

# **Tonlin Department Store Co., Ltd.**

Stock Code: 2910

## **2023 Annual General Meeting Handbook**

Time of meeting: June 19, 2023

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

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# **Tonlin Department Store Co., Ltd.**

## **Procedures of 2023 Regular Shareholders' Meeting**

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

Two. Chairperson's Speech

Three. Report Items

Four. Ratifications

Five. Extraordinary Motions

Six. Adjournment

# **Tonlin Department Store Co., Ltd.**

## **Agenda of 2023 Regular Shareholders' Meeting**

**Convened as:** Offline Shareholders' Meeting

**Time:** 9:00 a.m., Monday, June 19, 2023

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

### **One. Commencement of Meeting**

### **Two. Chairperson's Speech**

### **Three. Report Items:**

1. Report on of 2022 business overview.
2. 2022 Audit Committee's Review Report
3. Report on allocation of employee remuneration and director remuneration.

### **Four. Ratifications:**

1. Ratify 2022 settled statements and books.
2. Ratify the proposal of 2022 earnings distribution

### **Five. Extraordinary Motions**

### **Six. Adjournment**

# Reports

I. Presentation of report on 2022 business summary. Please review.

Description: For 2022 Business Report, please refer to Attachment 1 (page 5-8).

II. Presentation of 2022 Audit Committee's Review Report. Please review.

Description: For the Audit Committee's Review Report, please refer to Attachment 2 (page 9).

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

Description: 1. The employee remuneration of NT\$154,000 and director remuneration of NT\$0 are to be distributed for 2022; the employee remuneration is 0.1372% of the pre-tax profit before employee and director remuneration, and entirely paid in cash.

2. Regarding the remunerations received by directors, including the remuneration policy, individual remunerations and the amounts, please refer to Attachment 3 (page 10-11).

# **Ratifications**

Proposal 1

**Proposed by the board of directors**

Cause: The 2022 year-end accounts are ready for ratification.

Description: 1. The Company's 2022 standalone and consolidated financial reports have been reviewed and approved by the Audit Committee and the board of directors, and audited by Chiu, Cheng-Chun, CPA and Huang Hsiu-Chun, CPA of Deloitte Taiwan, for which they have issued an independent auditor's report.

2. The business report and abovementioned accounts can be found in Attachment 1 (pages 5-8), Attachment 4, and Attachment 5 (pages 12-20 and 21-29).

Resolution:

Proposal 2

**Proposed by the board of directors**

Cause: The proposal of 2022 earnings distribution, please ratify.

Description: The 2022 Statement of Earnings Distribution can be found in Attachment 6 (page 30).

Resolution:

# **Extraordinary Motion**

# **Adjournment**

# Tonlin Department Store Co., Ltd.

## 2022 Business Report

### I. Foreword

In 2022, the effect of COVID-19 pandemic remained, along with the impacts from the Russia-Ukraine War, interest rate hikes in the U.S., and inflations, various domestic economic momentum were still poor. Economic growth rate for 2022 was concluded at 2.43%, down from the 6.53% in 2021. 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, resulted in moderately declined property prices. Buyers tended to wait and see, and the transaction volume decreased. The Company will take more pro-active efforts at selling its Yangmingshan project (five units remained as of December 31, 2022). The Jiaoxi project, on the other hand, has commenced sale since the 4th quarter, 2017 and eight units remained unsold at the end of 2022.

### II. Business Report

Below is an analysis of operating results, budget execution, financial ratios, and profitability for 2022:

#### (I) Business results

Item	2022 consolidated	2021 consolidated	Unit: NTD thousand
			Growth rate (%)
Operating revenues	711,970	528,595	34.69
Operating costs	360,518	206,239	74.81
Gross profit	351,452	322,356	9.03
Operating expenses	187,042	191,302	(2.23)
Operating profit	164,410	131,054	25.45
Non-operating income (expenses), net	(49,484)	10,788	(558.69)
Profit before tax	114,926	141,842	(18.98)
Income tax expense	18,531	1,147	1,515.61
Current net income	96,395	140,695	(31.49)
Other comprehensive income	(17,726)	(19,053)	(6.96)
Comprehensive income for the current year	78,669	121,642	(35.33)

1. Operating revenues in 2022 were approximately NT\$183,375 thousand more than 2021; the comparison is provided below (unit: NTD thousands)

	<u>2022</u>	<u>2021</u>	<u>Difference</u>
Incomes from department stores	118,589	115,954	2,635
Lease incomes	269,477	242,743	26,734
Construction incomes	286,871	133,329	153,542
Other operating revenues	<u>37,033</u>	<u>36,569</u>	<u>464</u>
	<u>711,970</u>	<u>528,595</u>	<u>183,375</u>

2. As a whole, the 2022 operating revenue increased approximately NT\$183,375 thousand from 2021, mainly due to the increased revenue from constructions and leases. Relatively, costs increased by NT\$154,279 thousand; therefore, the gross operating profit increased by approximately NT\$29,096 thousand.

In terms of operating expenses, due to the impact of the pandemic, the Group reduced expenditures by reducing the payment of directors and employees' remunerations, cutting salaries and streamlining the organization. The operating expenses decreased by approximately NT\$4,260 thousand.

Net non-operating expenses increased by approximately NT\$60.27 million, mainly due to the losses of disposal of property, plant and equipment increased by approximately NT\$9.43 million, increased interest expenses loss by approximately NT\$6.89 million, increased loss of financial assets FVTPL mandatory by approximately NT\$45.42 million, and decreased government subsidy income by NT\$9.81 million. In addition, interest income increased by approximately NT\$880,000, net gains from foreign currency exchange increased by approximately NT\$2.97 million, parking lot revenue increased by approximately NT\$2.33 million, and net other income increased by approximately NT\$4.98 million.

The income tax in 2021 was mainly due to the capital decrease of NT\$150 million by the subsidiary, De Hong Development, which can be listed as a deduction of taxable income, so the income tax was only NT\$1,147 thousand. In 2022, the income tax was NT\$18,531,000 because the realized losses that can be listed as a deduction to taxable income was fewer.

In nutshell, the comprehensive income, NT\$78,669 thousand for 2022, was NT\$42,973 thousand lower from NT\$121,642 thousand reported in 2021.

(II) Budget execution:

The operating revenue grew in 2022 as more remaining house sold. The economic growth rate in 2022 was 2.43%, and it was 6.53% in 2021. This is mainly due to the decrease in demand for technology during the post-pandemic period and the adjustment of inventories resulting in the decline in export sales. Regarding the domestic economy, the consumer confidence needs to be improved. Overall, despite the growth of revenue, the income tax, interest cost and net non-operating expenses increased, and the net profit of the current period decreased by NT\$ 44,300 thousand from 2021.

De Hong Development had completed its project - Yu Yangming located in Yangmingshan, Taipei City, in 2014, and more than 60% of the units have been sold by the end of 2022. The Jiaoxi project commenced the sales since Q4, 2017, and about 80% was sold as of the end of 2022. The Company will continue selling the above projects in 2023.



