tax other comprehensive income for 2021 and 2020 would have increased/decreased by NT$2,220 thousand and NT$6,646 thousand, 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 95% and 94% of the balance as at December 31, 2021 and 2020, 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, 2021

| | Repayable upon demand or within 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| Non-interest bearing liabilities | $ 156,296 | $ - | $ - | $ - |
| Floating rate instruments | 159,100 | - | 171,350 | 1,190,000 |
| Fixed rate instruments | 136,000 | 588,487 | - | 930,000 |
| | $ 451,396 | $ 588,487 | $ 171,350 | $ 2,120,000 |

December 31, 2020

| | Repayable upon demand or within 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| Non-interest bearing liabilities | $ 232,447 | $ - | $ - | $ - |
| Floating rate instruments | 10,500 | - | 166,423 | 1,390,000 |
| Fixed rate instruments | 382,798 | 628,438 | - | 726,000 |
| | $ 625,745 | $ 628,438 | $ 166,423 | $ 2,116,000 |

Bank borrowing constitutes a main source of liquidity for the consolidated entity. As at December 31, 2021 and 2020, the consolidated entity had undrawn bank limits of NT$1,529,900 thousand and NT$1,533,201 thousand, respectively.

XXVII. Related party transaction

All income, expenses, and losses of 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:

| | 2021 | 2020 |
|---|---|---|
| Short-term employee benefits | $ 16,261 | $ 15,649 |
| Post-employment benefits | 164 | 180 |
| | $ 16,425 | $ 15,829 |

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:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Inventories | | |
| - Properties pending sale | $ 705,672 | $ 802,423 |
| Property, Plant and Equipment | | |
| - Land | 840,092 | 835,520 |
| - Buildings | 768,365 | 768,610 |
| Investment Property | 1,029,946 | 1,041,651 |
| | $ 3,344,075 | $ 3,448,204 |

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, 2021

| Financial asset | Foreign currency | Exchange rate | Carrying amount |
|---|---|---|---|
| Monetary items | | | |
| USD | $ 830 | 27.680 | $ 22,988 |
| RMB | 488 | 4.344 | 2,121 |
| ZAR | 1,076 | 1.733 | 1,865 |
| | | | $ 26,974 |

(To be Continued)

(Continued)

| | Foreign currency | Exchange rate | Carrying amount |
|---|---|---|---|
| Non-monetary items | | | |
| USD | $ 3,028 | 27.680 | $ 83,811 |
| RMB | 616 | 4.344 | 2,674 |
| ZAR | 544 | 1.733 | 942 |
| | | | $ 87,427 |

December 31, 2020

| Financial asset | Foreign currency | Exchange rate | Carrying amount |
|---|---|---|---|
| Monetary items | | | |
| USD | $ 647 | 28.480 | $ 18,443 |
| HKD | 161 | 3.673 | 590 |
| | | | $ 19,033 |
| Non-monetary items | | | |
| 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 |
| | | | $ 93,197 |

The consolidated entity reported net gain/loss (realized and unrealized) on exchange totaling net loss of NT$119 thousand in 2021 and net gain of NT$956 thousand in 2020. 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

(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 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 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Department store segment | | | | |
| - Taoyuan Branch | $ 190,986 | $ 282,363 | $ 19,845 | $ 34,142 |
| - Taipei Branch | 198,849 | 206,639 | 133,232 | 140,753 |
| Investment Segment | 5,431 | 5,769 | 2,844 | 3,156 |
| Construction Segment | 133,329 | 59,669 | ( 24,534) | ( 16,233) |
| Total from continuing operations | $ 528,595 | $ 554,440 | 131,387 | 161,818 |

(To be Continued)

(Continued)

| | Segment Revenue | | segment profit or loss | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Other income and interest income | | | $ 29,031 | $ 18,033 |
| Other gains and losses | | | 7,601 | 7,326 |
| Financial costs | | | ( 29,685) | ( 35,110) |
| Share of profit/loss from equity-accounted associated companies | | | 3,508 | 4,176 |
| Profit before tax | | | $ 141,842 | $ 156,243 |

The investment, construction, and food & beverage segments each paid the department store segment a rent of NT$600 thousand in 2021 and 2020; 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, 2021

Table 1 Unit: NTD thousand

| Holding Company Name | Name and type of marketable security | Relationship with the Holding Company | Financial Statement Account | December 31, 2021 | | | | 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 | 896,000 | $ 660 | 5.32 | $ 660 | |
| | WK Technology Fund VIII | - | Equity instrument at FVTOCI - Non-current | 1,589,500 | 295 | 6.67 | 295 | |
| | WK Technology Fund | - | Equity instrument at FVTOCI - Non-current | 29,914 | 3,632 | 3.00 | 3,632 | |
| | WK Technology Fund V | - | Equity instrument at FVTOCI - Non-current | 1,192,125 | 421 | 4.17 | 421 | |
| | Wholesome Biopharm Pty Ltd. | - | Equity instrument at FVTOCI - Non-current | 10,000,000 | 12,630 | 12.16 | 12,630 | |
| | 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 | - | |
| | KDH Design CO., Ltd. | - | Equity instrument at FVTOCI - Non-current | 40,000 | - | 2.03 | - | |
| | Julien's International Entertainment Group Co., Ltd. | - | Equity instrument at FVTOCI - Non-current | 373,501 | 4,563 | 1.30 | 4,563 | |
| | 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 | 3,090,491.02 | 46,318 | - | 46,318 | |
| | Franklin Templeton Sinoam Money Market | - | Financial assets at FVTPL - Current | 4,307,371.38 | 45,028 | - | 45,028 | |
| | FSITC Taiwan Money Market | - | Financial assets at FVTPL - Current | 2,609,036.20 | 40,365 | - | 40,365 | |
| | Prudential Financial Money Market Fund | - | Financial assets at FVTPL - Current | 938,878.70 | 15,014 | - | 15,014 | |
| | CTBC Asia Pacific Real Income Fund | - | Financial assets at FVTPL - Current | 200,000.00 | 2,104 | - | 2,104 | |

(To be Continued)

(Continued)

| Holding Company Name | Name and type of marketable security | Relationship with the Holding Company | Financial Statement Account | December 31, 2021 | | | | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares / units | Carrying amount | Shareholding percentage | Fair value | |
| | Taishin 1699 Money Market | - | Financial assets at FVTPL - Current | 2,926,522.40 | $ 40,030 | - | $ 40,030 | |
| | Taishin Ta Chong Money Market Fund | - | Financial assets at FVTPL - Current | 1,045,388.40 | 15,002 | - | 15,002 | |
| | Eastspring Investments Well Pool Money Market Fund | - | Financial assets at FVTPL - Current | 727,839.10 | 10,001 | - | 10,001 | |
| | Fuh Hwa South Africa Short-Term Income ZAR Fund B | - | Financial assets at FVTPL - Current | 60,260.90 | 942 | - | 942 | |
| | Nomura Four Years Ladder Maturity Emerging Market Bond Fund CNY Acc | - | Financial assets at FVTPL - Current | 57,600.00 | 2,674 | - | 2,674 | |
| | Franklin Utilities Fund A | - | Financial assets at FVTPL - Current | 2,145.00 | 1,307 | - | 1,307 | |
| | Pictet-Russian Equities R | - | Financial assets at FVTPL - Current | 120.87 | 308 | - | 308 | |
| | BlackRock Global Funds - World Technology Fund A2 | - | Financial assets at FVTPL - Current | 258.06 | 601 | - | 601 | |
| | LionGlobal Vietnam Fund | - | Financial assets at FVTPL - Current | 15,162.59 | 367 | - | 367 | |
| | Allianz Global Investors Fund - Allianz Oriental Income A | - | Financial assets at FVTPL - Current | 122.39 | 783 | - | 783 | |
| | JPMorgan Funds - China Fund | - | Financial assets at FVTPL - Current | 1,042.41 | 2,795 | - | 2,795 | |
| | JPMorgan Asia Growth | - | Financial assets at FVTPL - Current | 4,726.35 | 2,933 | - | 2,933 | |
| | Templeton Asian Growth Fund A USD | - | Financial assets at FVTPL - Current | 570.99 | 680 | - | 680 | |
| | BlackRock World Mining Fund | - | Financial assets at FVTPL - Current | 1,049.10 | 1,825 | - | 1,825 | |
| | BNP Paribas Funds Energy Transition | - | Financial assets at FVTPL - Current | 979.24 | 4,333 | - | 4,333 | |
| | JPMorgan Funds - Emerging Markets Equity | - | Financial assets at FVTPL - Current | 515.11 | 708 | - | 708 | |
| | BNP Paribas Funds Emerging Bond Opportunities Classic MD Distribution | - | Financial assets at FVTPL - Current | 603.40 | 255 | - | 255 | |
| | JPMorgan Pacific Technology Fund (sub-fund) Franklin Income Fund | - | Financial assets at FVTPL - Current | 462.93 | 1,480 | - | 1,480 | |
| | | - | Financial assets at FVTPL - Current | 8,947.37 | 2,868 | - | 2,868 | |

(To be Continued)

(continued)

| Holding Company Name | Name and type of marketable security | Relationship with the Holding Company | Financial Statement Account | December 31, 2021 | | | | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares / units | Carrying amount | Shareholding percentage | Fair value | |
| | JPMorgan Funds - Greater China Fund A (dist) - USD | - | Financial assets at FVTPL - Current | 582.51 | $ 1,131 | - | $ 1,131 | |
| | AB - American Income Portfolio AT Inc | - | Financial assets at FVTPL - Current | 1,771.84 | 1,590 | - | 1,590 | |
| | Franklin Mutual European Fund A(acc)USD | - | Financial assets at FVTPL - Current | 1,945.54 | 1,663 | - | 1,663 | |
| | Franklin Technology Fund | - | Financial assets at FVTPL - Current | 1,373.76 | 1,813 | - | 1,813 | |
| | - Bonds | | | | | | | |
| | Brazilian Government Bonds (VII) | - | Financial assets at FVTPL - Current | 2,000 | 5,133 | - | 5,133 | |
| | - Corporate bonds | | | | | | | |
| | AT&T Corporate Bonds (VI) | - | Financial assets at FVTPL - Current | 2,000 | 6,181 | - | 6,181 | |
| | Petroleos Mexicanos corporate bonds (VII) | - | Financial assets at FVTPL - Current | 2,000 | 4,770 | - | 4,770 | |
| | Apple Inc. Corporate Bonds (VII) | - | Financial assets at FVTPL - Current | 1,700 | 5,179 | - | 5,179 | |
| | Altria USD bonds | - | Financial assets at FVTPL - Current | 200 | 6,438 | - | 6,438 | |
| | Pertamina corporate bonds (III) | - | Financial assets at FVTPL - Current | 2,000 | 6,141 | - | 6,141 | |
| | Verizon Communications corporate bonds | - | Financial assets at FVTPL - Current | 62 | 2,110 | - | 2,110 | |
| | Common shares of domestic companies | | | | | | | |
| | Hon Hai Precision Industry Co., Ltd. | - | Financial assets at FVTPL - Current | 26,000 | 2,704 | - | 2,704 | |
| | Asia Optical Co. Inc. | - | Financial assets at FVTPL - Current | 78,000 | 7,324 | - | 7,324 | |
| | Zhen Ding Technology Holding Limited | - | Financial assets at FVTPL - Current | 15,400 | 1,548 | - | 1,548 | |
| | Crystalvue Medical Corporation | - | Financial assets at FVTPL - Current | 78,000 | 3,740 | - | 3,740 | |
| | FuSheng Precision Co., Ltd. | - | Financial assets at FVTPL - Current | 166,000 | 32,204 | - | 32,204 | |
| | Yageo Corporation | - | Financial assets at FVTPL - Current | 2,000 | 959 | - | 959 | |

(To be Continued)

(Continued)

| Holding Company Name | Name and type of marketable security | Relationship with the Holding Company | Financial Statement Account | December 31, 2021 | | | | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares / units | Carrying amount | Shareholding percentage | Fair value | |
| | Taiwan Semiconductor Manufacturing Co., Ltd. | - | Financial assets at FVTPL - Current | 8,000 | $ 4,920 | - | $ 4,920 | |
| | Yeong Guan Energy Technology Group Company Limited | - | Financial assets at FVTPL - Current | 84,962 | 5,353 | - | 5,353 | |
| | Delta Electronics, Inc. | - | Financial assets at FVTPL - Current | 11,000 | 3,025 | - | 3,025 | |
| | Aces Electronics Co., Ltd. | - | Financial assets at FVTPL - Current | 44,235 | 2,300 | - | 2,300 | |
| | YFY Inc. | - | Financial assets at FVTPL - Current | 139,000 | 4,941 | - | 4,941 | |
| | Winbond Electronics Corp. | - | Financial assets at FVTPL - Current | 236,000 | 8,024 | - | 8,024 | |
| | Inventec Corporation | - | Financial assets at FVTPL - Current | 60,000 | 1,497 | - | 1,497 | |
| | TungThih Electronic Co., Ltd. | - | Financial assets at FVTPL - Current | 8,000 | 1,400 | - | 1,400 | |
| | Ardentec Technology Inc. | - | Financial assets at FVTPL - Current | 50,000 | 2,775 | - | 2,775 | |
| | Evergreen Marine Corporation | - | Financial assets at FVTPL - Current | 135,000 | 19,238 | - | 19,238 | |
| | Fubon Financial Holding Co., Ltd. | - | Financial assets at FVTPL - Current | 60,000 | 4,578 | - | 4,578 | |
| | ShunSin Technology Holdings Limited | - | Financial assets at FVTPL - Current | 25,000 | 2,325 | - | 2,325 | |
| | Taiwan High Speed Rail Corporation | - | Financial assets at FVTPL - Current | 445,000 | 13,172 | - | 13,172 | |
| | Raydium Semiconductor Corporation | - | Financial assets at FVTPL - Current | 13,000 | 7,357 | - | 7,357 | |
| GUAN CHAN INVESTMENT CO., LTD. | Common share | | | | | | | |
| | Tonlin Department Store Co., Ltd. | Parent company | Equity instrument at FVTOCI - Non-current | 8,750,000 | 350,000 | 4.19 | 350,000 | (Note 1 and 2) |
| | Beneficiary certificate | | | | | | | |
| | Jih Sun Money Market Fund | - | Financial assets at FVTPL - Current | 103,455.50 | 1,550 | - | 1,550 | |
| | FSITC Taiwan Money Market | - | Financial assets at FVTPL - Current | 188,048.70 | 2,910 | - | 2,910 | |
| | Taishin 1699 Money Market | - | Financial assets at FVTPL - Current | 228,508.64 | 3,126 | - | 3,126 | |

(To be Continued)

(Continued)

| Holding Company Name | Name and type of marketable security | Relationship with the Holding Company | Financial Statement Account | December 31, 2021 | | | | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares / units | Carrying amount | Shareholding percentage | Fair value | |
| JIA FONG INVESTMENT CO., LTD. | Common share | | | | | | | |
| | Tonlin Department Store Co., Ltd. | Parent company | Equity instrument at FVTOCI - Non-current | 8,767,000 | $ 350,680 | 4.20 | $ 350,680 | (Note 1 and 2) |
| | Beneficiary certificate | | | | | | | |
| | FSITC Taiwan Money Market | - | Financial assets at FVTPL - Current | 327,162.10 | 5,061 | - | 5,061 | |
| | Mega Diamond Money Market | - | Financial assets at FVTPL - Current | 182,511.63 | 2,314 | - | 2,314 | |
| SONG YUAN INVESTMENT CO., LTD. | Common share | | | | | | | |
| | Tonlin Department Store Co., Ltd. | Parent company | Equity instrument at FVTOCI - Non-current | 7,366,000 | 294,640 | 3.53 | 294,640 | (Note 1 and 2) |
| | Beneficiary certificate | | | | | | | |
| | Jih Sun Money Market Fund | - | Financial assets at FVTPL - Current | 111,385.73 | 1,669 | - | 1,669 | |
| | FSITC Taiwan Money Market | - | Financial assets at FVTPL - Current | 52,299.90 | 809 | - | 809 | |
| | PIMCO GIS INCOME | - | Financial assets at FVTPL - Current | 17,186.02 | 5,181 | - | 5,181 | |
| | ASIAN TIGER BOND A2 USD | - | Financial assets at FVTPL - Current | 2,308.94 | 2,760 | - | 2,760 | |
| | GLOBAL REAL ASSET SECURITIES | - | Financial assets at FVTPL - Current | 696.28 | 2,757 | - | 2,757 | |
| | INVESCO US SENIOR LOAN FUND | - | Financial assets at FVTPL - Current | 523.64 | 2,779 | - | 2,779 | |
| | - Foreign shares | | | | | | | |
| | U.S. shares | | | | | | | |
| | BANK OF AMERICA CORP | - | Financial assets at FVTPL - Current | 3,200 | 3,944 | - | 3,944 | |
| | MASTERCARD INCORPORATED | - | Financial assets at FVTPL - Current | 300 | 2,998 | - | 2,998 | |
| SHUN TAI INVESTMENT CO., LTD. | Common share | | | | | | | |
| | Tonlin Department Store Co., Ltd. | Parent company | Equity instrument at FVTOCI - Non-current | 8,439,000 | 337,560 | 4.04 | 337,560 | (Note 1 and 2) |

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

2021

Table 2

Unit: NTD thousand

| Investor | Investor Company | Location | Main Businesses and Products | Investment Amount | | As of December 31, 2021 | | | Current period profit (loss) of the investee (Note 2) | Investment gains (losses) recognized in the current period (Note 2) | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2021 | December 31, 2020 | Shares | Percentage (%) | Carrying amount | | | |
| Tonlin Department Store Co., Ltd. | De Hong Development Co., Ltd. | Taipei City | General construction | $ 600,000 | $ 600,000 | 45,000,000 | 100.00 | $ 419,245 | ($ 27,254) | ($ 27,254) | Subsidiary (Notes 2 and 4) |
| | Chung Hsiao Enterprise Co., Ltd. | Taipei City | General leasing | 101,952 | 101,952 | 3,776,000 | 20.00 | 146,467 | 17,542 | 3,508 | Equity-accounted investee |
| | SONG YUAN INVESTMENT CO., LTD. | Taipei City | Investment | 350,000 | 350,000 | 35,000,000 | 100.00 | 82,066 | 5,174 | 1,491 | Subsidiary (Notes 1, 2, and 3) |
| | SHUN TAI INVESTMENT CO., LTD. | Taipei City | Investment | 350,000 | 350,000 | 35,000,000 | 100.00 | 41,917 | 5,048 | 829 | Subsidiary (Notes 1, 2, and 3) |
| | GUAN CHAN INVESTMENT CO., LTD. | Taipei City | Investment | 350,000 | 350,000 | 35,000,000 | 100.00 | 28,951 | 4,427 | 52 | Subsidiary (Notes 1, 2, and 3) |
| | JIA FONG INVESTMENT CO., LTD. | Taipei City | Investment | 350,000 | 350,000 | 35,000,000 | 100.00 | 28,418 | 4,537 | 153 | 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, 2021.

Note 3: Differences between investment gains/losses the Company had recognized on SONG YUAN INVESTMENT CO., LTD., SHUN TAI INVESTMENT CO., LTD., GUAN CHAN 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.

Note 4: De Hong Development Co., Ltd., resolved by its board of directors on August 25, 2021, conducted a capital decrease to offset the deficit, with 15,000 thousand issued shares cancelled. After the capital decrease, the paid-in capital is NT$450,000 thousand, divided into 45,000 thousand shares.

Tonlin Department Store Co., Ltd. and Subsidiaries

Information on main investors

December 31, 2021

Table 3

| Name of major shareholder | Shares | |
|---|---|---|
| | No. of shares held | Shareholding percentage (%) |
| SHUEN SHYANG CO., LTD. | 35,913,664 | 17.20 |
| JIN DUO LIH ENTERPRISES PTY. LTD. | 22,936,442 | 10.98 |
| Weng Chun-Chih | 22,229,920 | 10.65 |
| 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 parent-only balance sheet of Tonlin Department Store Co., Ltd.as at December 31, 2021 and 2020, and the parent-only statement of comprehensive income, parent-only statement of changes in shareholders' equity, parent-only cash flow statement, and notes to parent-only financial statements (including summary of significant accounting policies) for the periods from January 1 to December 31, 2021 and 2020.

In our opinion, all material disclosures of the parent-only 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 parent-only financial position of Tonlin Department Store Co., Ltd. as at December 31, 2021 and 2020, and parent-only business performance and cash flow for the periods January 1 to December 31, 2021 and 2020.

**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 parent-only 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 2021 parent-only financial statements of Tonlin Department Store Co., Ltd. These issues have already been addressed when we audited and formed our opinions on the parent-only financial statements. Therefore we do not provide opinions separately for individual issues.

Key audit issues concerning the 2021 parent-only financial statements of Tonlin Department Store Co., Ltd. are as follows:

Impairment assessment of investment properties

As at December 31, 2021, Tonlin Department Store Co., Ltd. had investment properties located at Xinzhuang District that were valued at NT$1,059,951 thousand, representing 19% of total assets and constituted a significant part of parent-only 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 parent-only 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$99,951 thousand in 2021, representing 24% of operating revenues and was considered significant to the presentation of parent-only 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 parent-only 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 parent-only financial statements**

Responsibilities of the management were to prepare and ensure fair presentation of parent-only 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 parent-only financial statements so that the parent-only financial statements are free of material misstatements, whether caused by fraud or error.

The management's responsibilities when preparing parent-only 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 parent-only financial statements**

The purposes of our audit were to obtain reasonable assurance of whether the parent-only 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 parent-only 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 parent-only 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 parent-only 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 parent-only financial statements and make related disclosures if uncertainties exist in regards to the abovemenetioned 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 parent-only financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the parent-only 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 parent-only 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 2021 parent-only 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-Zhgeng-Shen-0990031652

March 14, 2022

*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.
Parent-only Balance Sheet
As at December 31, 2021 and 2020

Unit: NTD thousand

| Code | Asset | December 31, 2021 Amount | % | December 31, 2020 Amount | % |
|---|---|---|---|---|---|
| | CURRENT ASSETS | | | | |
| 1100 | Cash and cash equivalents (Notes 4 and 6) | $ 82,086 | 1 | $ 54,514 | 1 |
| 1110 | Financial assets at FVTPL (Notes 4 and 7) | 410,254 | 7 | 360,124 | 6 |
| 1136 | Financial assets carried at cost after amortization - current (Notes 4 and 9) | 304 | - | 331 | - |
| 1150 | Notes receivable (Notes 4 and 10) | - | - | 385 | - |
| 1172 | Accounts receivable (Notes 4 and 10) | 6,604 | - | 2,539 | - |
| 1175 | Lease receivable (Notes 4 and 10) | 7,054 | - | 3,347 | - |
| 1200 | Other receivables (Notes 4 and 10) | 5,333 | - | 9,756 | - |
| 130X | Inventory (Notes 4, 5 and 11) | 41,056 | 1 | 78,730 | 2 |
| 1470 | Prepayments and other current assets | 30,285 | 1 | 38,140 | 1 |
| 11XX | Total current assets | 582,976 | 10 | 547,866 | 10 |
| | NON-CURRENT ASSETS | | | | |
| 1520 | Financial assets at FVTOCI - non-current (Notes 4 and 8) | 22,201 | 1 | 66,457 | 1 |
| 1550 | Equity-accounted investments (Notes 4 and 12) | 747,064 | 13 | 793,896 | 14 |
| 1600 | Property, plant, and equipment (Notes 4, 5, 13 and 27) | 2,249,393 | 40 | 2,309,777 | 40 |
| 1760 | Investment property, net (Notes 4, 5, 14 and 27) | 1,988,201 | 35 | 1,992,976 | 35 |
| 1780 | Intangible assets (Notes 4 and 5) | 8,673 | - | 9,015 | - |
| 1840 | Deferred income tax assets (Notes 4 and 22) | 22,218 | 1 | 24,774 | - |
| 1935 | Long-term lease receivable (Notes 4 and 10) | 17,586 | - | 18,325 | - |
| 1990 | Refundable deposits | 2,956 | - | 1,176 | - |
| 15XX | Total non-current assets | 5,058,292 | 90 | 5,216,396 | 90 |
| 1XXX | TOTAL ASSETS | $ 5,641,268 | 100 | $ 5,764,262 | 100 |
| Code | LIABILITIES AND EQUITY | | | | |
| | CURRENT LIABILITIES | | | | |
| 2100 | Short-term borrowings (Notes 4, 13, 14, 15 and 27) | $ 530,000 | 9 | $ 740,000 | 13 |
| 2150 | Note payable | 30,557 | 1 | 16,461 | - |
| 2170 | Accounts payable (Notes 4 and 16) | 79,634 | 1 | 96,659 | 2 |
| 2209 | Accrued expenses (Note 17 and 26) | 33,828 | 1 | 34,675 | 1 |
| 2213 | Equipment purchase payable (Note 13) | 6,700 | - | 77,226 | 1 |
| 2219 | Other payables | 2,236 | - | 3,618 | - |
| 2230 | Current income tax liabilities (Notes 4 and 22) | 998 | - | 21,268 | - |
| 2320 | Long-term borrowings expiring within a year (Notes 4, 13, 14, 15 and 27) | 150,000 | 3 | - | - |
| 2399 | Other current liabilities (Notes 4 and 20) | 8,246 | - | 8,254 | - |
| 21XX | Total current liabilities | 842,199 | 15 | 998,161 | 17 |
| | NON-CURRENT LIABILITIES | | | | |
| 2540 | Long-term borrowings (Notes 4, 13, 14, 15 and 27) | 2,120,000 | 38 | 2,116,000 | 37 |
| 2572 | Deferred income tax liabilities (Notes 4 and 22) | 216,801 | 4 | 217,878 | 4 |
| 2645 | Guarantee deposits received (Note 20) | 50,365 | 1 | 49,721 | 1 |
| 2640 | Net defined benefit liabilities - non-current (Notes 4 and 18) | 14,930 | - | 19,469 | - |
| 25XX | Total non-current liabilities | 2,402,096 | 43 | 2,403,068 | 42 |
| 2XXX | Total liabilities | 3,244,295 | 58 | 3,401,229 | 59 |
| | EQUITY (Notes 4, 8, 19 and 22) | | | | |
| 3110 | Common share capital | 2,087,250 | 37 | 2,087,250 | 36 |
| 3200 | Additional paid-in capital | 523,625 | 9 | 506,964 | 9 |
| | Retained earnings | | | | |
| 3310 | Statutory reserves | 474,382 | 9 | 470,347 | 8 |
| 3320 | Special reserves | 456,282 | 8 | 495,507 | 9 |
| 3350 | Unappropriated earnings | 228,904 | 4 | 170,602 | 3 |
| 3300 | Total retained earnings | 1,159,568 | 21 | 1,136,456 | 20 |
| 3400 | Other equities | ( 89,929 ) | ( 2 ) | ( 84,096 ) | ( 2 ) |
| 3500 | Treasury stock | ( 1,283,541 ) | ( 23 ) | ( 1,283,541 ) | ( 22 ) |
| 3XXX | Total equity | 2,396,973 | 42 | 2,363,033 | 41 |
| | TOTAL LIABILITIES AND EQUITY | $ 5,641,268 | 100 | $ 5,764,262 | 100 |

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

Chairman: Su Chien-I President: Weng Hua-Li Vice President: Chen Wen-Lung Head of Accounting: Huang Shu-Tzu

Tonlin Department Store Co., Ltd.