(III) Analysis of financial ratios and profitability:

Item	2022	2021	Increase/decrease (%)
Debt to assets ratio	58.11%	60.19%	(3.46)
Long-term capital to property, plants and equipment	205.44%	213.40%	(3.73)
Current ratio	93.50%	114.09%	(18.05)
Quick ratio	54.92%	52.66%	4.29
Return on assets	2.14%	2.68%	(20.15)
Return on equity	4.03%	5.91%	(31.81)
Net profit margin	13.54%	26.62%	(49.14)
EPS (NT\$)	0.55	0.80	(31.25)

(IV) Research and development (R&D):

Retail and property leasing are two of Tonlin Department Store'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 2023

Regarding the global economic outlook, factors including the China-US trade war, regional economic protectionist policies, border reopened by various countries with lockdown lifted domestically to coexist with the COVID-19 virus, Russia-Ukraine War started in February 2022, resulted in rising prices of oil and natural resources. In addition, central banks of various countries have shrunk their balance sheets and raising interest rates. There are still many unfavorable economic variables in 2023, and it is expected that 2023 will slow down from 2022, and Taiwan, relying mainly on international trading, is also affected by the above factors. For 2023, Directorate General of Budget, Accounting and Statistics expected the domestic economic growth rate would be 2.75%, higher than 2.43% in 2022. The rising price and interest rates will result in lower consumption of the general public. 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 2023.
2. Other subsidiaries of the Company, including the venture capital business, have not made any major investment in recent years, and will direct attention towards managing existing investments and seeking opportunities to recover capital in the form of capital reduction or dividend payment.

(IV) Closing remarks

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

We wish all our shareholders a prosperous future ahead

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

## Audit Committee's Review Report

We have reviewed the Company's 2022 business report, financial statements, and earnings appropriation proposal prepared by the board of directors. The financial statements have been audited by Chiu, Cheng-Chun, CPA and Huang Hsiu-Chun, CPA 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 2023 Regular Shareholders' Meeting, Tonlin Department Store Co., Ltd.

Audit Committee

Convener: Chan Shen-Hua

March 7, 2023

Attachment 3

Remunerations to ordinary directors and independent directors

Unit: NTD thousand

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 re-invested 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	2,295	2,295	0	0	0	0	600	600	2,895 3.00	2,895 3.00	0	0	0	0	0	0	0	0	2,895 3.00	2,895 3.00	450
Corporate entity Director	UN INVESTMENT CO., LTD. Su, Yong-Chun	0 0	0 0	0 0	0 0	0 0	0 0	0 600	0 600	0 600 0.62	0 600 0.62	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 600 0.62	0 600 0.62	None None
Corporate entity Director	JIN DUO LIH ENTERPRISES PTY. LTD. WENG CHUN-CHIH	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	Weng, Ju-I	0	0	0	0	0	0	600	600	600 0.62	600 0.62	1,530	1,530	0	0	0	0	0	0	2,130 2.21	2,130 2.21	None
Director	Weng, Hua-Li	0	0	0	0	0	0	600	600	600 0.62	600 0.62	1,530	1,530	0	0	0	0	0	0	2,130 2.21	2,130 2.21	None
Director	Weng, Hua-Tieng	0	52	0	0	0	0	600	602	600 0.62	654 0.68	0	0	0	0	0	0	0	0	600 0.62	654 0.68	None
Corporate entity Director	Jih-I Investment Co., Ltd.; HUANG CHUNG-SHENG	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director		0	0	0	0	0	0	600	600	600 0.62	600 0.62	0	0	0	0	0	0	0	0	600 0.62	600 0.62	None
Independent Director	Lu, Yu-Ting	0	0	0	0	0	0	600	600	600 0.62	600 0.62	0	0	0	0	0	0	0	0	600 0.62	600 0.62	None
Independent Director	Yang, Wen-Ching	0	0	0	0	0	0	600	600	600 0.62	600 0.62	0	0	0	0	0	0	0	0	600 0.62	600 0.62	None
Independent Director	Chan, Shen-Hua	0	0	0	0	0	0	600	600	600 0.62	600 0.62	0	0	0	0	0	0	0	0	600 0.62	600 0.62	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 6, 2023, the Remuneration Committee convened the 4th 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:

Explanation: 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 other than the information disclosed in the table above.

#### 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, Hua-Li 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, Hua-Li 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 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 Hua-Tieng; Lu Yu Ting Chan, Shen-Hua; Yang, Wen-Ching
NTD\$1,000,000 (inclusive) to NTD\$2,000,000 (exclusive)	-	-	-	-
NTD\$2,000,000 (inclusive) to NTD\$3,500,000 (exclusive)	Su Chien-I	Su Chien-I	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 2022.

Note 2: It is the employees' remuneration in 2022. No distribution was resolved by the Board of directors on March 6, 2023.

Note 3: These are the transportation fees of the directors and the meal subsidies for the vice chairman of the subsidiary in 2022.

Note 4: These are and bonus received by the directors concurrently serving as employees in 2022.

Note 5: Net income after tax is the net income after tax of the 2022 parent-company only financial statements

## Attachment 4

### 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, 2022 and 2021, 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, 2022 and 2021.

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, 2022 and 2021, and parent-only business performance and cash flow for the periods January 1 to December 31, 2022 and 2021.

#### 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 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 2022 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 2022 standalone financial statements of Tonlin Department Store Co., Ltd. are as follows:

#### Impairment assessment of investment properties

As at December 31, 2022, Tonlin Department Store Co., Ltd. had investment properties located at Xinzhuang District that were valued at NT\$1,059,951,000, representing 19% of total assets and constituted a significant part of standalone financial statements. The management follows IAS 36 - "Impairment of Assets" and assesses investment properties for signs of impairment at the end of each reporting period. Assets that exhibit any sign of impairment will have recoverable amount estimated in order to determine the amount of impairment. However, considering that real estate prices are affected by several factors including government policy, economic cycle, and market supply/demand, and that impairment assessment requires subjective judgments, major estimates, and assumptions from the management, we have identified impairment assessment of investment properties as a key audit issue. Accounting policy on impairment assessment of investment properties, uncertainties associated with accounting estimates and assumptions, and related disclosures can be found in Notes 4, 5, and 14 of standalone financial statements.

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

1. Understanding and testing the design and implementation 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\$113,700 thousand in 2022, representing 25% of operating revenues and was considered significant to the presentation of standalone financial statements. The department store operates by having merchants set up individual retail departments, and the Company earns a certain percentage or amount from each transaction made by merchants. Under this arrangement, the Company first collects payment from customers then deducts merchant's share of the proceeds and recognizes the remainder as sales revenue. Due to the vast number of merchants and the different commission rates involved, calculation of retail commission income depends heavily on the use of computer system, which we consider to be a key audit issue. Disclosures relating to retail commission income can be found in Note 20 of standalone financial statements.

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

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

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

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

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

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

5. Assessing the overall presentation, structure, and contents of the standalone financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the standalone financial statements.
6. Obtaining sufficient and appropriate audit evidence on financial information of equity-accounted investments held by Tonlin Department Store Co., Ltd., and expressing opinions on 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 2022 standalone financial statements of Tonlin Department Store Co., Ltd. These issues have been addressed in our audit report except for: 1. Certain topics that are prohibited by law from disclosing to the public; or 2. Under extreme circumstances, topics that we decided not to communicate in the audit report because of higher negative impacts they may cause than the benefits they bring to public interest.

Deloitte Touche  
CPA Chiu, Cheng-Chun

CPA Huang Hsiu-Chun

Approval reference of the Financial Supervisory  
Commission  
Jin-Guan-Zheng-Liu-Zhi No.0930160267

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

March 7, 2023

Notice to Readers

For the convenience of readers and for information purposes only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English and the Chinese version or any differences in interpretation between the two versions, the original Chinese version shall prevail.