Parent-only Statement of Comprehensive Income

For periods from January 1 to December 31, 2021 and 2020

Unit: NTD thousands, except EPS which is in dollars

| | | 2021 | | 2020 | |
|---|---|---|---|---|---|
| Code | | Amount | % | Amount | % |
| 4000 | Operating revenues (Notes 4 and 20) | $ 423,003 | 100 | $ 519,690 | 100 |
| 5000 | Operating costs (Note 21) | 100,334 | 24 | 161,874 | 31 |
| 5900 | Gross profit | 322,669 | 76 | 357,816 | 69 |
| 6000 | Operating expenses (Notes 4, 18, 21 and 26) | 171,719 | 41 | 180,589 | 35 |
| 6900 | Operating profit | 150,950 | 35 | 177,227 | 34 |
| | Non-operating income and expense | | | | |
| 7100 | Interest income (Notes 4 and 21) | 30 | - | 399 | - |
| 7010 | Other income (Notes 4 and 21) | 28,001 | 7 | 16,504 | 3 |
| 7020 | Other gains and losses (Notes 4, 7, 14 and 21) | 9,286 | 2 | 9,283 | 2 |
| 7050 | Financial costs (Note 21) | ( 25,598) | ( 6) | ( 29,734) | ( 6) |
| 7060 | Share of gain/loss from subsidiaries and associated companies accounted using the equity method (Notes 4 and 12) | ( 21,221) | ( 5) | ( 18,155) | ( 3) |
| 7000 | Total non-operating income and expenses | ( 9,502) | ( 2) | ( 21,703) | ( 4) |
| 7900 | Profit before tax | 141,448 | 33 | 155,524 | 30 |
| 7950 | Income tax expenses (Notes 4 and 22) | 753 | - | 41,365 | 8 |
| 8200 | Current net income | 140,695 | 33 | 114,159 | 22 |

(To be Continued)

(Continued)

| | | 2021 | | 2020 | |
|---|---|---|---|---|---|
| Code | | Amount | % | Amount | % |
| | Other comprehensive income | | | | |
| 8310 | Items not reclassified into profit and loss: | | | | |
| 8311 | Remeasurement of defined benefit plan (Notes 4 and 18) | $ 1,290 | - | $ 38 | - |
| 8316 | Unrealized profit and loss on valuation of equity instruments at FVTOCI (Notes 4, 8 and 19) | ( 17,645 ) | ( 4 ) | 7,996 | 2 |
| 8349 | Income tax on items not reclassified into profit and loss (Notes 4 and 22) | ( 2,698 ) | - | ( 10,374 ) | ( 2 ) |
| 8300 | Other comprehensive income - current | ( 19,053 ) | ( 4 ) | ( 2,340 ) | - |
| 8500 | Total comprehensive income - current | $ 121,642 | 29 | $ 111,819 | 22 |
| | Earnings per share (Note 23) | | | | |
| 9710 | Basic | $ 0.80 | | $ 0.65 | |
| 9810 | Diluted | $ 0.80 | | $ 0.65 | |

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

| Chairman: | President: | Vice President: | Head of Accounting: |
|---|---|---|---|
| Su Chien-I | Weng Hua-Li | Chen Wen-Lung | Huang Shu-Tzu |

Tonlin Department Store Co., Ltd.
Parent-only Statement of Changes in Equity
For periods from January 1 to December 31, 2021 and 2020

Unit: NTD thousand

| Code | | Common share capital (Notes 4 and 19) | Additional paid-in capital (Note 19) | Retained earnings (Notes 4, 18 and 19) Statutory reserves | Special reserves | Unappropriated earnings | Total | Other items of equity (Notes 4, 8 and 19) Unrealized gains/losses on financial assets at FVTOCI | Treasury stock (Note 19) | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| A1 | Balance as at January 1, 2020 | $ 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 |
| | Appropriation and distribution of 2020 earnings | | | | | | | | | |
| B1 | Provision for statutory reserves | - | - | 4,035 | - | ( 4,035 ) | - | - | - | - |
| B3 | Reversal of special reserves | - | - | - | ( 39,225 ) | 39,225 | - | - | - | - |
| B5 | Cash dividends on common shares | - | - | - | - | ( 104,363 ) | ( 104,363 ) | - | - | ( 104,363 ) |
| | Total appropriation and distribution of 2020 earnings | - | - | 4,035 | ( 39,225 ) | ( 69,173 ) | ( 104,363 ) | - | - | ( 104,363 ) |
| M1 | Adjustment to additional paid-in capital for dividends paid to subsidiaries | - | 16,661 | - | - | - | - | - | - | 16,661 |
| D1 | 2021 net income | - | - | - | - | 140,695 | 140,695 | - | - | 140,695 |
| D3 | 2021 other comprehensive income - after tax | - | - | - | - | 1,032 | 1,032 | ( 20,085 ) | - | ( 19,053 ) |
| D5 | 2021 total comprehensive income | - | - | - | - | 141,727 | 141,727 | ( 20,085 ) | - | 121,642 |
| Q1 | Disposal of equity instruments at FVTOCI | - | - | - | - | ( 14,252 ) | ( 14,252 ) | 14,252 | - | - |
| Z1 | Balance as at December 31, 2021 | $ 2,087,250 | $ 523,625 | $ 474,382 | $ 456,282 | $ 228,904 | $ 1,159,568 | ( $ 89,929 ) | ( $ 1,283,541 ) | $ 2,396,973 |

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

Chairman: Su Chien-I　　President: Weng Hua-Li　　Vice President: Chen Wen-Lung　　Head of Accounting: Huang Shu-Tzu

Tonlin Department Store Co., Ltd.

Parent-only Cash Flow Statement

For periods from January 1 to December 31, 2021 and 2020

Unit: NTD thousand

| Code | | 2021 | 2020 |
|---|---|---|---|
| | CASH FLOWS FROM OPERATING ACTIVITIES | | |
| A00010 | Pre-tax profit for the current period | $ 141,448 | $ 155,524 |
| A20010 | Adjustments for: | | |
| A20100 | Depreciation expense | 71,830 | 80,179 |
| A20200 | Amortization | 602 | 595 |
| A20400 | Net loss on financial assets at FVTPL | 1,530 | 11,514 |
| A20900 | Financial costs | 25,598 | 29,734 |
| A21200 | Interest income | ( 30 ) | ( 399 ) |
| A21300 | Dividend income | ( 6,035 ) | ( 3,242 ) |
| A22400 | Share of loss from subsidiaries and associated companies accounted using the equity method | 21,221 | 18,155 |
| A22500 | Loss from disposal of property, plant and equipment | 68 | 3,948 |
| A22700 | Loss on disposal of investment properties | 318 | 372 |
| A22600 | Expenses reclassified from property, plant, and equipment | 269 | - |
| A23700 | Reversal of impairment on non-financial assets | - | ( 15,000 ) |
| A30000 | Changes in operating assets and liabilities | | |
| A31115 | Financial assets mandatory to be carried at FVTPL | ( 51,660 ) | ( 102,002 ) |
| A31130 | Note receivable | 385 | ( 385 ) |
| A31150 | Trade receivable | ( 4,065 ) | 212 |
| A31240 | Lease receivable | ( 2,968 ) | ( 2,191 ) |
| A31180 | Other receivables | 4,375 | ( 1,583 ) |
| A31200 | Inventories | 37,674 | 31,832 |
| A31230 | Prepayments and other current assets | 6,403 | 9,842 |
| A32130 | Note payable | 14,096 | ( 3,305 ) |
| A32150 | Accounts payable | ( 17,025 ) | 29,370 |
| A32220 | Accrued expenses | ( 969 ) | ( 3,109 ) |
| A32180 | Other payables | ( 1,382 ) | ( 6,476 ) |
| A32230 | Other current liabilities | 6,658 | ( 3,843 ) |
| A32240 | Net defined benefit liabilities | ( 3,249 ) | ( 5,347 ) |
| A33000 | Cash inflow from operating activities | 245,092 | 224,395 |
| A33100 | Interest received | 78 | 494 |
| A33300 | Interest paid | ( $ 25,476 ) | ( $ 30,003 ) |
| A33200 | Dividends received | 6,035 | 3,242 |

(To be Continued)

(Continued)

| Code | | 2021 | 2020 |
|---|---|---|---|
| A33500 | Income tax paid | ( 22,242 ) | ( 49,087 ) |
| AAAA | Net cash inflow from operating activities | 203,487 | 149,041 |
| | CASH FLOWS FROM INVESTING ACTIVITIES | | |
| B00010 | Proceeds from liquidation or capital reduction of financial assets at FVTOCI | 41,882 | 3,273 |
| B00020 | Sales of Financial assets at FVTOCI | 321 | - |
| B00040 | Disposal of financial assets measured at cost after amortization | 27 | 24,972 |
| B02700 | Acquisition of property, plant, and equipment | ( 8,973 ) | ( 29,139 ) |
| B07100 | Increase (decrease) in equipment purchase payable | ( 74,093 ) | 17,537 |
| B03700 | Increase (decrease) in refundable deposits | ( 1,780 ) | 12 |
| B04500 | Acquisition and purchase of intangible assets | ( 260 ) | - |
| B05500 | Proceeds from disposal of investment property | - | 38 |
| B07600 | Dividends received from subsidiaries and associated companies | 26,680 | 4,781 |
| BBBB | Net cash inflow (outflow) from investing activities | ( 16,196 ) | 21,474 |
| | CASH FLOWS FROM FINANCING ACTIVITIES | | |
| C00200 | Decrease in short-term borrowings | ( 210,000 ) | ( 170,000 ) |
| C01600 | Proceeds from long-term borrowings | 3,886,000 | 2,804,000 |
| C01700 | Repayments of long-term borrowings | ( 3,732,000 ) | ( 2,694,000 ) |
| C03000 | Increase (decrease) in deposits received | 644 | ( 2,107 ) |
| C04500 | Payment of cash dividends | ( 104,363 ) | ( 146,108 ) |
| CCCC | Net cash outflow from financing activities | ( 159,719 ) | ( 208,215 ) |
| EEEE | Net increase (decrease) in cash and cash equivalents | 27,572 | ( 37,700 ) |
| E00100 | Opening balance of cash and cash equivalents | 54,514 | 92,214 |
| E00200 | Closing balance of cash and cash equivalents | $ 82,086 | $ 54,514 |

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

| Chairman: | President: | Vice President: | Head of Accounting: |
|---|---|---|---|
| Su Chien-I | Weng Hua-Li | Chen Wen-Lung | Huang Shu-Tzu |

Tonlin Department Store Co., Ltd.

Notes to parent-only Financial Statements

For periods from January 1 to December 31, 2021 and 2020

(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, and officially opened for business on October 3, 2018. In addition to retaining top revenue-generating merchants, Taoyuan Branch also brought in restaurant (beverages), sports, leisure, entertainment, and cinema brands to support its new transformation.

The parent-only financial statements are presented in NTD, the Company's functional currency.

II.The Authorization of Financial Statements

The parent-only financial statements were passed during the board of directors meeting dated March 14, 2022.

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 2022

| New, Revised or Amended Standards and Interpretations | Effective date of IASB announcement |
|---|---|
| "Annual Improvements of IFRSs 2018-2020" | January 1, 2022 (Note 1) |
| Amended "Reference to the Conceptual Framework" in IFRS 3 | January 1, 2022 (Note 2) |
| Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use" | January 1, 2022 (Note 3) |
| Amendments to IAS 37 - "Onerous Contracts - Cost of Fulfilling a Contract" | January 1, 2022 (Note 4) |

Note 1: The 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 2: The amendment applies to the merges whose acquisition dates after the annual reported periods since January 1, 2022.

Note 3: The amendment applies to the property, plant and equipment achieving the expected operations by the management after January 1, 2021.

Note 4: The amendment applies to the contracts yet performing all obligations as of January 1, 2022.

The Company continues to evaluate that the amendments to the above standards and interpretations do not materially affect its parent-only financial position and business performance as of the publication date of this parent-only financial report.

(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) |
|---|---|
| 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 |
| Amendment to IFRS 17: "Initial Application of IFRS 17 and IFRS 9 — Comparative Information" | 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 2) |
| Amendments to IAS 8 regarding "Definition of Accounting Estimates" | January 1, 2023 (Note 3) |
| Amendment to IAS 12 "deferred tax related to assets and liabilities arising from a single transaction" | January 1, 2023 (Note 4) |

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

Note 2: These amendments will be applied prospectively in reporting periods starting from January 1, 2023.

Note 3: These amendments will be applied to changes in accounting estimates and accounting policies that take place in reporting periods after January 1, 2023.

Note 4: Other than being applicable to the deferred tax for all temporary differences related to leases and decommissioning obligations on January 1, 2022, the amendment is applicable to the transactions occurring after January 1, 2022

The Company continues to evaluate how revisions of the above standards and interpretations affect its parent-only 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 parent-only financial statements have been prepared in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

### (II) Basis of preparation

This parent-only 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 parent-only financial statements. To ensure consistency between the amount of profit and loss, other comprehensive income, and equity presented in the parent-only 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 parent-only 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 parent-only 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 re-calculation 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 parent-only financial statements. Gains/losses arising from upstream transactions and transactions among subsidiaries are recognized in the parent-only 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, equipment, investment properties, and intangible assets related assets

The Company 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 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 parent-only 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.

<u>Revenue from sale of merchandise</u>

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)Governmental subsidies

Governmental subsidies are only recognized when it is reasonably assured that the consolidated company will comply with the conditions attached to the governmental subsidies and receive such subsidies.

The governmental subsidies related to incomes are recognized under other incomes on the systematic basis during the period when the related costs to which the subsidies intend to compensate are recognized as expenses by the Company.

If the governmental subsidies are used to compensate the incurred expenses or losses, or the purpose is providing an immediate financial support to the Company without future related cost, such subsidies are recognized under profit/loss during the period to receive such.

(XVII)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.

(XVIII)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 incorporates the development of COVID-19 pandemic in Taiwan, and its potential impact on the economic environment, as the considerations for the related material accounting estimates, including estimation of cash flow, growth rate, discount rate, and profitability. The management will continue to review the 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

Impairment of property, plant, equipment, investment properties, and intangible 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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Petty cash and cash on hand | $ 220 | $ 220 |
| Check and demand (current) deposit | 73,562 | 54,294 |
| Cash equivalents | | |
| Time deposits with an original tenor of 3 months or less. | 8,304 | - |
| | $ 82,086 | $ 54,514 |

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Cash in banks | 0.01%~0.80% | 0.01%~0.05% |

VII. Financial assets at FVTPL - Current

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Financial assets designated as at FVTPL | | |
| Non-derivative financial assets | | |
| - TWSE, TPEX, and Emerging Stock Market shares | $ 129,384 | $ 118,015 |
| - Fund beneficiary certificates | 244,918 | 205,982 |
| - Corporate bonds | 30,819 | 21,378 |
| - Bonds | 5,133 | 14,749 |
| | $ 410,254 | $ 360,124 |

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

VIII. Financial assets at FVTOCI

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Non-current | | |
| Domestic investments | | |
| Emerging Stock Market shares | $ 4,563 | $ 4,563 |
| Unlisted shares | 5,008 | 46,890 |
| Foreign investments | 12,630 | 15,004 |
| Total | $ 22,201 | $ 66,457 |

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.

In June 2021, the Company adjusted the investment positions to diversify risks. Thus the all the common shares of Fortune Technology Fund II Ltd. were sold as the fair value for NT$321 thousand. The related other equity - unrealized valuation loss of the financial assets at fair value through other comprehensive income, NT$14,252 thousand, was transferred to the retained earnings.

The investees, WK 7 Innovation Co., Ltd., WK 8 Innovation Co., Ltd., WK Innovation Co., Ltd., and WK 5 Innovation Co., Ltd, all conducted capital decreases in cash in March 2021, and refund the share payments. The Company recovered total NT$41,882 thousand per shareholdings. These companies were resolved for liquidation by their board of directors in April 2021. The liquidation has not yet been completed as of the date of the report.

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

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

The Company recognized NT$2,000 thousand and NT$8,200 thousand of unrealized loss on valuation of equity instruments at FVTOCI in 2021 and 2020, respectively.

IX. Financial assets carried at cost after amortization - current

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Domestic investments | | |
| Time deposit with initial maturity of more than 3 months | $ 304 | $ 331 |

As at December 31, 2021 and 2020, time deposits with initial tenors of 3 months or longer accrued interests ranges are all 3.20% per annum.

X. Notes receivable, accounts receivable, and other receivables

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Arising from business activities | | |
| Note receivable | $ - | $ 385 |
| Trade receivable | 6,604 | 2,539 |
| Operating lease receivable | | |
| - Current | 7,054 | 3,347 |
| - Non-current | 17,586 | 18,325 |
| Subtotal | 24,640 | 21,672 |
| | | |
| Other receivables | | |
| Amount receivable from sale of securities | - | 5,405 |
| Utility and management fees receivable | 1,168 | 1,174 |
| Interests receivable | 18 | 67 |
| Others | 4,147 | 3,110 |
| Subtotal | 5,333 | 9,756 |
| Total | $ 36,577 | $ 34,352 |

(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.

Note and account receivables, and age are analyzed as below:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Not overdue | $ 1,364 | $ 2,924 |

The Company found no sign of impairment in accounts and notes receivable as at December 31, 2021 and 2020.

(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 25.

XI.Inventories

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Proprietary inventory – Cosmetics and women's undergarments | $ 3,169 | $ 6,349 |
| Properties pending sale – Jiaoxi Gongyuan Section, Yilan | 37,887 | 72,381 |
| | $ 41,056 | $ 78,730 |

Amount of cost of goods sold recognized from inventory totaled NT$48,701 thousand in 2021 and NT$107,481 thousand in 2020. 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 – DeHong Development in March 2015. Under this agreement, the Company contributed land while DeHong 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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Subsidiary investments | $ 600,597 | $ 631,569 |
| Investments in Associates | 146,467 | 162,327 |
| | $ 747,064 | $ 793,896 |

(I) Subsidiary investments

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Non-listed company | | |
| DEHONG DEVELOPMENT CO., LTD. | $ 419,245 | $ 446,499 |
| SONG YUAN INVESTMENT CO., LTD. | 82,066 | 81,239 |
| SHUN TAI INVESTMENT CO., LTD. | 41,917 | 43,498 |
| GUAN CHAN INVESTMENT CO., LTD. | 28,951 | 30,418 |
| JIA FONG INVESTMENT CO., LTD. | 28,418 | 29,915 |
| | $ 600,597 | $ 631,569 |

| | Percentage of ownership/voting right | |
|---|---|---|
| Investee | December 31, 2021 | December 31, 2020 |
| DEHONG DEVELOPMENT CO., LTD. | 100% | 100% |
| SONG YUAN INVESTMENT CO., LTD. | 100% | 100% |
| SHUN TAI INVESTMENT CO., LTD. | 100% | 100% |
| GUAN CHAN INVESTMENT CO., LTD. | 100% | 100% |
| JIA FONG INVESTMENT CO., LTD. | 100% | 100% |

DeHong Development Co., Ltd., resolved by its board of directors on August 25, 2021, conducted a capital decrease to offset the deficit, with 15,000 thousand issued shares cancelled. After the capital decrease, the paid-in capital is NT$450,000 thousand, divided into 45,000 thousand shares.

Share of profit and loss and other comprehensive income from equity-accounted subsidiaries in 2021 and 2020 were calculated based on audited financial statements of the respective subsidiaries for the corresponding periods.

(II)Investments in Associates

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Associated companies with significant influence | | |
| Chung Hsiao Enterprise Co., Ltd. | $ 146,467 | $ 162,327 |

| | Percentage of share ownership/voting rights | |
|---|---|---|
| | December 31, 2021 | December 31, 2020 |
| 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, 2021 | December 31, 2020 |
|---|---|---|
| Current asset | $ 262,235 | $ 349,312 |
| Non-current assets | 222,414 | 222,820 |
| Current liabilities | ( 26,622 ) | ( 37,117 ) |
| Non-current liabilities | ( 60,234 ) | ( 57,923 ) |
| Equity | $ 397,793 | $ 477,092 |
| Shareholding percentage of the Company | 20% | 20% |
| Company's share of equity | $ 79,558 | $ 95,418 |
| Adjustment to fair value of non-current assets due to acquisition of shares | 66,909 | 66,909 |
| Book value of investment | $ 146,467 | $ 162,327 |

| | 2021 | 2020 |
|---|---|---|
| Current operating revenues | $ 21,737 | $ 24,650 |
| Current net income | $ 17,542 | $ 20,878 |
| Other comprehensive income - current | ($ 77,961) | $ 80,982 |
| Share of current net income | $ 3,508 | $ 4,176 |
| Share of other comprehensive income - current | ($ 15,592) | $ 16,196 |
| Dividends received from Chung Hsiao Enterprise Co., Ltd. | $ 3,776 | $ 3,115 |

Share of profit/loss and other comprehensive income from equity-accounted associated companies in 2021 and 2020 were recognized based on audited financial statements of the respective associated companies for the corresponding periods.

XIII. Property, Plant and Equipment

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Book value for each category | | |
| Land | $ 858,029 | $ 853,457 |
| Buildings, net | 1,373,230 | 1,433,238 |
| Computer and communication equipment, net | 10,684 | 11,643 |
| Transport equipment, net | 955 | 1,369 |
| Other equipment, net | 5,175 | 6,834 |
| Construction in progress | 1,320 | 3,236 |
| | $ 2,249,393 | $ 2,309,777 |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Opening balance | Increase in current year | Disposal in current year | Other adjustments | Closing balance |
| Cost | | | | | |
| Land | $ 853,457 | $ - | $ - | $ 4,572 | $ 858,029 |
| Buildings | 1,911,058 | - | ( 7,894) | 1,531 | 1,904,695 |
| Computer and communication equipment | 17,458 | 378 | ( 249) | - | 17,587 |
| Transport Equipment | 4,906 | - | - | - | 4,906 |
| Other Equipment | 11,164 | 140 | ( 159) | - | 11,145 |
| Construction in progress | 3,236 | 8,455 | - | ( 10,371) | 1,320 |
| | 2,801,279 | $ 8,973 | ($ 8,302) | ($ 4,268) | 2,797,682 |
| Accumulated depreciation | | | | | |
| Buildings | 477,820 | $ 61,043 | ($ 7,894) | $ 496 | 531,465 |
| Computer and communication equipment | 5,815 | 1,295 | ( 207) | - | 6,903 |
| Transport Equipment | 3,537 | 414 | - | - | 3,951 |
| Other Equipment | 4,330 | 1,773 | ( 133) | | 5,970 |
| | 491,502 | $ 64,525 | ($ 8,234) | $ 496 | 548,289 |
| Total | $ 2,309,777 | | | | $ 2,249,393 |

| | 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 |
| | 2,788,474 | $ 29,139 | ($ 10,583) | ($ 5,751) | 2,801,279 |
| 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 |
| | 428,088 | $ 72,360 | ($ 6,635) | ($ 2,311) | 491,502 |
| Total | $ 2,360,386 | | | | $ 2,309,777 |

Remodeling of Taoyuan Branch began in February 2017 and ended in September 2018. The project incurred a sum of approximately NT$1,112,410 thousand. As at December 31, 2021 and 2020, the project still had unpaid billings of NT$3,133 thousand and NT$77,226 thousand, respectively, that were presented as equipment purchase payable. Taoyuan Store was officially opened 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. 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 thousand for contract modification. A portion of the modification billing had already been accounted for; the unaccounted balance of NT$27,395 thousand will be adjusted prospectively into buildings - NT$27,249 thousand and repair expenses - NT$146 thousand in 2020.

As per assessment, the Company's property, plant, and equipment showed no sign of impairment as at December 31, 2021 and 2020.

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Investment Property | | |
| Xinzhuang District, New Taipei City | $ 1,059,951 | $ 1,059,951 |
| Da'an District, Taipei City | 928,250 | 933,025 |
| | $ 1,988,201 | $ 1,992,976 |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Opening balance | Increase in current year | Decrease in current year | Other adjustments | Closing balance |
| Cost | | | | | |
| Land | $ 1,863,689 | $ - | $ - | ($ 4,572) | $ 1,859,117 |
| Buildings | 292,409 | - | ( 2,945) | 6,924 | 296,388 |
| | 2,156,098 | $ - | ($ 2,945) | $ 2,352 | 2,155,505 |
| Accumulated depreciation | | | | | |
| Buildings | 163,122 | $ 7,305 | ($ 2,627) | ($ 496) | 167,304 |
| Total | $ 1,992,976 | | | | $ 1,988,201 |

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Opening balance | Increase in current year | Decrease in current year | Other adjustments | Closing balance |
| Cost | | | | | |
| Land | $ 1,863,689 | $ - | $ - | $ - | $ 1,863,689 |
| Buildings | 292,944 | - | ( 535) | - | 292,409 |
| | 2,156,633 | $ - | ($ 535) | $ - | 2,156,098 |
| Accumulated depreciation | | | | | |
| Buildings | 155,428 | $ 7,819 | ($ 125) | $ - | 163,122 |
| Cumulative impairment | | | | | |
| Land | 15,000 | $ - | ($ 15,000) | $ - | - |
| Total | $ 1,986,205 | | | | $ 1,992,976 |

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 were recognized based on fair values as at December 31, 2020. 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 both at 1.17% as at December 31, 2021 and 2020

The Company also owned several investment properties located at Renai Section, Da'an District, Taipei City. Fair values were determined at NT$6,712,135 thousand and NT$6,673,677 thousand as at December 31, 2021 and 2020 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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Secured borrowings | | |
| Bank borrowings | $ 530,000 | $ 740,000 |

Working capital bank borrowings bore interest rates of 0.88% and 0.88%～0.94% as at December 31, 2021 and 2020, 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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Secured borrowings | | |
| Bank SinoPac | | |
| Credit line: NT$1,400,000,000. Contract tenor: October 8, 2020 to October 31, 2022. A new contract starting November 24, 2021 and ending November 30, 2023 was signed on November 24, 2021. | $ 1,050,000 | $ 1,100,000 |
| Bank of Taiwan | | |
| Credit line: NT$600,000,000. Contract tenor: June 24, 2020 to June 24, 2023. | 600,000 | 446,000 |
| Hua Nan Bank | | |
| Credit line: NT$293,000,000. The contract periods are January 11, 2019 to January 11, 2020; and December 31, 2019 to December 31, 2020. Within the borrowing limit, term of each drawdown is three years. The borrowings have been due since January 2022 to May 2023, successively. | $ 290,000 | $ 290,000 |
| Taishin Bank | | |
| Credit line: NT$278,000,000 Contract tenor: September 30, 2021 to September 30, 2024. | 50,000 | - |
| First Commercial Bank | | |
| Credit line: NT$350,000,000. Contract tenor: August 28, 2020 to August 28, 2022. A new contract starting October 5, 2021 and ending October 5, 2023 was signed on October 5, 2021. | 280,000 | 280,000 |
| | 2,270,000 | 2,116,000 |
| Less: parts that listed as due within a year | 150,000 | - |
| Long-term borrowings | $ 2,120,000 | $ 2,116,000 |

Effective interest rate range for long-term borrowings:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Effective interest rate: | | |

| | | |
|---|---|---|
| Floating interest rate borrowing | 0.800%~1.050% | 0.800%~1.050% |
| Fixed interest rate borrowing | 0.875%~0.890% | 0.875%~0.910% |

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Accounts payable | | |
| Arising from business activities | $ 79,634 | $ 96,659 |

The average credit term for trade purchases is 30 days.