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



Tonlin Department Store Co., Ltd.  
Standalone Balance Sheet  
As at December 31, 2022 and 2021

Unit: NTD thousand

Code	Asset	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 105,096	2	\$ 82,086	1
1110	Financial assets at FVTPL (Notes 4 and 7)	373,004	7	410,254	7
1136	Financial assets carried at cost after amortization - current (Notes 4 and 9)	-	-	304	-
1172	Accounts receivable (Notes 4 and 10)	7,973	-	6,604	-
1175	Lease receivable (Notes 4 and 10)	3,984	-	7,054	-
1200	Other receivables (Notes 4 and 10)	4,245	-	5,333	-
130X	Inventory (Notes 4, 5 and 11)	10,853	-	41,056	1
1470	Prepayments and other current assets	<u>23,616</u>	<u>1</u>	<u>30,285</u>	<u>1</u>
11XX	Total current assets	<u>528,771</u>	<u>10</u>	<u>582,976</u>	<u>10</u>
non-current assets					
1517	Financial assets at FVTOCI - non-current (Notes 4 and 8)	17,193	-	22,201	1
1550	Equity-accounted investments (Notes 4 and 12)	750,232	14	747,064	13
1600	Property, plant, and equipment (Notes 4, 5, 13 and 27)	2,196,199	40	2,249,393	40
1760	Investment property, net (Notes 4, 5, 14 and 27)	1,978,998	36	1,988,201	35
1780	Intangible assets (Notes 4 and 5)	9,357	-	8,673	-
1840	Deferred income tax assets (Notes 4 and 22)	14,252	-	22,218	1
1935	Long-term lease receivable (Notes 4 and 10)	16,898	-	17,586	-
1920	Refundable deposits	<u>2,924</u>	<u>-</u>	<u>2,956</u>	<u>-</u>
15XX	Total non-current assets	<u>4,986,053</u>	<u>90</u>	<u>5,058,292</u>	<u>90</u>
1XXX	Total assets	<u>\$ 5,514,824</u>	<u>100</u>	<u>\$ 5,641,268</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
2100	Short-term borrowings (Notes 4, 13, 14, 15 and 27)	\$ 664,000	12	\$ 530,000	9
2150	Note payable	41,788	1	30,557	1
2170	Accounts payable (Notes 4 and 16)	94,576	2	79,634	1
2209	Accrued expenses (Note 17 and 26)	32,996	1	33,828	1
2213	Equipment purchase payable (Note 13)	-	-	6,700	-
2219	Other payables	5,214	-	2,236	-
2230	Current income tax liabilities (Notes 4 and 22)	18,212	-	998	-
2320	Long-term borrowings expiring within a year (Notes 4, 13, 14, 15 and 27)	140,000	2	150,000	3
2399	Other current liabilities (Notes 4 and 20)	<u>7,868</u>	<u>-</u>	<u>8,246</u>	<u>-</u>
21XX	Total current liabilities	<u>1,004,654</u>	<u>18</u>	<u>842,199</u>	<u>15</u>
non-current liabilities					
2540	Long-term borrowings (Notes 4, 13, 14, 15 and 27)	1,844,000	34	2,120,000	38
2572	Deferred income tax liabilities (Notes 4 and 22)	216,910	4	216,801	4
2640	Net defined benefit liabilities - non-current (Notes 4 and 18)	11,224	-	14,930	-
2645	Guarantee deposits received (Note 20)	<u>50,096</u>	<u>1</u>	<u>50,365</u>	<u>1</u>
25XX	Total non-current liabilities	<u>2,122,230</u>	<u>39</u>	<u>2,402,096</u>	<u>43</u>
2XXX	Total liabilities	<u>3,126,884</u>	<u>57</u>	<u>3,244,295</u>	<u>58</u>
Equity (Notes 4, 8, 19 and 22)					
3110	Common share capital	<u>2,087,250</u>	<u>38</u>	<u>2,087,250</u>	<u>37</u>
3200	Capital reserve	<u>540,286</u>	<u>10</u>	<u>523,625</u>	<u>9</u>
Retained earnings					
3310	Statutory reserves	487,129	9	474,382	9
3320	Special reserves	462,114	8	456,282	8
3350	Unappropriated earnings	<u>129,258</u>	<u>2</u>	<u>228,904</u>	<u>4</u>
3300	Total retained earnings	<u>1,078,501</u>	<u>19</u>	<u>1,159,568</u>	<u>21</u>
3400	Other equities	( <u>34,556</u> )	( <u>1</u> )	( <u>89,929</u> )	( <u>2</u> )
3500	Treasury stock	( <u>1,283,541</u> )	( <u>23</u> )	( <u>1,283,541</u> )	( <u>23</u> )
3XXX	Total equity	<u>2,387,940</u>	<u>43</u>	<u>2,396,973</u>	<u>42</u>
Total liabilities and equity		<u>\$ 5,514,824</u>	<u>100</u>	<u>\$ 5,641,268</u>	<u>100</u>

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.  
Standalone Statement of Comprehensive Income  
From January 1 to December 31, 2022 and 2021

Unit: NTD thousands, except EPS which is in 1 NTD

Code		2022		2021	
		Amount	%	Amount	%
4000	Operating revenues (Notes 4 and 20)	\$ 453,765	100	\$ 423,003	100
5000	Operating costs (Note 21)	<u>94,502</u>	<u>21</u>	<u>100,667</u>	<u>24</u>
5900	Gross profit	359,263	79	322,336	76
6000	Operating expenses (Notes 4, 18, 21 and 26)	<u>166,685</u>	<u>37</u>	<u>171,719</u>	<u>41</u>
6900	Operating profit	<u>192,578</u>	<u>42</u>	<u>150,617</u>	<u>35</u>
	Non-operating income and expense				
7100	Interest income (Notes 4 and 21)	718	-	30	-
7010	Other income (Notes 4 and 21)	24,582	6	28,001	7
7020	Other gains and losses (Notes 4, 7, 14 and 21)	( 41,428 )	( 9 )	9,619	2
7050	Financial costs (Note 21)	( 32,029 )	( 7 )	( 25,598 )	( 6 )
7060	Share of gain/loss from subsidiaries and associated companies accounted using the equity method (Notes 4 and 12)	( <u>30,447</u> )	( <u>7</u> )	( <u>21,221</u> )	( <u>5</u> )
7000	Total non-operating income and expenses	( <u>78,604</u> )	( <u>17</u> )	( <u>9,169</u> )	( <u>2</u> )
7900	Profit before tax	113,974	25	141,448	33
7950	Income tax expenses (Notes 4 and 22)	<u>17,579</u>	<u>4</u>	<u>753</u>	<u>-</u>
8200	Current net income	<u>96,395</u>	<u>21</u>	<u>140,695</u>	<u>33</u>

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Code		2022		2021	
		Amount	%	Amount	%
	Other comprehensive income				
8310	Items not reclassified into profit and loss:				
8311	Remeasurement of defined benefit plan (Notes 4 and 18)	\$ 3,700	1	\$ 1,290	-
8316	Unrealized profit and loss on valuation of equity instruments at FVTOCI (Notes 4, 8 and 19)	( 13,666 )	( 3 )	( 17,645 )	( 4 )
8349	Income tax on items not reclassified into profit and loss (Notes 4 and 22)	( 7,760 )	( 2 )	( 2,698 )	-
8300	Other comprehensive income - current	( 17,726 )	( 4 )	( 19,053 )	( 4 )
8500	Total comprehensive income - current	<u>\$ 78,669</u>	<u>17</u>	<u>\$ 121,642</u>	<u>29</u>
	Earnings per share (Note 23)				
9710	Basic	<u>\$ 0.55</u>		<u>\$ 0.80</u>	
9810	Diluted	<u>\$ 0.55</u>		<u>\$ 0.80</u>	

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

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

Tonlin Department Store Co., Ltd.  
Standalone Statement of Changes in Equity  
From January 1 to December 31, 2022 and 2021