XVII.Accrued expenses

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Salary and bonus payable | $ 14,281 | $ 14,891 |
| Tax payable | 8,466 | 8,396 |
| Utility expenses payable | 4,668 | 4,914 |
| Others | 6,413 | 6,474 |
| | $ 33,828 | $ 34,675 |

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 parent-only balance sheet:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Present value of defined benefit obligations | $ 40,883 | $ 43,545 |
| Fair value of plan assets | ( 25,953 ) | ( 24,076 ) |
| Net defined benefit liabilities | $ 14,930 | $ 19,469 |

Changes in net defined benefit liability:

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liabilities |
|---|---|---|---|
| January 1, 2021 | $ 43,545 | ( $ 24,076 ) | $ 19,469 |
| servicing costs | | | |
| Service costs for the current period | 393 | - | 393 |
| Interest expense (income) | 163 | ( 91 ) | 72 |
| Recognized in profit or loss | 556 | ( 91 ) | 465 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts already included in net interest) | - | ( 328 ) | ( 328 ) |
| Actuarial loss - change in demographic assumption | 654 | - | 654 |
| Actuarial profit - change in financial assumption | ( 747 ) | - | ( 747 ) |
| Actuarial gain - adjustment based on past experience | ( 869 ) | - | ( 869 ) |
| Recognized in other comprehensive income | ( 962 ) | ( 328 ) | ( 1,290 ) |
| Employer's contribution | - | ( 3,714 ) | ( 3,714 ) |
| Plan asset payments | ( 2,256 ) | 2,256 | - |
| December 31, 2021 | $ 40,883 | ( $ 25,953 ) | $ 14,930 |

(To be Continued)

(Continued)

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liabilities |
|---|---|---|---|
| January 1, 2020 | $ 42,274 | ($ 17,420) | $ 24,854 |
| Servicing costs | | | |
| Service costs for the current period | 417 | - | 417 |
| Interest expense (income) | 318 | ( 133) | 185 |
| Recognized in profit or loss | 735 | ( 133) | 602 |
| 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) | - | ( 788) |
| Recognized in other comprehensive income | 536 | ( 574) | ( 38) |
| Employer's contribution | - | ( 5,949) | ( 5,949) |
| December 31, 2020 | $ 43,545 | ($ 24,076) | $ 19,469 |

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

| | 2021 | 2020 |
|---|---|---|
| Administrative expenses | $ 465 | $ 602 |

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:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Discount rate | 0.625% | 0.375% |
| 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:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Discount rate | | |
| 0.25% increase | ($ 733) | ($ 889) |
| 0.25% decrease | $ 755 | $ 918 |
| Expected salary increase | | |
| 0.25% increase | $ 732 | $ 886 |
| 0.25% decrease | ($ 714) | ($ 863) |

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.

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Expected contributions in the next year | $ 360 | $ 389 |
| Average maturity of defined benefit obligations | 7.2 years | 8.1 years |

## XIX. Equity

### (I) Common share capital

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Authorized and issued shares (thousand shares) | 208,725 | 208,725 |
| Authorized and paid-in capital | $ 2,087,250 | $ 2,087,250 |

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Shares premium from issuance | $ 71,028 | $ 71,028 |

| | | |
|---|---|---|
| Treasury stock transaction | 452,597 | 435,936 |
| | $ 523,625 | $ 506,964 |

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.

The Company’s shareholders’ meeting resolved to amend the Articles of Incorporation on August 31, 2021. 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. The shareholders’ dividends are not lower than 10% of the distributable earnings of the year; of which, cash dividends shall not account for less than 50% of the sum of cash dividends plus stock dividends. However, the Company may forgo dividend payment if distributable earnings amount to NT$0.2 or less in a given year.

Other than aforesaid, the shareholders’ meeting also specified that as required by laws, the Company shall make provision for special earnings reserve from unappropriated earnings carried from previous years for any net contra-equity balances accumulated under other contra-equity items in previous years before distributing earnings. If the Company is unable to make adequate provision from unappropriated earnings carried from previous years, the Company shall treat current net income and non-net income items as unappropriated earnings and make provisions accordingly.

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.

The distribution of earnings for 2020 and 2019 are described as following:

| | 2020 | 2019 |
|---|---|---|
| Provision for statutory reserves | $ 4,035 | $ 11,072 |
| Reversal of special reserves | ($ 39,225) | ($ 176,716) |
| Cash dividends | $ 104,363 | $ 146,108 |
| Cash dividends per share (NT$) | $ 0.5 | $ 0.7 |

The aforesaid cash dividend distributions were resolved by the board of directors on March 22, 2021 and March 23, 2020; and the earning distribution item for 2019 were resolved by the AGM on June 22, 2020. To respond to the "Measures Related to Postponing Shareholders' Meeting of Public Companies to Cope with the Pandemic," announced by FSC, the Company cancelled the originally scheduled shareholders' meeting, and convened the meeting on August 31, 2021.

Details of the 2021 earnings appropriation plan proposed by the board of directors in meeting dated March 14, 2022 are as follows:

| | Appropriation of Earnings |
|---|---|
| Provision for statutory reserves | $ 12,747 |
| Provision for special reserves | $ 5,832 |
| Cash dividends | $ 104,363 |
| Cash dividends per share (NT$) | $ 0.5 |

For the above cash dividend, the board of directors has resolved to set April 20, 2022 as the baseline date, and May 9, 2022 as the expected cash dividend payment date. Appropriation of 2021 earnings is still pending for shareholders' resolution in the annual general meeting scheduled on June 14, 2022.

(IV)Special reserves

The Company reclassified NT$372,185 thousand 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 2020 and 2019 earnings, the Company made reversal and provision for special reserves totaling NT$39,225 thousand and NT$176,716 thousand, 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.

(V)Other items of equity

Unrealized gain/(loss) on financial assets at FVTOCI

| | 2021 | 2020 |
|---|---|---|
| Opening balance | ($ 84,096) | ($ 156,000) |
| Incurred in the current year | | |
| Unrealized loss/profit - equity instrument (Note 8) | ( 4,493) | ( 7,960) |
| Share of equity-accounted associated companies | ( 15,592) | 16,196 |
| Adjustment to previous years | | |
| Unrealized gain/(loss) - Equity instruments | - | ( 10,606) |
| Cumulative gains/losses transfer to retained earnings following disposal of equity instrument | 14,252 | 74,274 |
| Closing balance | ($ 89,929) | ($ 84,096) |

(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 |
|---|---|---|---|---|
| 2021 | | | | |
| Subsidiaries' holding of the Company's shares reclassified from investment into treasury stock | 33,322 | - | - | 33,322 |
| 2020 | | | | |
| Subsidiaries' holding of the Company's shares reclassified from investment into treasury stock | 33,322 | - | - | 33,322 |

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 |
|---|---|---|---|
| December 31, 2021 | | | |
| GUAN CHAN INVESTMENT CO., LTD. | 8,750 | $ 337,066 | $ 350,000 |
| JIA FONG INVESTMENT CO., LTD. | 8,767 | 337,787 | 350,680 |
| SONG YUAN INVESTMENT CO., LTD. | 7,366 | 283,545 | 294,640 |
| SHUN TAI INVESTMENT CO., LTD. | 8,439 | 325,143 | 337,560 |
| | | $ 1,283,541 | $ 1,332,880 |
| December 31, 2020 | | | |
| GUAN CHAN 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 | 325,143 | 446,423 |
| | | $ 1,283,541 | $ 1,762,735 |

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

| | 2021 | 2020 |
|---|---|---|
| Net sales revenues | $ 115,954 | $ 201,207 |
| Lease incomes | 237,912 | 242,575 |
| Construction incomes | 32,568 | 30,088 |
| Other operating revenues | 36,569 | 45,820 |
| | $ 423,003 | $ 519,690 |

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

| | 2021 | 2020 |
|---|---|---|
| Net sales revenues | | |
| Revenues from sale of merchandise | $ 16,003 | $ 91,736 |
| Retail commission income | 99,951 | 109,471 |
| | $ 115,954 | $ 201,207 |
| Construction incomes | | |
| Income from sale of property | $ 32,568 | $ 30,088 |
| Other operating revenues | | |
| Incomes from merchants' subsidy for department renovation | $ 1,326 | $ 5,359 |
| Management fee income | 28,590 | 30,073 |
| Others | 6,653 | 10,388 |
| | $ 36,569 | $ 45,820 |

Analysis of retail commission income:

| | 2021 | 2020 |
|---|---|---|
| Total department sales | $ 829,926 | $ 975,696 |
| Retail commission income | $ 99,951 | $ 109,471 |

(III)Contract balance

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Contract liability | $ 6,391 | $ 6,444 |

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)Lease incomes

| | 2021 | 2020 |
|---|---|---|
| Lease incomes | | |
| Investment Property | $ 199,449 | $ 207,239 |
| Share of mall rental | 38,463 | 35,336 |

| | | |
|---|---|---|
| income | $ 237,912 | $ 242,575 |

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, 2021 and 2020, the Company had collected deposits totaling NT$50,365 thousand and NT$49,721 thousand, 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

| | 2021 | 2020 |
|---|---|---|
| Cost of sales | $ 13,406 | $ 79,125 |
| Cost of leasing | 36,357 | 37,864 |
| Construction cost | 35,295 | 28,356 |
| Other operating costs | 15,276 | 16,529 |
| | $ 100,334 | $ 161,874 |

(II) Interest income

| | 2021 | 2020 |
|---|---|---|
| Cash in banks | $ 30 | $ 399 |

(III)Other income

| | 2021 | 2020 |
|---|---|---|
| Carpark income | $ 7,630 | $ 9,244 |
| Dividend income | 6,035 | 3,242 |
| Incomes from governmental subsidies | 9,813 | - |
| Others | 4,523 | 4,018 |
| | $ 28,001 | $ 16,504 |

The governmental subsidies are the subsidies to the business having difficulties due to impacts of COVID-19 in service sectors, provided by MOEA, and the compensation of the re-zoning urban land announced by New Taipei City Government. In 2021, the total amount received was NT$9,813 thousand.

(IV)Other gains or losses

| | 2021 | 2020 |
|---|---|---|
| Loss from disposal of property, plant and equipment | ($ 68) | ($ 3,948) |
| Loss on disposal of investment properties | ( 318) | ( 372) |
| Net foreign exchange gains | 304 | 1,095 |
| Gain (loss) on financial assets mandatory to be carried at FVTPL | 10,047 | ( 1,776) |
| Sundry expenses | ( 679) | ( 716) |
| Reversal of impairment loss on investment property (Note 14) | - | 15,000 |
| | $ 9,286 | $ 9,283 |

Net gain/loss on financial assets mandatory to be carried at FVTPL includes: (A) Loss on fair value changes totaling NT$1,530 thousand in 2021 and NT$11,514 thousand in 2020; and (B) Gain on disposal totaling NT$11,577 thousand in 2021 and NT$9,738 thousand in 2020.

(V)Financial costs

| | 2021 | 2020 |
|---|---|---|
| Interest on bank loans | $ 25,598 | $ 29,734 |

There was no capitalization of interest in 2021 and 2020.

(VI)Depreciation and amortization

| | 2021 | 2020 |
|---|---|---|
| Property, Plant and Equipment | $ 64,525 | $ 72,360 |
| Investment Property | 7,305 | 7,819 |
| Intangible asset | 602 | 595 |
| Total | $ 72,432 | $ 80,774 |
| | | |
| An analysis of depreciation by function | | |
| Operating costs | $ 16,140 | $ 18,510 |
| Operating expenses | 55,690 | 61,669 |
| | $ 71,830 | $ 80,179 |
| | | |
| An analysis of amortization by function | | |
| Cost of sales | $ 148 | $ 149 |
| Operating expenses | 454 | 446 |
| | $ 602 | $ 595 |

(VII)Employee benefits expense

| | 2021 | 2020 |
|---|---|---|
| Retirement benefits (Note 18) | | |
| Defined contribution plans | $ 1,824 | $ 1,781 |
| defined benefit plan | 465 | 602 |
| Subtotal | 2,289 | 2,383 |
| Other employee benefits | 62,640 | 61,661 |
| Total | $ 64,929 | $ 64,044 |
| | | |
| An analysis by function | | |
| Operating expenses | $ 64,929 | $ 64,044 |

(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). 2021 and 2020 estimated employee/director remuneration were resolved in board of directors meetings dated March 14, 2022 and March 22, 2021, respectively. Details are as follows:

Ratio

| | 2021 | 2020 |
|---|---|---|
| Remuneration to employees | 0.10% | 0.63% |
| Remuneration to directors | - | 0.63% |

Amount

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Cash | Stocks | Cash | Stocks |
| Remuneration to employees | $ 150 | $ - | $ 1,000 | $ - |
| Remuneration to directors | - | - | 1,000 | - |

The amount actually paid of the employee' and directors' remunerations resolved by the board of directors on March 14, 2022 are different form the recognized amount in the annual parent-only financial statements. The difference is adjusted as the profit/loss in 2022.

| | 2021 | |
|---|---|---|
| | Remuneration to employees | Remuneration to directors |
| The distribution amount resolve by the board of directors | $ 150 | $ - |
| The amount recognized in the an nual financial reports | 1,000 | 1,000 |

The actual amounts of 2020 and 2019 employee remuneration and director remuneration paid were indifferent from the amounts recognized in the 2020 and 2019 financial statements.