Unit: NTD thousand

Code		Common share capital (Notes 4 and 19)	Capital reserve (Note 19)	Retained earnings (Notes 4, 8, 18 and 19)			Total	Other items of equity (Notes 4, 8 and 19)	Treasury stock (Note 19)	Total Equity
				Statutory reserves	Special reserves	Unappropriated earnings		Unrealized gains/losses on financial assets at FVTOCI		
A1	Balance as of January 1, 2021	\$ 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 of 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
	Appropriation and distribution of 2021 earnings									
B1	Provision for statutory reserves	-	-	12,747	-	( 12,747 )	-	-	-	-
B3	Provision for special reserves	-	-	-	5,832	( 5,832 )	-	-	-	-
B5	Cash dividends on common shares	-	-	-	-	( 104,363 )	( 104,363 )	-	-	( 104,363 )
	Total appropriation and distribution of 2021 earnings	-	-	12,747	5,832	( 122,942 )	( 104,363 )	-	-	( 104,363 )
M1	Adjustment to additional paid-in capital for dividends paid to subsidiaries	-	16,661	-	-	-	-	-	-	16,661
D1	2022 net profit	-	-	-	-	96,395	96,395	-	-	96,395
D3	2022 other comprehensive income - after tax	-	-	-	-	2,960	2,960	( 20,686 )	-	( 17,726 )
D5	2022 total comprehensive income	-	-	-	-	99,355	99,355	( 20,686 )	-	78,669
Q1	Disposal of equity instruments at FVTOCI	-	-	-	-	( 76,059 )	( 76,059 )	76,059	-	-
Z1	Balance as of December 31, 2022	\$ 2,087,250	\$ 540,286	\$ 487,129	\$ 462,114	\$ 129,258	\$ 1,078,501	( \$ 34,556 )	( \$ 1,283,541 )	\$ 2,387,940

The accompanying notes are an integral part of the standalone 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.  
Standalone Cash Flow Statement  
From January 1 to December 31, 2022 and 2021

Unit: NTD thousand

Code		2022	2021
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
A00010	Pre-tax profit for the current period	\$ 113,974	\$ 141,448
A20010	Adjustments for:		
A20100	depreciation expense	72,758	71,830
A20200	Amortization	1,187	602
A20400	Net loss on financial assets at FVTPL	35,216	1,530
A20900	Financial costs	32,029	25,598
A21200	Interest income	( 718 )	( 30 )
A21300	Dividend income	( 6,413 )	( 6,035 )
A22400	Share of loss from subsidiaries and associated companies accounted using the equity method	30,447	21,221
A22500	Loss from disposal of property, plant and equipment	9,481	68
A22600	Expenses reclassified from property, plant, and equipment	-	269
A22700	Loss on disposal of investment properties	-	318
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatory to be carried at FVTPL	2,034	( 51,660 )
A31130	Note receivable	-	385
A31150	Trade receivable	( 1,369 )	( 4,065 )
A31180	Other receivables	1,179	4,375
A31200	Inventories	30,203	37,674
A31230	Prepayments and other current assets	6,669	6,403
A31240	Lease receivable	3,758	( 2,968 )
A32130	Note payable	11,231	14,096
A32150	Accounts payable	14,942	( 17,025 )
A32180	Other payables	2,978	( 1,382 )
A32220	Accrued expenses	( 2,198 )	( 969 )
A32230	Other current liabilities	( 378 )	6,658
A32240	Net defined benefit liabilities	( 6 )	( 3,249 )
A33000	Cash inflow from operating activities	357,004	245,092
A33100	Interest received	627	78
A33300	Interest paid	( 30,663 )	( 25,476 )

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Code		2022	2021
A33200	Dividends received	\$ 6,413	\$ 6,035
A33500	Income tax paid	( 50 )	( 22,242 )
AAAA	Net cash inflow from operating activities	<u>333,331</u>	<u>203,487</u>
	Cash flows from investing activities		
B00020	Sales of Financial assets at FVTOCI	4,231	321
B00030	Acquisition of proceeds from liquidation or capital reduction of financial assets at FVTOCI	-	41,882
B00040	Disposal of financial assets measured at cost after amortization	304	27
B01800	Acquisition of equity-accounted investments	( 49,400 )	-
B02700	Acquisition of property, plant, and equipment	( 20,614 )	( 8,973 )
B05400	Acquisition of investment property	( 548 )	-
B07100	Decrease in equipment purchase payable	( 6,700 )	( 74,093 )
B03700	Decrease (increase) in refundable deposits	32	( 1,780 )
B04500	Acquisition and purchase of intangible assets	( 551 )	( 260 )
B07600	Dividends received from subsidiaries and associated companies	<u>19,557</u>	<u>26,680</u>
BBBB	Net cash outflow from investing activities	( <u>53,689</u> )	( <u>16,196</u> )
	Cash flows from financing activities		
C00200	Increase (decrease) in short-term borrowings	134,000	( 210,000 )
C01600	Proceeds from long-term borrowings	5,648,000	3,886,000
C01700	Repayments of long-term borrowings	( 5,934,000 )	( 3,732,000 )
C03000	Increase (decrease) in guarantee deposits received	( 269 )	644
C04500	Payment of cash dividends	( <u>104,363</u> )	( <u>104,363</u> )
CCCC	Net cash outflow from financing activities	( <u>256,632</u> )	( <u>159,719</u> )
EEEE	Increase in cash and cash equivalents	23,010	27,572
E00100	Opening balance of cash and cash equivalents	<u>82,086</u>	<u>54,514</u>
E00200	Closing balance of cash and cash equivalents	<u>\$ 105,096</u>	<u>\$ 82,086</u>

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

Chairman: Su Chien-I

President: Weng Hua-Li

Vice President: Chen Wen-Lung

Head of Accounting: Huang Shu-Tzu

## Attachment 5

### 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, 2022 and 2021, 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, 2022 and 2021.

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, 2022 and 2021, and consolidated business performance and cash flow for the periods of January 1 to December 31, 2022 and 2021.

#### 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 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 2022 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 2022 consolidated financial statements of Tonlin Group are as follows:

#### Impairment assessment of investment properties

As at December 31, 2022, Tonlin Group had investment properties located at Xinzhuang District that were valued at NT\$1,059,951,000, representing 19% 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 and implementation 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\$113,700 thousand in 2022, representing 16% 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 2022 and 2021, 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 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 auditing principles, we exercised professional judgments and raised professional doubts as deemed. We also performed the following tasks as an auditor:

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

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

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

We have identified the key audit issues after communicating with the governing body regarding the 2022 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 Chiu, Cheng-Chun

CPA Huang Hsiu-Chun

Approval reference of the Financial Supervisory  
Commission  
Jin-Guan-Zheng-Liu-Zhi No.0930160267

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

March 7, 2023

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, 2022 and 2021

Unit: NTD thousand

Code	Asset	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 160,339	3	\$ 104,422	2
1110	Financial assets at FVTPL (Notes 4 and 7)	417,085	8	448,112	8
1136	Financial assets carried at cost after amortization - current (Notes 4 and 9)	16,300	-	22,604	-
1172	Accounts receivable (Notes 4 and 10)	7,973	-	6,604	-
1175	Lease receivable (Notes 4 and 10)	3,984	-	7,135	-
1200	Other receivables (Notes 4, 10 and 23)	9,064	-	5,714	-
130X	Inventory (Notes 4, 5, 11 and 28)	454,798	8	746,728	12
1470	Prepayments and other current assets	42,330	1	51,477	1
11XX	Total current assets	<u>1,111,873</u>	<u>20</u>	<u>1,392,796</u>	<u>23</u>
non-current assets					
1517	Financial assets at FVTOCI - non-current (Notes 4 and 8)	17,193	-	22,201	-
1550	Equity-accounted investments (Notes 4 and 13)	183,935	3	146,467	3
1600	Property, plant, and equipment (Notes 4, 5, 14 and 28)	2,196,232	39	2,249,481	37
1760	Investment property, net (Notes 4, 5, 15 and 28)	2,148,353	38	2,158,918	36
1780	Intangible assets (Notes 4 and 5)	9,357	-	8,673	-
1840	Deferred income tax assets (Notes 4, 5 and 23)	14,252	-	22,218	1
1935	Long-term lease receivable (Notes 4 and 10)	16,898	-	17,586	-
1920	Refundable deposits	2,931	-	2,956	-
15XX	Total non-current assets	<u>4,589,151</u>	<u>80</u>	<u>4,628,500</u>	<u>77</u>
1XXX	Total assets	<u>\$ 5,701,024</u>	<u>100</u>	<u>\$ 6,021,296</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
2100	Short-term borrowings (Notes 4, 11, 14, 15, 16 and 28)	\$ 794,000	14	\$ 762,450	13
2110	Short-term bills payable (Notes 4, 11, 14, 15, 16 and 28)	49,520	1	142,487	2
2150	Note payable	43,321	1	31,729	1
2170	Accounts payable (Note 17)	94,691	2	79,671	1
2209	Accrued expenses (Note 18)	35,423	1	35,961	1
2213	Equipment purchase payable (Note 14)	-	-	6,700	-
2219	Other payables	5,214	-	2,235	-
2230	Current income tax liabilities (Notes 4, 5 and 23)	18,936	-	1,189	-
2320	Long-term borrowings expiring within a year (Notes 4, 14, 15, 16 and 28)	140,000	2	150,000	2
2399	Other current liabilities (Note 21)	8,052	-	8,411	-
21XX	Total current liabilities	<u>1,189,157</u>	<u>21</u>	<u>1,220,833</u>	<u>20</u>
non-current liabilities					
2540	Long-term borrowings (Notes 4, 14, 15, 16 and 28)	1,844,000	32	2,120,000	35
2572	Deferred income tax liabilities (Notes 4, 5 and 23)	216,910	4	216,801	4
2640	Net defined benefit liabilities - non-current (Notes 4 and 19)	11,224	-	14,930	-
2645	Guarantee deposits received (Note 21)	51,793	1	51,759	1
25XX	Total non-current liabilities	<u>2,123,927</u>	<u>37</u>	<u>2,403,490</u>	<u>40</u>
2XXX	Total liabilities	<u>3,313,084</u>	<u>58</u>	<u>3,624,323</u>	<u>60</u>
Equity (Notes 4, 8, 19 and 20)					
3110	Common share capital	2,087,250	37	2,087,250	35
3200	Capital reserve	540,286	9	523,625	9
Retained earnings					
3310	Statutory reserves	487,129	9	474,382	8
3320	Special reserves	462,114	8	456,282	7
3350	Unappropriated earnings	129,258	2	228,904	4
3300	Total retained earnings	<u>1,078,501</u>	<u>19</u>	<u>1,159,568</u>	<u>19</u>
3400	Other equities	( 34,556 )	( 1 )	( 89,929 )	( 2 )
3500	Treasury stock	( 1,283,541 )	( 22 )	( 1,283,541 )	( 21 )
3XXX	Total equity	<u>2,387,940</u>	<u>42</u>	<u>2,396,973</u>	<u>40</u>
Total liabilities and equity		<u>\$ 5,701,024</u>	<u>100</u>	<u>\$ 6,021,296</u>	<u>100</u>

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  
From January 1 to December 31, 2022 and 2021

Unit: NTD thousands, except EPS which is in 1 NTD

Code		2022		2021	
		Amount	%	Amount	%
4000	Operating revenues (Notes 4 and 21)	\$ 711,970	100	\$ 528,595	100
5000	Operating costs (Notes 4, 11 and 22)	<u>360,518</u>	<u>51</u>	<u>206,239</u>	<u>39</u>
5900	Gross profit	351,452	49	322,356	61
6000	Operating expenses (Notes 4, 19, 22 and 27)	<u>187,042</u>	<u>26</u>	<u>191,302</u>	<u>36</u>
6900	Operating profit	<u>164,410</u>	<u>23</u>	<u>131,054</u>	<u>25</u>
	Non-operating income and expense				
7100	Interest income (Notes 4 and 22)	1,089	-	212	-
7010	Other income (Notes 4 and 22)	24,689	3	28,819	5
7020	Other gains and losses (Notes 4, 7, 14, 15 and 22)	( 42,802 )	( 6 )	7,934	2
7050	Financial costs (Note 22)	( 36,573 )	( 5 )	( 29,685 )	( 6 )
7060	Share of gain/loss from associated companies accounted using the equity method (Notes 4 and 13)	<u>4,113</u>	<u>1</u>	<u>3,508</u>	<u>1</u>
7000	Total non-operating income and expenses	( <u>49,484</u> )	( <u>7</u> )	<u>10,788</u>	<u>2</u>
7900	Profit before tax	114,926	16	141,842	27
7950	Income tax expenses (Notes 4, 5 and 23)	<u>18,531</u>	<u>2</u>	<u>1,147</u>	<u>-</u>
8200	Current net income	<u>96,395</u>	<u>14</u>	<u>140,695</u>	<u>27</u>

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Code		2022		2021	
		Amount	%	Amount	%
	Other comprehensive income				
8310	Items that will not be reclassified subsequently to profit or loss				
8311	Remeasurement of defined benefit plan (Notes 4 and 19)	\$ 3,700	-	\$ 1,290	-
8316	Unrealized profit and loss on valuation of equity instruments at FVTOCI (Notes 4, 8, 13 and 20)	( 13,666 )	( 2 )	( 17,645 )	( 3 )
8349	Income tax on items not reclassified into profit and loss (Notes 4 and 23)	( 7,760 )	( 1 )	( 2,698 )	( 1 )
8300	Other comprehensive income - current	( 17,726 )	( 3 )	( 19,053 )	( 4 )
8500	Total comprehensive income - current	<u>\$ 78,669</u>	<u>11</u>	<u>\$ 121,642</u>	<u>23</u>
	Earnings per share (Note 24)				
9710	Basic	<u>\$ 0.55</u>		<u>\$ 0.80</u>	
9810	Diluted	<u>\$ 0.55</u>		<u>\$ 0.80</u>	

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 Changes Equity  
From January 1 to December 31, 2022 and 2021

Unit: NTD thousand

Code		Common share capital (Notes 4 and 20)	Additional paid-in capital (Note 20)	Retained earnings (Notes 4, 19 and 20)			Unrealized gains/losses on financial assets at FVTOCI	Treasury stock (Note 20)	Total equity	
				Statutory reserves	Special reserves	Unappropriated earnings				
										Total
A1	Balance as of January 1, 2021	\$ 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 of 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
	Appropriation and distribution of 2021 earnings									
B1	Provision for statutory reserves	-	-	12,747	-	( 12,747 )	-	-	-	-
B3	Provision for special reserves	-	-	-	5,832	( 5,832 )	-	-	-	-
B5	Cash dividends on common shares	-	-	-	-	( 104,363 )	( 104,363 )	-	-	( 104,363 )
	Total appropriation and distribution of 2021 earnings	-	-	12,747	5,832	( 122,942 )	( 104,363 )	-	-	( 104,363 )
M1	Adjustment to additional paid-in capital for dividends paid to subsidiaries	-	16,661	-	-	-	-	-	-	16,661
D1	2022 net profit	-	-	-	-	96,395	96,395	-	-	96,395
D3	2022 other comprehensive income - after tax	-	-	-	-	2,960	2,960	( 20,686 )	-	( 17,726 )
D5	2022 total comprehensive income	-	-	-	-	99,355	99,355	( 20,686 )	-	78,669
Q1	Disposal of equity instruments at FVTOCI	-	-	-	-	( 76,059 )	( 76,059 )	76,059	-	-
Z1	Balance as of December 31, 2022	\$ 2,087,250	\$ 540,286	\$ 487,129	\$ 462,114	\$ 129,258	\$ 1,078,501	(\$ 34,556)	(\$ 1,283,541)	\$ 2,387,940

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  
From January 1 to December 31, 2022 and 2021