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

(IX)Gains (losses) on foreign currency exchange

| | 2021 | 2020 |
|---|---|---|
| Foreign exchange gains | $ 449 | $ 3,410 |
| Total loss on currency exchange | ( 145 ) | ( 2,315 ) |
| Net profit | $ 304 | $ 1,095 |

XXII.Income tax

(I)Income tax recognized in profit or loss

Major components of tax expense were as follows:

| | 2021 | 2020 |
|---|---|---|
| Tax currently payable | | |
| Incurred in the current year | $ 998 | $ 32,971 |
| Levied on unappropriated earnings | - | 5,131 |
| Prior years adjustment | 974 | ( 347 ) |
| | 1,972 | 37,755 |
| Deferred tax | | |
| Incurred in the current year | ( 1,219 ) | 3,610 |
| Income tax expense recognized in profit or loss | $ 753 | $ 41,365 |

Reconciliation of accounting income and income tax expense:

| | 2021 | 2020 |
|---|---|---|
| Profit before tax | $ 141,448 | $ 155,524 |
| Income tax derived by applying the statutory tax rate to pre-tax net profit | $ 28,290 | $ 31,105 |
| Loss on valuation of financial assets | 306 | 2,302 |
| Tax-free (income) loss | ( 773 ) | 3,174 |
| Levied on unappropriated earnings | - | 5,131 |
| Previous income taxes adjusted in the current year | 974 | ( 347 ) |
| Difference to paid for the basic tax amount | 998 | - |
| Recognized deficit offset with the capital decrease of the subsidiary | ( 30,000 ) | - |
| Unrecognized losses carried forward | 958 | - |
| Income tax expense recognized in profit or loss | $ 753 | $ 41,365 |

(II)Income tax recognized in other comprehensive income

| | 2021 | 2020 |
|---|---|---|
| Deferred tax | | |
| Incurred in the current year | | |
| - Remeasurement of defined benefit plan | ($ 258) | ($ 8) |
| - Equity instruments at FVTOCI | ( 2,440) | 240 |
| Prior years adjustment | | |
| - Equity instruments at FVTOCI | - | ( 10,606) |
| | ($ 2,698) | ($ 10,374) |

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Loss carried forward | | |
| Expiring in 2031 | $ 958 | $ - |

(IV)Current tax liabilities

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Income tax payable | $ 998 | $ 21,268 |

(V)Deferred income tax assets and liabilities

Below are changes in deferred income tax assets and liabilities:

2021

| Deferred tax assets | Opening balance | Recognized in profit or loss | Recognized in other comprehensive income | Closing balance |
|---|---|---|---|---|
| Temporary difference | | | | |
| Impairment loss of financial assets at FVTOCI | $ 15,474 | $ - | ($ 2,440) | $ 13,034 |
| Defined benefit plan | 9,261 | - | ( 258) | 9,003 |
| Others | 39 | 142 | - | 181 |
| | $ 24,774 | $ 142 | ($ 2,698) | $ 22,218 |

(To be Continued)

(Continued)

| Deferred tax liabilities | Opening balance | Recognized in profit or loss | Recognized in other comprehensive income | Closing balance |
|---|---|---|---|---|
| Temporary difference | | | | |
| Provision for land increment value tax | $ 213,961 | $ - | $ - | $ 213,961 |
| Adjustment for rent-free period | 3,917 | ( 1,077 ) | - | 2,840 |
| | $ 217,878 | ( $ 1,077 ) | $ - | $ 216,801 |

2020

| Deferred tax assets | Opening balance | Recognized in profit or loss | Recognized in other comprehensive income | Closing balance |
|---|---|---|---|---|
| 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 | 628 | ( 589 ) | - | 39 |
| | $ 38,737 | ( $ 3,589 ) | ( $ 10,374 ) | $ 24,774 |

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

(VI)Income tax assessments

The Company's profit-seeking business income tax filings have been certified by the tax authority up until 2019.

## XXIII. EPS

| | 2021 | 2020 |
|---|---|---|
| Basic earnings per share | $ 0.80 | $ 0.65 |
| Diluted earnings per share | $ 0.80 | $ 0.65 |

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

Current net income

| | 2021 | 2020 |
|---|---|---|
| Current net income | $ 140,695 | $ 114,159 |

Number of shares

Unit: Thousand Shares

| | 2021 | 2020 |
|---|---|---|
| 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 | 32 | 26 |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | 175,435 | 175,429 |

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 parent-only 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, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Domestic listed shares | | | | |
| - Equity investments | $ 129,384 | $ - | $ - | $ 129,384 |
| - Foreign public listed (OTC-traded) shares | | | | |
| - Bond investments | 35,952 | - | - | 35,952 |
| Fund beneficiary certificates | 244,918 | - | - | 244,918 |
| Total | $ 410,254 | $ - | $ - | $ 410,254 |
| | | | | |
| Financial assets at FVTOCI | | | | |
| Investment in equity instruments | | | | |
| - Emerging Stock Market shares | $ - | $ - | $ 4,563 | $ 4,563 |
| - Domestic unlisted shares | - | - | 5,008 | 5,008 |
| - Foreign unlisted shares | - | - | 12,630 | 12,630 |
| Total | $ - | $ - | $ 22,201 | $ 22,201 |

December 31, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Domestic listed 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 | $ 360,124 | $ - | $ - | $ 360,124 |
| 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 | $ - | $ - | $ 66,457 | $ 66,457 |

There was no change of fair value input between level 1 and level 2 in 2021 and 2020.

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 2021 and 2020 balances is explained below:

| | 2021 | 2020 |
|---|---|---|
| Opening balance | $ 66,457 | $ 77,497 |
| Recognized as other comprehensive income (unrealized loss on valuation of financial assets at FVTOCI) | ( 2,000 ) | ( 8,200 ) |
| Refund from capital reduction | ( 41,882 ) | ( 2,840 ) |
| Disposal | ( 374 ) | - |
| Closing balance | $ 22,201 | $ 66,457 |

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Financial asset | | |
| At FVTPL | | |
| Financial assets designated as at FVTPL | $ 410,254 | $ 360,124 |
| Financial assets at amortized cost (Note 1) | 97,283 | 67,525 |
| Financial assets at FVTOCI - Investment in equity instruments | 22,201 | 66,457 |
| Financial liability | | |
| Financial liabilities carried at amortized cost (Note 2) | 2,980,573 | 3,061,352 |

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 refundable deposits, 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 due within one year, refundable deposits, 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:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Fair value interest rate risk | | |
| -Financial assets | $ 8,608 | $ 331 |
| -Financial liabilities | 1,460,000 | 1,466,000 |
| Cash flow interest rate risk | | |
| -Financial assets | 73,425 | 54,192 |
| -Financial liabilities | 1,340,000 | 1,390,000 |

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.

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 2021 and 2020 pre-tax profit by NT$3,166 thousand and NT$3,340 thousand, 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 Company's interest rate sensitivity from the previous year.

(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 2021 and 2020 would have increased/decreased by NT$12,938 thousand and NT$11,802 thousand, respectively, due to a rise/fall in the fair value of financial assets at FVTPL. Meanwhile, pre-tax other comprehensive income for 2021 and 2020 would have increased/decreased by NT$2,220 thousand and NT$6,646 thousand, 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 parent-only balance sheet.

Lease proceeds receivable by the Company were concentrated in three main customers, which accounted for 95% and 94% of the balance as at December 31, 2021 and 2020, 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, 2021

| | Repayable upon demand or within 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| Non-interest bearing liabilities | $ 152,954 | $ - | $ - | $ - |
| Floating rate instruments | 150,000 | - | | 1,190,000 |
| Fixed rate instruments | 84,000 | 446,000 | - | 930,000 |
| | $ 386,954 | $ 446,000 | $ - | $ 2,120,000 |

December 31, 2020

| | Repayable upon demand or within 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| Non-interest bearing liabilities | $ 228,639 | $ - | $ - | $ - |
| Floating rate instruments | - | - | - | 1,390,000 |
| Fixed rate instruments | 220,000 | 520,000 | - | 726,000 |
| | $ 448,639 | $ 520,000 | $ - | $ 2,116,000 |

Bank borrowing constitutes a main source of liquidity for the Company. As at December 31, 2021 and 2020, the Company had undrawn bank limits of NT$1,441,000 thousand and NT$1,385,000 thousand, 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

| Related Party Name | Relationship with the Company |
|---|---|
| GUAN CHAN Investment Co., Ltd. (GUAN CHAN Investment) | The Company's subsidiary |
| Jia Fong Investment Co., Ltd. (Jia Fong Investment) | The Company's subsidiary |
| SONG YUAN Investment Co., Ltd. (SONG YUAN Investment) | The Company's subsidiary |
| Shun Tai Investment Co., Ltd. (Shun Tai Investment) | The Company's subsidiary |
| DeHong Development Co., Ltd. (DeHong 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 2020 and 2019 in board of directors meetings held in March 2021 and March 2020, which the Company received a sum of NT$3,776 thousand and NT$3,115 thousand, respectively, at the prevailing shareholding percentage.
2. Subsidiaries GUAN CHAN INVESTMENT, JIA FONG INVESTMENT, SONG YUAN INVESTMENT, and SHUN TAI INVESTMENT passed resolutions in board of directors meetings held in April 2021 and 2020 to distribute

cash dividends for 2020 and 2019 totaling NT$22,904 thousand and NT$1,666 thousand, respectively.

3. In January 2015, the Company signed a property leasing agreement with DeHong Development to lease out part of the Company's office premise for use by the counterparty at monthly rent of NT$50 thousand. The Company has also been cooperating with DeHong Development on the sale of property inventory; in 2021 and 2020, the advertising expenses were accounted for NT$602 thousand and NT$927 thousand, respectively; as at December 31, 2021 and 2020, the Company had NT$309 thousand and NT$439 thousand of outstanding advertising expenses, respectively, that were payable to DeHong Development.

(III)Compensation of key management personnel

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

| | 2021 | 2020 |
|---|---|---|
| Short-term employee benefits | $ 14,190 | $ 14,198 |
| Post-employment benefits | 164 | 180 |
| | $ 14,354 | $ 14,378 |

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:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Property, Plant and Equipment | | |
| - Land | $ 840,092 | $ 835,520 |
| - Buildings | 768,365 | 768,610 |
| Investment Property | 892,273 | 902,818 |
| | $ 2,500,730 | $ 2,506,948 |

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, 2021

| Financial asset | Foreign currency | Exchange rate | Carrying amount |
|---|---|---|---|
| Monetary items | | | |
| USD | $ 381 | 27.680 | $ 10,541 |
| RMB | 488 | 4.344 | 2,121 |
| ZAR | 1,076 | 1.733 | 1,865 |
| | | | $ 14,527 |
| Non-monetary items | | | |
| USD | 2,290 | 27.680 | $ 63,391 |
| RMB | 616 | 4.344 | 2,674 |
| ZAR | 544 | 1.733 | 942 |
| | | | $ 67,007 |

December 31, 2020

| Financial asset | Foreign currency | Exchange rate | Carrying amount |
|---|---|---|---|
| Monetary items | | | |
| USD | $ 501 | 28.480 | $ 14,271 |
| Non-monetary items | | | |
| USD | 2,237 | 28.480 | $ 63,715 |
| RMB | 1,029 | 4.377 | 4,505 |
| ZAR | 2,391 | 1.949 | 4,661 |
| | | | $ 72,881 |

The Company reported net gain (realized and unrealized) on exchange totaling NT$304 thousand in 2021 and NT$1,095 thousand in 2020. 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 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)

(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, 2021

Table 1

Unit: NTD thousand

| Holding Company Name | Name and type of marketable security | Relationship with the Holding Company | Financial Statement Account | December 31, 2021 | | | | 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 | 896,000 | $ 660 | 5.32 | $ 660 | |
| | WK Technology Fund VIII | - | Equity instrument at FVTOCI - Non-current | 1,589,500 | 295 | 6.67 | 295 | |
| | WK Technology Fund | - | Equity instrument at FVTOCI - Non-current | 29,914 | 3,632 | 3.00 | 3,632 | |
| | WK Technology Fund V | - | Equity instrument at FVTOCI - Non-current | 1,192,125 | 421 | 4.17 | 421 | |
| | Wholesome Biopharm Pty Ltd. | - | Equity instrument at FVTOCI - Non-current | 10,000,000 | 12,630 | 12.16 | 12,630 | |
| | 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 | - | |
| | KDH Design CO., Ltd. | - | Equity instrument at FVTOCI - Non-current | 40,000 | - | 2.03 | - | |
| | Julien's International Entertainment Group Co., Ltd. | - | Equity instrument at FVTOCI - Non-current | 373,501 | 4,563 | 1.30 | 4,563 | |
| | 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 | 3,090,491.02 | 46,318 | - | 46,318 | |
| | Franklin Templeton Sinoam Money Market | - | Financial assets at FVTPL - Current | 4,307,371.38 | 45,028 | - | 45,028 | |
| | FSITC Taiwan Money Market | - | Financial assets at FVTPL - Current | 2,609,036.20 | 40,365 | - | 40,365 | |
| | Prudential Financial Money Market Fund | - | Financial assets at FVTPL - Current | 938,878.70 | 15,014 | - | 15,014 | |
| | CTBC Asia Pacific Real Income Fund | - | Financial assets at FVTPL - Current | 200,000.00 | 2,104 | - | 2,104 | |

(To be Continued)