Unit: NTD thousand

Code		2022	2021
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
A00010	Pre-tax profit for the current period	\$ 114,926	\$ 141,842
A20010	Adjustments for:		
A20100	depreciation expense	74,154	73,233
A20200	Amortization	1,187	602
A20400	Net loss (gain) on financial assets and liabilities at FVTPL	36,705	( 9,489 )
A20900	Financial costs	36,573	29,685
A21200	Interest income	( 1,089 )	( 212 )
A21300	Dividend income	( 6,603 )	( 6,940 )
A22300	Share of gain from associated companies accounted using the equity method	( 4,113 )	( 3,508 )
A22500	Loss (gain) on disposal and disposition of property, plant and equipment	9,502	68
A22600	Expenses reclassified from property, plant, and equipment	-	269
A22700	Loss on disposal of investment properties	-	318
A23700	Provision of impairment on non-financial assets	8,000	-
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatory to be carried at FVTPL	( 5,678 )	( 21,376 )
A31130	Note receivable	-	385
A31150	Trade receivable	( 1,369 )	( 3,965 )
A31240	Lease receivable	3,839	( 2,885 )
A31180	Other receivables	( 3,212 )	4,311
A31200	Inventories	283,930	134,425
A31230	Prepayments and other current assets	9,147	15,245
A32130	Note payable	11,592	14,468
A32150	Accounts payable	15,020	( 16,988 )
A32220	Accrued expenses	( 3,099 )	( 1,907 )
A32180	Other payables	2,979	( 1,383 )
A32230	Other current liabilities	( 359 )	( 34,851 )
A32240	Net defined benefit liabilities	( 6 )	( 3,249 )
A33000	Cash inflow from operating activities	582,026	308,098

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Code		2022	2021
A33100	Interest received	\$ 951	\$ 316
A33300	Interest paid	( 33,979 )	( 29,549 )
A33200	Dividends received	6,603	6,940
A33500	Income tax paid	( 469 )	( 22,951 )
AAAA	Net cash inflow from operating activities	<u>555,132</u>	<u>262,854</u>
Cash flows from investing activities			
B00020	Sales of Financial assets at FVTOCI	4,231	321
B00030	Acquisition of proceeds from actuarial settlement or capital reduction of financial assets at FVTOCI	-	41,882
B00040	Disposal (acquisition) of financial assets carried at cost after amortization	6,304	( 1,873 )
B01800	Acquisition of equity-accounted investments	( 49,400 )	-
B02700	Acquisition of property, plant and equipment	( 20,614 )	( 8,973 )
B03800	Decrease (increase) in refundable deposits	25	( 1,768 )
B04500	Acquisition and purchase of intangible assets	( 551 )	( 260 )
B05400	Acquisition of investment property	( 548 )	-
B07100	Decrease in equipment purchase payable	( 6,700 )	( 74,093 )
B07600	Dividends received from associated companies	<u>3,156</u>	<u>3,776</u>
BBBB	Net cash outflow from investing activities	( <u>64,097</u> )	( <u>40,988</u> )
Cash flows from financing activities			
C00200	Increase (decrease) in short-term borrowings	31,550	( 259,973 )
C00600	Short-term bills payable decreased	( 93,000 )	( 23,200 )
C01600	Proceeds from long-term borrowings	5,648,000	3,886,000
C01700	Repayments of long-term borrowings	( 5,934,000 )	( 3,732,000 )
C03100	Increase in guarantee deposits received	34	644
C04500	Payment of cash dividends	( <u>87,702</u> )	( <u>87,702</u> )
CCCC	Net cash outflow from financing activities	( <u>435,118</u> )	( <u>216,231</u> )
EEEE	Increase in cash and cash equivalents	55,917	5,635
E00100	Opening balance of cash and cash equivalents	<u>104,422</u>	<u>98,787</u>
E00200	Closing balance of cash and cash equivalents	<u>\$ 160,339</u>	<u>\$ 104,422</u>

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

Attachment 6

**Tonlin Department Store Co., Ltd.**  
**Earnings Appropriation Chart**  
**2022**

Unit: NTD \$

Beginning unappropriated earnings	\$ 105,962,387
Disposal of equity instruments at fair value through other comprehensive income, with cumulative gains/losses transferred directly to retained earnings	(76,059,174)
Actuarial gain/loss on defined benefit plan	2,960,309
Unappropriated earnings after adjustment	32,863,522
Plus: Current net income	96,394,797
Less: provision for statutory reserves (10%)	(2,329,593)
Less: reversal of special reserves previously provided according to Article 41 of the Securities and Exchange Act	(126,928,726)
Closing unappropriated earnings	\$ 0

Note: The 2022 earning distribution, as shown above, has been resolved during the board of directors meeting held on March 6, 2023.

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



Appendix 1

## Tonlin Department Store Co., Ltd. Directors' Shareholding

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

Title	Required shareholding	Quantity shown in shareholders registry
Director	12,000,000 shares	39,672,577 shares

Note: Book closure start date: April 21, 2023

(II) Details of directors' shareholding

Title	Name	Quantity shown in shareholders registry	Remarks
Chairman	Su Chien-I	5,481,075 shares	
Director	UN INVESTMENT CO., LTD.	6,253,060 shares	Representative: Su Yong-Chun
Director	JIN DUO LIH ENTERPRISES PTY. LTD.	22,936,442 shares	Representative: Weng Chun-Chih Weng, Ju-I Weng, Hua-Tieng Weng, Hua-Li
Director	BigSun Investment Co., Ltd.	5,002,000 shares	Representative: Huang Chung-Sheng
Independent Director	Chan, Shen-Hua	0	
Independent Director	Lu, Yu-Ting	0	
Independent Director	Yang, Wen-Ching	0	

Note: Book closure start date: April 21, 2023

## **Tonlin Department Store Co., Ltd. Shareholder Meeting Conference Rules**

Article 1. The rules of procedures for the Company's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

Article 2. Unless otherwise provided by law or regulation, the Company's shareholders meetings shall be convened by the board of directors.

When change the method of convening shareholders' meeting, the Board's resolution shall be adopted, and no changes shall be made after the shareholders' meeting notice is sent.

The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

In addition, 15 days before the date of the shareholders meeting, the Company shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.

The agenda handbook and meeting supplemental information in the preceding paragraph, shall be provided to the shareholders for reference on the date of the shareholders' meeting in the following manners:

1. For the physical shareholders' meeting, such information shall be distributed at the site of the meeting.
2. For the video-assisted shareholders' meeting, such information shall be distributed at the site of the meeting, and transmitted to the video conference platform as the electronic files.
3. Where a shareholders' meeting is convened in the manner of video conference, such information shall be transmitted to the video conference platform as the electronic files.

Article 3. A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to the Company before five days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company before two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting via video conference, a written notice of proxy cancellation shall be submitted to the Company before two business days before the meeting date. If the cancellation notice is submitted after that time, votes

cast at the meeting by the proxy shall prevail.

Article 4. The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

When the Company convenes the video shareholders' meetings, the restrictions of convention location in the preceding paragraph does not apply.

Article 5. The Company shall specify the shareholders, proxy solicitors, proxy agents ("shareholders" hereafter), time and location for shareholder registration in the meeting notice as well as other matters requiring attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. The time during which shareholder attendance registrations will be accepted at the video conference platform shall be at least 30 minutes prior to the time the meeting commences. The shareholders accepted are deemed attend the shareholders' meeting in person.

Shareholders shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. the Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

An attendance log shall be prepared to record shareholders' attendance; alternatively, shareholders may present attendance cards to signify their presence.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Where the Company convenes the video shareholders' meetings, and shareholders intend to attend in the manner of video conference shall register with the Company two day prior to the meeting date.