(Continued)

| Holding Company Name | Name and type of marketable security | Relationship with the Holding Company | Financial Statement Account | December 31, 2021 | | | | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares / units | Carrying amount | Shareholding percentage | Fair value | |
| | Taishin 1699 Money Market | - | Financial assets at FVTPL - Current | 2,926,522.40 | $ 40,030 | - | $ 40,030 | |
| | Taishin Ta Chong Money Market Fund | - | Financial assets at FVTPL - Current | 1,045,388.40 | 15,002 | - | 15,002 | |
| | Eastspring Investments Well Pool Money Market Fund | - | Financial assets at FVTPL - Current | 727,839.10 | 10,001 | - | 10,001 | |
| | Fuh Hwa South Africa Short-Term Income ZAR Fund B | - | Financial assets at FVTPL - Current | 60,260.90 | 942 | - | 942 | |
| | Nomura Four Years Ladder Maturity Emerging Market Bond Fund CNY Acc | - | Financial assets at FVTPL - Current | 57,600.00 | 2,674 | - | 2,674 | |
| | Franklin Utilities Fund A | - | Financial assets at FVTPL - Current | 2,145.00 | 1,307 | - | 1,307 | |
| | Pictet-Russian Equities R | - | Financial assets at FVTPL - Current | 120.87 | 308 | - | 308 | |
| | BlackRock Global Funds - World Technology Fund A2 | - | Financial assets at FVTPL - Current | 258.06 | 601 | - | 601 | |
| | LionGlobal Vietnam Fund | - | Financial assets at FVTPL - Current | 15,162.59 | 367 | - | 367 | |
| | Allianz Global Investors Fund - Allianz Oriental Income A | - | Financial assets at FVTPL - Current | 122.39 | 783 | - | 783 | |
| | JPMorgan Funds - China Fund | - | Financial assets at FVTPL - Current | 1,042.41 | 2,795 | - | 2,795 | |
| | JPMorgan Asia Growth | - | Financial assets at FVTPL - Current | 4,726.35 | 2,933 | - | 2,933 | |
| | Templeton Asian Growth Fund A USD | - | Financial assets at FVTPL - Current | 570.99 | 680 | - | 680 | |
| | BlackRock World Mining Fund | - | Financial assets at FVTPL - Current | 1,049.10 | 1,825 | - | 1,825 | |
| | BNP Paribas Funds Energy Transition | - | Financial assets at FVTPL - Current | 979.24 | 4,333 | - | 4,333 | |
| | JPMorgan Funds - Emerging Markets Equity | - | Financial assets at FVTPL - Current | 515.11 | 708 | - | 708 | |
| | BNP Paribas Funds Emerging Bond Opportunities Classic MD Distribution | - | Financial assets at FVTPL - Current | 603.40 | 255 | - | 255 | |
| | JPMorgan Pacific Technology Fund (sub-fund) | - | Financial assets at FVTPL - Current | 462.93 | 1,480 | - | 1,480 | |
| | Franklin Income Fund | - | Financial assets at FVTPL - Current | 8,947.37 | 2,868 | - | 2,868 | |

(To be Continued)

(Continued)

| Holding Company Name | Name and type of marketable security | Relationship with the Holding Company | Financial Statement Account | December 31, 2021 | | | | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares / units | Carrying amount | Shareholding percentage | Fair value | |
| | JPMorgan Funds - Greater China Fund A (dist) - USD | - | Financial assets at FVTPL - Current | 582.51 | $ 1,131 | - | $ 1,131 | |
| | AB - American Income Portfolio AT Inc | - | Financial assets at FVTPL - Current | 1,771.84 | 1,590 | - | 1,590 | |
| | Franklin Mutual European Fund A(acc)USD | - | Financial assets at FVTPL - Current | 1,945.54 | 1,663 | - | 1,663 | |
| | Franklin Technology Fund | - | Financial assets at FVTPL - Current | 1,373.76 | 1,813 | - | 1,813 | |
| | - Bonds | | | | | | | |
| | Brazilian Government Bonds (VII) | - | Financial assets at FVTPL - Current | 2,000 | 5,133 | - | 5,133 | |
| | - Corporate bonds | | | | | | | |
| | AT&T Corporate Bonds (VI) | - | Financial assets at FVTPL - Current | 2,000 | 6,181 | - | 6,181 | |
| | Petroleos Mexicanos corporate bonds (VII) | - | Financial assets at FVTPL - Current | 2,000 | 4,770 | - | 4,770 | |
| | Apple Inc. Corporate Bonds (VII) | - | Financial assets at FVTPL - Current | 1,700 | 5,179 | - | 5,179 | |
| | Altria USD bonds | - | Financial assets at FVTPL - Current | 200 | 6,438 | - | 6,438 | |
| | Pertamina corporate bonds (III) | - | Financial assets at FVTPL - Current | 2,000 | 6,141 | - | 6,141 | |
| | Verizon Communications corporate bonds | - | Financial assets at FVTPL - Current | 62 | 2,110 | - | 2,110 | |
| | Common shares of domestic companies | | | | | | | |
| | Hon Hai Precision Industry Co., Ltd. | - | Financial assets at FVTPL - Current | 26,000 | 2,704 | - | 2,704 | |
| | Asia Optical Co. Inc. | - | Financial assets at FVTPL - Current | 78,000 | 7,324 | - | 7,324 | |
| | Zhen Ding Technology Holding Limited | - | Financial assets at FVTPL - Current | 15,400 | 1,548 | - | 1,548 | |
| | Crystalvue Medical Corporation | - | Financial assets at FVTPL - Current | 78,000 | 3,740 | - | 3,740 | |
| | FuSheng Precision Co., Ltd. | - | Financial assets at FVTPL - Current | 166,000 | 32,204 | - | 32,204 | |
| | Yageo Corporation | - | Financial assets at FVTPL - Current | 2,000 | 959 | - | 959 | |

(To be Continued)

(Continued)

| Holding Company Name | Name and type of marketable security | Relationship with the Holding Company | Financial Statement Account | December 31, 2021 | | | | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares / units | Carrying amount | Shareholding percentage | Fair value | |
| | Taiwan Semiconductor Manufacturing Co., Ltd. | - | Financial assets at FVTPL - Current | 8,000 | $ 4,920 | - | $ 4,920 | |
| | Yeong Guan Energy Technology Group Company Limited | - | Financial assets at FVTPL - Current | 84,962 | 5,353 | - | 5,353 | |
| | Delta Electronics, Inc. | - | Financial assets at FVTPL - Current | 11,000 | 3,025 | - | 3,025 | |
| | Aces Electronics Co., Ltd. | - | Financial assets at FVTPL - Current | 44,235 | 2,300 | - | 2,300 | |
| | YFY Inc. | - | Financial assets at FVTPL - Current | 139,000 | 4,941 | - | 4,941 | |
| | Winbond Electronics Corp. | - | Financial assets at FVTPL - Current | 236,000 | 8,024 | - | 8,024 | |
| | Inventec Corporation | - | Financial assets at FVTPL - Current | 60,000 | 1,497 | - | 1,497 | |
| | TungThih Electronic Co., Ltd. | - | Financial assets at FVTPL - Current | 8,000 | 1,400 | - | 1,400 | |
| | Ardentec Technology Inc. | - | Financial assets at FVTPL - Current | 50,000 | 2,775 | - | 2,775 | |
| | Evergreen Marine Corporation | - | Financial assets at FVTPL - Current | 135,000 | 19,238 | - | 19,238 | |
| | Fubon Financial Holding Co., Ltd. | - | Financial assets at FVTPL - Current | 60,000 | 4,578 | - | 4,578 | |
| | ShunSin Technology Holdings Limited | - | Financial assets at FVTPL - Current | 25,000 | 2,325 | - | 2,325 | |
| | Taiwan High Speed Rail Corporation | - | Financial assets at FVTPL - Current | 445,000 | 13,172 | - | 13,172 | |
| | Raydium Semiconductor Corporation | - | Financial assets at FVTPL - Current | 13,000 | 7,357 | - | 7,357 | |
| GUAN CHAN INVESTMENT CO., LTD. | Common share | | | | | | | |
| | Tonlin Department Store Co., Ltd. | Parent company | Equity instrument at FVTOCI - Non-current | 8,750,000 | 350,000 | 4.19 | 350,000 | (Note 1 and 2) |
| | Beneficiary certificate | | | | | | | |
| | Jih Sun Money Market Fund | - | Financial assets at FVTPL - Current | 103,455.50 | 1,550 | - | 1,550 | |
| | FSITC Taiwan Money Market | - | Financial assets at FVTPL - Current | 188,048.70 | 2,910 | - | 2,910 | |
| | Taishin 1699 Money Market | - | Financial assets at FVTPL - Current | 228,508.64 | 3,126 | - | 3,126 | |

(To be Continued)

(Continued)

| Holding Company Name | Name and type of marketable security | Relationship with the Holding Company | Financial Statement Account | December 31, 2021 | | | | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares / units | Carrying amount | Shareholding percentage | Fair value | |
| JIA FONG INVESTMENT CO., LTD. | Common share | | | | | | | |
| | Tonlin Department Store Co., Ltd. | Parent company | Equity instrument at FVTOCI - Non-current | 8,767,000 | $ 350,680 | 4.20 | $ 350,680 | (Note 1 and 2) |
| | Beneficiary certificate | | | | | | | |
| | FSITC Taiwan Money Market | - | Financial assets at FVTPL - Current | 327,162.10 | 5,061 | - | 5,061 | |
| | Mega Diamond Money Market | - | Financial assets at FVTPL - Current | 182,511.63 | 2,314 | - | 2,314 | |
| SONG YUAN INVESTMENT CO., LTD. | Common share | | | | | | | |
| | Tonlin Department Store Co., Ltd. | Parent company | Equity instrument at FVTOCI - Non-current | 7,366,000 | 294,640 | 3.53 | 294,640 | (Note 1 and 2) |
| | Beneficiary certificate | | | | | | | |
| | Jih Sun Money Market Fund | - | Financial assets at FVTPL - Current | 111,385.73 | 1,669 | - | 1,669 | |
| | Fsitc Taiwan Money Market | - | Financial assets at FVTPL - Current | 52,299.90 | 809 | - | 809 | |
| | Pimco Gis Income | - | Financial assets at FVTPL - Current | 17,186.02 | 5,181 | - | 5,181 | |
| | Asian Tiger Bond A2 Usd | - | Financial assets at FVTPL - Current | 2,308.94 | 2,760 | - | 2,760 | |
| | Global Real Asset Securities | - | Financial assets at FVTPL - Current | 696.28 | 2,757 | - | 2,757 | |
| | Invesco Us Senior Loan Fund | - | Financial assets at FVTPL - Current | 523.64 | 2,779 | - | 2,779 | |
| | - Foreign shares | | | | | | | |
| | U.S. shares | | | | | | | |
| | Bank Of America Corp | - | Financial assets at FVTPL - Current | 3,200 | 3,944 | - | 3,944 | |
| | Mastercard Incorporated | - | Financial assets at FVTPL - Current | 300 | 2,998 | - | 2,998 | |
| SHUN TAI INVESTMENT CO., LTD. | Common share | | | | | | | |
| | Tonlin Department Store Co., Ltd. | Parent company | Equity instrument at FVTOCI - Non-current | 8,439,000 | 337,560 | 4.04 | 337,560 | (Note 1 and 2) |

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

2021

Table 2 Unit: NTD thousand

| Investor | Investor Company | Location | Main Businesses and Products | Investment Amount | | As of December 31, 2021 | | | Current period profit (loss) of the investee (Note 2) | Investment gains (losses) recognized in the current period (Note 2) | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2021 | December 31, 2020 | Shares | Percentage (%) | Carrying amount | | | |
| Tonlin Department Store Co., Ltd. | DeHong Development Co., Ltd. | Taipei City | General construction | $ 600,000 | $ 600,000 | 45,000,000 | 100.00 | $ 419,245 | ($ 27,254) | ($ 27,254) | Subsidiary (Notes 2 and 4) |
| | Chung Hsiao Enterprise Co., Ltd. | Taipei City | General leasing | 101,952 | 101,952 | 3,776,000 | 20.00 | 146,467 | 17,542 | 3,508 | Equity-accounted investee |
| | SONG YUAN Investment Co., Ltd. | Taipei City | Investment | 350,000 | 350,000 | 35,000,000 | 100.00 | 82,066 | 5,174 | 1,491 | Subsidiary (Notes 1, 2, and 3) |
| | Shun Tai Investment Co., Ltd. | Taipei City | Investment | 350,000 | 350,000 | 35,000,000 | 100.00 | 41,917 | 5,048 | 829 | Subsidiary (Notes 1, 2, and 3) |
| | GUAN CHAN Investment Co., Ltd. | Taipei City | Investment | 350,000 | 350,000 | 35,000,000 | 100.00 | 28,951 | 4,427 | 52 | Subsidiary (Notes 1, 2, and 3) |
| | Jia Fong Investment Co., Ltd. | Taipei City | Investment | 350,000 | 350,000 | 35,000,000 | 100.00 | 28,418 | 4,537 | 153 | 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, 2021.

Note 3:Differences between investment gains/losses the Company had recognized on SONG YUAN INVESTMENT CO., LTD., SHUN TAI INVESTMENT CO., LTD., GUAN CHAN 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.

Note 4:DeHong Development Co., Ltd. resolved by its board of directors on August 25, 2021, conducted a capital decrease to offset the deficit, with 15,000 thousand issued shares cancelled. After the capital decrease, the paid-in capital is NT$450,000 thousand, divided into 45,000 thousand shares.