Where the Company convenes the video shareholders' meetings, the Company shall upload the agenda handbook, annual reports and other related information to the video conference platform for the shareholders' meeting the video conference platform for the shareholders' meeting, at least 30 minutes prior to the meeting, and retain the disclosure of such until the meeting ends.

Article 6. Where the Company convenes the video shareholders' meetings, the meeting notice shall specify the following matters:

1. The method for shareholders to attend the video conference and exercise of their rights.
2. The handling method when the video conference platform or participation in the manner of video conference fails due to force majeure, such as natural disasters or incidents, and the follows shall be at least included:

(1) Time and date for the postponement or re-convention when the aforesaid continual failure that cannot be eliminated and thus a postponement or re-convention is required.

(2) The shareholders have not registered to attend the first shareholders' meeting must not attend the postponed or re-convened meeting.

(3) Where the Company convenes the video-assisted shareholders' meetings, and when the video meeting is discontinued, if the total attending shares still meet the statutory quorum for shareholders' meeting commencement after deducting these shares held by the shares attending the meeting via video conference, the meeting shall continue; the shares held by the shares attending the meeting via video conference shall be included in the total shares of the attending shareholders, but deemed abstaining for all proposals in the concerned shareholders' meeting.

(4) The handling method where the results of all proposal are announced but the Extraordinary Motions are not proceeded.

3. Where the Company convenes the video shareholders' meetings, the proper alternatives provided for the shareholders having difficulties attending in the manner of a video conference shall be specified.

Article 7. Shareholder meetings that are convened by the board of directors shall be chaired by the Chairman. If the Chairman is on leave or is unable to exercise duties for any reason, the Vice Chairman will act on behalf; if there is no Vice Chairman or if the Vice Chairman is also on leave or is unable to exercise duties for any reason, the Chairman may appoint one managing director to assume acting duty; if no delegate is appointed by the Chairman, one shall be appointed among or directors. When a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair. If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

Article 8. The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the proceedings of the shareholders meeting. The recorded materials of the preceding paragraph shall be retained for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Where the Company convenes the video shareholders' meetings, the Company shall record and retain the records of the registration, enrollment, acceptance, inquiries, voting, and the results of vote calculation, and continuously record the video conference thoroughly, both audio and video.

The records and audio- and video recordings in the preceding paragraphs shall be properly retained during the Company's survival period, and the audio- and video recordings are provided to the organizer of the video conference for custody.

Where the Company convenes the video shareholders' meetings, the Company is advised to record the backend operation interface of the video conference platform, both audio- and video.

Article 9. Attendance in a shareholder meeting are calculated based on the number of shares represented. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned. Where the Company convenes the video shareholders' meetings, the Company shall announce the meeting adjournment at the video conference platform.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within one month. Where the Company convenes the video shareholders' meetings, and shareholders intend to attend in the manner of video conference shall register again with the Company per Article 5.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

Article 10. If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The above rule also applies to shareholder meetings that are convened by any entitled party other than the board of directors.

In either of the two arrangements described above, the chairperson can not dismiss the meeting while a motion (including special motions) is still in progress. If the chairperson violates shareholder conference rules by calling for adjournment when it is not allowed to do so, other board members shall rapidly assist the attending shareholders to elect another chairperson with the support of more than half of voting rights represented on-site to continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the

opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.

Article 11. Shareholders who wish to speak during the meeting must produce an opinion slip detailing the topic, shareholder ID (or the attendance ID serial) and shareholder's name. The order of shareholders' comments is determined by the chairperson.

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

Shareholders cannot speak for more than two times, for 5 minutes each, on the same topic without the consent of the chairperson. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

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

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

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

Where the Company convenes the video shareholders' meetings, the shareholders attending in the manner of video conference may inquire with text at the video conference platform of the meeting since the chair announcing the meeting commencement till the adjournment. No more than two inquiries shall be raised for each proposal, and the maximum length is 200 words. Paragraphs 1 to 5 are not applicable.

Where the inquiries in the preceding paragraph not violating the requirements, or within the scope of agenda, it is advisable to disclose the inquiries at the video conference platform of the meeting for the public knowledge.

Article 12. Voting at a shareholders meeting shall be calculated based the number of shares.

With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed three percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

Article 13. When the Company holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to this Corporation before two days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent. After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, by the same means by which the voting rights were exercised, before two business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. When voting, the chair may determine that votes are cast on each separate proposal in the agenda, or votes may be casted in several times or at once for all proposals (election proposal included), but counted separately.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. However, if any solution is passed, all other proposals shall be deemed rejected and no further voting is necessary.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.

Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

Where the Company convenes the video shareholders' meetings, the shareholders attending in the manner of video conference shall vote via the video conference platform to each proposal and election after the Chairman declares the meeting commencement. Such voting shall be completed before the Chairman declares the end of voting; anyone misses the deadline is deemed abstention.

Where the Company convenes the video shareholders' meetings, the votes shall be calculated at once

upon the end of voting declared by the chair, and announce the results of voting or elections.

Where the Company convenes the video-assisted shareholders' meetings, the shareholders who already have registered to attend the meeting in the manner of video conference pursuant to Article 6, but then intend to attend the off-line shareholders' meeting in person, shall withdraw the registration in the same manner of registration two days prior to the shareholders' meeting date; these who miss the deadline may only attend the shareholders' meeting in the manner of a video conference.

These who exercise the vote in the manner of writing or electronic method, without withdrawing their expressions of intents, and attending the meeting in the manner of video conference, other than the Extraordinary Motions, must not exercise the votes to the original proposal, propose any amendment to the original proposal, or exercise the votes to the amendment to the original proposal.

Article 14. The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and supervisors and the numbers of votes with which they were elected.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 15. The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors. The minutes shall be retained for the duration of the existence of the Company.

Where the Company convenes the video shareholders' meetings, other than the matters to be recorded as required in the preceding paragraph, the starting and ending time of the shareholders' meeting, convention method of the meeting, names of the chair and record-keeper, and the handling method when the video conference platform or participation in the manner of video conference fails due to disasters, incidents or other force majeure, and the handling status shall be specified.

Where the Company convenes the video shareholders' meetings, other than complying with the preceding paragraph, the minutes shall also specify the alternatives for the shareholders having difficulties to attend in the manner of video conference.

Article 16. On the day of a shareholders meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting. The Company shall upload the aforesaid information to the video conference platform for the shareholders' meeting, at least 30 minutes prior to the meeting, and retain the disclosure of such until the meeting ends.



Where the Company convenes the video shareholders' meetings, the total shares held by the shareholders attending the meeting shall be disclosed at the video conference platform. If the total shares and voting rights of the attending shareholders are counted during the meeting, the same applies.

Article 17. Staff handling the shareholders meeting shall wear identification cards or armbands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. Proctors or security personnel shall wear an identification card or armband bearing the word "Proctor."

If a shareholder violates the procedure rules, obstructs the progress of the meeting, and refuses to comply with the chair's instructions; the chair may direct the guard or security personnel to ask the shareholder to leave the venue.

Article 18. When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within five days in accordance with Article 182 of the Company Act.

Article 19. Where the shareholders' meetings are convened in the manner of video conference, the Company shall disclose the voting result of each proposal and election results at the video conference platform for the shareholders' meeting, and retain the disclosure at least 15 minutes after the chair declares adjournment.

Article 20. When the Company convenes the video shareholders' meetings, the chair and the record-keeper shall be at the same location within Taiwan. The chair shall announce the address of this location.

Article 21. Where the shareholders' meeting is convened in the manner of video conference, the Company may provide the shareholders with a simple connection test, and the related services before and during the meeting in real-time, to help to handle technical problems of communications.