Tonlin Department Store Co., Ltd. and Subsidiaries

Information on main investors

December 31, 2021

Table 3

| Name of major shareholder | Shares | |
|---|---|---|
| | No. of shares held | Shareholding percentage (%) |
| SHUEN SHYANG DEVELOPMENT CO., LTD. | 35,913,664 | 17.20 |
| JIN DUO LIH ENTERPRISES PTY. LTD. | 22,936,442 | 10.98 |
| Weng Chun-Chih | 22,229,920 | 10.65 |
| 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).

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 | 2019 | 2020 | Difference | |
|---|---|---|---|---|
| | | | Amount | % |
| Current asset | 1,392,796 | 1,502,547 | (109,751) | (7.30) |
| Property, Plant and Equipment | 2,249,481 | 2,309,908 | (60,427) | (2.62) |
| Net amount of investment property | 2,158,918 | 2,165,053 | (6,135) | (0.28) |
| Other assets | 220,101 | 282,167 | (62,066) | (22.00) |
| Total assets | 6,021,296 | 6,259,675 | (238,379) | (3.81) |
| Current liabilities | 1,220,833 | 1,492,180 | (271,347) | (18.18) |
| Long-term borrowings | 2,120,000 | 2,116,000 | 4,000 | 0.19 |
| Other liabilities | 283,490 | 288,462 | (4,972) | (1.72) |
| Total liabilities | 3,624,323 | 3,896,642 | (272,319) | (6.99) |
| Share capital | 2,087,250 | 2,087,250 | 0 | 0.00 |
| Additional paid-in capital | 523,625 | 506,964 | 16,661 | 3.29 |
| Retained earnings | 1,159,568 | 1,136,456 | 23,112 | 2.03 |
| Other equities | (89,929) | (84,096) | (5,833) | 6.94 |
| Treasury stock | (1,283,541) | (1,283,541) | 0 | 0.00 |
| Non-controlling interests | 0 | 0 | 0 | 0.00 |
| Total Equity | 2,396,973 | 2,363,033 | 33,940 | 1.44 |

(I) Reasons of material changes to assets, liabilities, and shareholders' equity:

1. The amount of the other assets in 2021 decreased from 2020, mainly because that the unlisted investees decreased their capitals, and refunded the share payment, for about NT$41,882 thousand; as well as the adjustment of unrealized income/loss of the financial assets measured at fair value through OCI by the affiliate, Chung Hsiao Enterprise. Co., Ltd., was recognized for NT$15,592 thousand.
2. The current liabilities in 2021 decreased from 2020, mainly because the repayments were made to bank's borrowings fro NT$109,973 thousand, and the equipment payables and the income tax liability of the current period, decrease NT$90,983 thousand.

(II) For these with material impacts, the future responding plans:

It is expected that the construction segment will continue the sales of the Yuyangming project at Yangming Mountain and Jiaoxi construction projects in 2022. 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.

## II. Financial performance

Unit: NTD thousand

| Item \ Year | 2021 | 2020 | Amount increased (decreased) | Percentage of change (%) |
|---|---|---|---|---|
| Operating revenue | 528,595 | 554,440 | (25,845) | (4.66) |
| Operating costs | 205,906 | 190,011 | 15,895 | 8.37 |
| Operating margin | 322,689 | 364,429 | (41,740) | (11.45) |
| Operating expenses | 191,302 | 202,611 | (11,309) | (5.58) |
| Net operating margin | 131,387 | 161,818 | (30,431) | (18.81) |
| Non-operating income and (expense) | 10,455 | (5,575) | 16,030 | (287.53) |
| Net income before tax | 141,842 | 156,243 | (14,401) | (9.22) |
| Income tax | 1,147 | 42,084 | (40,937) | (97.27) |
| Current net income | 140,695 | 114,159 | 26,536 | 23.24 |
| Other comprehensive income | (19,053) | (2,340) | (16,713) | 714.23 |
| Total comprehensive income | 121,642 | 111,819 | 9,823 | 8.78 |

(I) Analysis and explanation of changes

1. The 2021 operating revenue was NT$25,845,000 lower than 2020.

| | 2021 | 2020 | Difference |
|---|---|---|---|
| Incomes from department stores | 115,954 | 201,207 | (85,253) |
| Lease incomes | 242,743 | 247,744 | (5,001) |
| Construction incomes | 133,329 | 59,669 | 73,660 |
| Other operating revenues | 36,569 | 45,820 | (9,251) |
| | 528,595 | 554,440 | (25,845) |

Overall, revenues in 2021 were NT$25,845,000 lower compared to 2020. Meanwhile, costs increased by NT$15,895,000, increasing gross profit by approximately NT$41,740,000. ◦

2. 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$11,310,000.
3. Net non-operating income increased by NT$16,030,000 mainly as a result of decreased reversal of impairments: NT$15,000,000, increased loss on disposal of financial assets: NT$8,034,000; interest expenses decreased: NT$5,425,000, other income increased: 7,523,000, investment gains increased: NT$3,842,000, net loss from disposal of fixed asset decreased : NT$3,934,000; and increased net gains of financial assets valuation: NT$20,040,000.
4. Increased loss in other comprehensive income: NT$16,713,000, which includes the increased actuarial gains of defined benefit plan for NT$1,252,000 and recognized unrealized valuation loss of equity instruments at FVTOCI increased by NT$25,641,000, as well as deferred income tax decreased by NT$7,676,000.
5. Overall, the Company reported comprehensive income at NT$121,642,000 for 2021, NT$111,819,000 up from the NT$9,823,000 reported in 2020.

(II) Expectation and the basis thereof, tne possible i pact to the Company’s future finance and business, and countermeasures: It is expected that the construction segment will continue the sales of the Yuyangming project at Yangming Mountain and Jiaoxi project in 2022. In addition, after the refurbishment of Taoyuan 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

| Year / Item | 2021 | 2020 | Percentage of change (%) |
|---|---|---|---|
| Cash flow ratio (%) | 21.53 | 11.27 | 91.04 |
| Cash flow adequacy (%) | 62.68 | 50.41 | 24.34 |
| Cash flow reinvestment ratio (%) | 3.29 | 0.87 | 278.16 |
| Analysis and explanation of changes | | | |
| 1. Cash flow ratio increased: mainly because the sales of construction projects in 2021 more than in 2020, resulting in the largeer inflow of funds from operating activities.<br>2. Cash flow adequacy ratio increased: mainly because the net cash inflow from operating activities for the past five years in 2021 years was significantly increased than that in 2020.<br>3. Cash reinvestment ratio increase: mainly because the net cash inflow from operating activities in 2021 years after deducting distributed cash dividends was significantly increased than that in 2020. | | | |

(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 activities ② | Estimated yearly net cash outflow ③ | Anticipated cash surplus (shortage) ①+②-③ | Remedies for cash deficits | |
|---|---|---|---|---|---|
| | | | | Investment plans | Financing plans |
| 82,390 | 294,802 | 293,226 | 82,966 | - | - |
| 1. Analysis of cash flow changes for next year<br>(1) Operating activities: It is expected that the sales of the Jiaoxi project under the construction segment in 2022, and the operation of the Taoyuan Branch after the refurbishment will increase the inflow of working capital by then.<br>(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$1,112,410 thousand. The refurbished Branch was officially opened for operation in October 2018. In addition to retaining top revenue-generating merchants, the restaurant (beverages), sports, leisure, entertainment, and cinema merchants were introduced for joint-operation.

## 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 2021 totaled NT$6,035 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 2021, the Company has invested NT$450 million in De Hong 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. In 2021 till 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 2021 and as of the publication date of the annual report, the exchange rate changes have not had any significant impact 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 2021 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 2021 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 2021 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 2021 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 2021 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 2021 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. Provided, 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. 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 in 2020.

(XIII) Other important risks, and mitigation measures being or to be taken: not applicable.

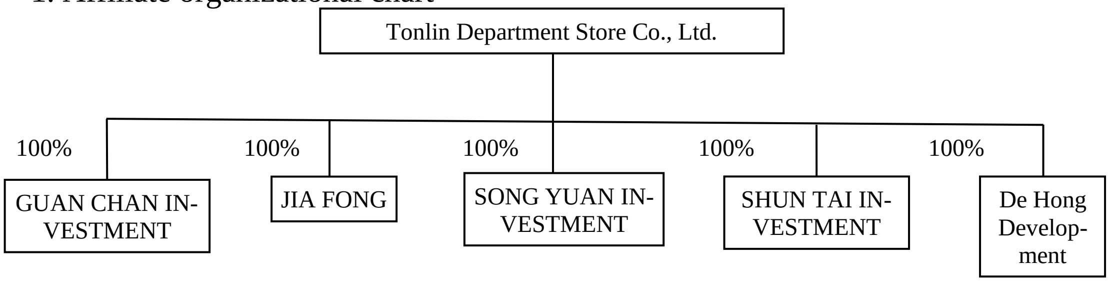
**VII. Other important matters:** none

# Eight. Other items deserving special mention

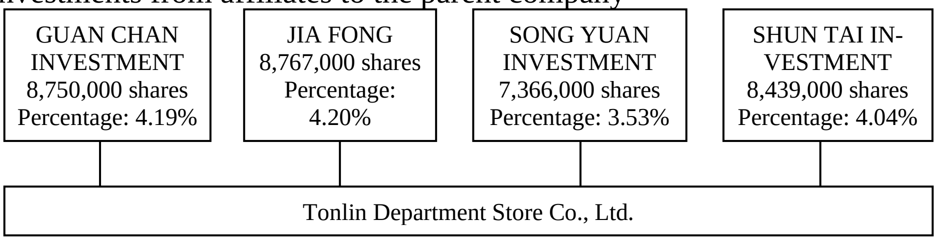
## I. Information related to affiliates:

(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 CHAN INVESTMENT | 2001.3.16 | 10F-6, No. 197, Zhongxiao E. Rd. Sec. 4, Taipei City | NT$350 million | General investment |
| JIA FONG | 2001.3.19 | 10F-6, No. 197, Zhongxiao E. Rd. Sec. 4, Taipei City | NT$350 million | General investment |
| SONG YUAN INVESTMENT | 2001.3.15 | 10F-6, No. 197, Zhongxiao E. Rd. Sec. 4, Taipei City | NT$350 million | General investment |
| SHUN TAI INVESTMENT | 2001.3.16 | 10F-6, No. 197, Zhongxiao E. Rd. Sec. 4, Taipei City | NT$350 million | General investment |
| De Hong Development | 2009.10.22 | 10F-6, No. 197, Zhongxiao E. Rd. Sec. 4, Taipei City | NT$450 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

Unit: shares

| Investor | Name of enterprise | Title | Name or representative | Shares held | |
|---|---|---|---|---|---|
| | | | | Number of shares | Shares Ratio |
| The Company | GUAN CHAN INVESTMENT | Chairman<br>Director<br>Director<br>Supervisor | Tonlin Department Store (Representative: Weng, Chun-Chih)<br>Tonlin Department Store (Representative: Huang Chung-Sheng)<br>Tonlin Department Store (Representative: Su, Chi-Wei)<br>Tonlin Department Store (Representative: Weng, Hua-Li) | 35,000,000 | 100 % |
| The Company | JIA FONG | Chairman<br>Director<br>Director<br>Supervisor | Tonlin Department Store (Representative: Huang Chung-Sheng)<br>Tonlin Department Store (Representative: Weng, Chun-Chih)<br>Tonlin Department Store (Representative: Su, Chuan-Hui)<br>Tonlin Department Store (Representative: Weng, Ju-I) | 35,000,000 | 100 % |
| The Company | SONG YUAN INVESTMENT | Chairman<br>Director<br>Director<br>Supervisor | Tonlin Department Store (Representative: Su, Chien-I)<br>Tonlin Department Store (Representative: Weng, Chun-Chih)<br>Tonlin Department Store (Representative: Weng, Hua-Li)<br>Tonlin Department Store (Representative: Weng, Ju-I) | 35,000,000 | 100 % |
| The Company | SHUN TAI INVESTMENT | Chairman<br>Director<br>Director<br>Supervisor | Tonlin Department Store (Representative: Weng, Ju-I)<br>Tonlin Department Store (Representative: Su Yong-Chun<br>Tonlin Department Store (Representative: Huang Chung-Sheng)<br>Tonlin Department Store (Representative: Weng, Hua-Tieng) | 35,000,000 | 100 % |
| The Company | De Hong Development | Chairman<br>Director<br>Director<br>Director<br>Director<br>Supervisor | Tonlin Department Store (Representative: Su, Chien-Hsing)<br>Tonlin Department Store (Representative: Su, Chien-I)<br>Tonlin Department Store (Representative: Weng, Chun-Chih)<br>Tonlin Department Store (Representative: Weng, Hua-Tieng)<br>Tonlin Department Store (Representative: Weng, Hua-Li)<br>Tonlin Department Store (Representative: Weng, Ju-I) | 45,000,000 | 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 CHAN INVESTMENT | NT$350 million | 392,315 | 13,364 | 378,951 | 11,071 | 4,489 | 4,427 | 0.13 |
| JIA FONG | NT$350 million | 379,503 | 405 | 379,098 | 11,123 | 4,619 | 4,537 | 0.13 |
| SONG YUAN INVESTMENT | NT$350 million | 429,522 | 52,817 | 376,705 | 46,698 | 5,159 | 5,174 | 0.15 |
| SHUN TAI INVESTMENT | NT$350 million | 380,149 | 672 | 379,477 | 18,939 | 5,313 | 5048 | 0.14 |
| De Hong Development | NT$450 million | 732,324 | 313,079 | 419,245 | 100,761 | ( 27,254) | ( 27,254 ) | ( 0.61 ) |

## (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 2021 (from January 1 to December 31, 2021). 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 14, 2022

## II. Private placement of securities in 2021 until the publication date of the annual report:
None

## III. The shareholding or disposal of shares of the Company by subsidiaries in 2021 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 CHAN 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 |
| SONG 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 2021: none