Where the shareholders' meeting is convened in the manner of video conference, the chair, when declaring the meeting commencement, shall also declare the events not requiring postponement or re-convention specified in Paragraph 4, Article 44-20 of the Regulations Governing the Administration of Shareholder Services of Public Companies; before the chair declares the adjournment, in the event where the video conference platform or the participation in the video conference fails for 30 minutes or more due to nature disasters, incidents, or other force majeure, the date of the shareholders' meeting postponed to, or re-convened shall be within five days, and Article 182 of the Company Act shall not apply.

Where the meeting is to be postponed or re-convened as specified in the preceding paragraph, the shareholders have not registered to attend the first shareholders' meeting must not attend the

postponed or re-convened meeting.

For the meeting is to be postponed or re-convened as specified in Paragraph 2, the shareholders who registered to attend the original meeting via the video conference, and have completed the acceptance, but not attend the postponed or re-convened meeting, their attending shares at the original meeting, the exercised voting right and election right, shall be counted into the total shares, voting rights, and election rights of the attending shareholders in the postponed or re-convened meeting.

The postponement or re-convention of shareholders' meetings conducted per Paragraph 2 needs not again discuss and resolve the proposal that have completed voting and vote calculation, with the announcement of voting results, or the list of elected directors.

Where the Company convenes the video-assisted shareholders' meetings, and when the video meeting is discontinued as specified in Paragraph 2 and the total attending shares still meet the statutory quorum for shareholders' meeting commencement, the postponement or re-convention of the meeting per Paragraph 2 is not required.

Under the circumstances to continue the meeting as specified in the preceding paragraph, the shares held by the shares attending the meeting via video conference shall be included in the total shares of the attending shareholders, but deemed abstaining for all proposals in the concerned shareholders' meeting.

Where the Company postpones or re-convenes any shareholders' meeting as specified in Paragraph 2, the pre-requisite operations shall be conducted based on the original shareholders' meeting date, and pursuant to Paragraph 7, Article 44-20 of the Regulations Governing the Administration of Shareholder Services of Public Companies.

For the periods specified in the latter part of Article 12 and Paragraph 3 of Article 13 of the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies, Paragraph 2 of Article 44-5, Article 44-15, Paragraph 1 of Article 44-17 of the Regulations Governing the Administration of Shareholder Services of Public Companies, the Company shall proceed on the date of the postponed or re-convened shareholders' meeting per Paragraph .

Article 22. Where the Company convenes the video shareholders' meetings, the proper alternatives shall be provided for the shareholders having difficulties to attend in the manner of video conference.

Article 23. The Principles are enforced upon the approval of the shareholders' meeting; the same applies to the amendments.

Approved on June 14, 2022.

## Appendix 3

# Tonlin Department Store Co., Ltd.

## Articles of Incorporation

### Chapter 1 General Provisions

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

### Chapter 2 Share Capital

- Article 6 The Company may become limited liability shareholder of other companies; its total investments are not subject to the "40% paid-up capital" restriction imposed under Article 13 of The Company Act, but the amount of which is to be determined by board of directors of the Company.
- Article 7 The Company has an authorized capital of Three Billion New Taiwan Dollars in three hundred million shares. Each share has a face value of Ten New Taiwan Dollars. The board of directors is authorized to issue this capital in multiple offerings.
- Article 7-1 Pursuant to laws, of the employee share subscription warrants and new shares issued, or treasury shares transferred to employees by the Company, certain proportion shall be reserved to be subscribed by the employees; employees, including the employees of parents or subsidiaries of the company meeting certain specific requirements, entitled to receive restricted stock for employees. The board of directors is authorized to prescribe such qualifications and subscription methods.
- Article 7-2 After the approval of at least two-thirds of the voting rights represented at a Shareholders' Meeting attended by shareholders representing a majority of the total issued shares, the Company may transfer the treasury shares to, or issue employee share subscription warrants to employees, at the price lower than the price for buying back such shares, or the price lower than the closing price of this Company stocks as of the issue date.
- Article 8 Share certificates of the Company shall be issued with the signature or seal of director(s) capable of representing the Company and with the certification of a bank that is legally permitted to act as a share certificate certifier. Shares of the Company may be issued in non-tangible form, subject to registration with

Taiwan Depository & Clearing Corporation.

- Article 9 Unless otherwise specified by law and securities regulation, issues concerning transfer of share ownership, pledge of shares, loss of share certificate, ownership inheritance, gifting, loss/change of seal, change of address, and share-related affairs shall be handled according to “Regulations Governing the Administration of Shareholder Services of Public Companies.”
- Article 10 Transfer of share ownership shall be suspended during the 60 days prior to an annual general meeting, or during the 30 days prior to an extraordinary shareholder meeting, or during the 5 days prior to the baseline date of dividend, profit sharing, or rights distribution.

### **Chapter 3 Shareholder Meetings**

- Article 11 The Company holds two types of shareholder meeting: the annual general meeting and extraordinary shareholder meeting. The annual general meeting is held once a year within six months by the board of directors after the end of an accounting period, whereas extraordinary shareholder meetings may be held whenever deemed necessary, subject to compliance with the relevant laws.
- Article 12 Convention of an annual general meeting shall be communicated to shareholders with details including date, venue and agenda at least 30 days in advance, or 15 days in advance for extraordinary shareholders meetings.
- Article 12-1 The shareholders' meeting of the Company may be held by video conference or other means announced by the central governing agency.
- For adopting video conference, the requirements to be met, operational procedures and other matters to be followed, shall comply with the regulations of the securities competent authorities, if any.
- Article 13 Any shareholder who is unable to attend a shareholders' meeting for any reason may appoint a proxy to attend the meeting by presenting a proxy form printed by the Company, indicating the scope of the authorization. However, a proxy may not represent more than 3% of total voting rights in aggregate when representing two or more shareholders during the meeting. Voting rights that exceed this threshold shall be excluded from calculation. Matters concerning the use of proxy form shall also comply with "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies."
- Article 14 Unless otherwise regulated by laws, shareholders shall be entitled to one voting right for every share held.
- Article 15 Unless otherwise provided by the Company Act, the proposal of a shareholders' meeting shall be adopted by a majority vote of the shareholders or proxies present, who represent more than half of the total number of voting shares.
- The Company's shareholders may also vote using electronic means. Shareholders who vote using the electronic method are considered to have attended the shareholder meeting in person. Electronic voting shall proceed as regulated by law.
- Article 16 Shareholder meetings that are convened by the board of directors shall be chaired by the Chairman; if the Chairman is absent, a person of acting duty shall be appointed according to Article 208 of The Company Act. For shareholder meetings that are convened by any authorized party other than the board of directors, the convener shall chair the meeting. If two or more parties are equally eligible to serve as convener, one shall be elected among themselves to serve as convener.
- Article 17 Matters relating to the resolutions by a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each

shareholder within 20 days after the conclusion of the meeting. Preparation and distribution of meeting minutes can be made in electronic form.

Distribution of meeting minutes, as mentioned in Paragraph 1, may proceed by way of public announcement.

#### **Chapter 4 Directors**

Article 18 The Company shall have 9 to 11 directors who are elected using the nomination system from the list of director candidates presented during the shareholder meeting. Directors shall serve a term of 3 years, which is renewable if re-elected. The minimum number of shares to be held in aggregate of all board members shall comply with the rules of the authority.

The number of directors mentioned above shall include no fewer than three independent directors. Independent directors shall be elected during shareholder meeting from the list of nominated candidates using the nomination system. Restrictions concerning independent directors' eligibility, shareholding, concurrent employment, nomination, method of election and all other compliance issues are governed by relevant laws of the authority.

The Company shall comply with Article 14-4 of the Securities and Exchange Act by assembling an Audit Committee that consists entirely of independent directors. All matters relating to the Audit Committee, its members, and exercise of duties shall comply with rules of the securities authority.

Article 19 When the number of vacancies in the board of directors equals one-third of the total number of directors, or all independent directors are dismissed, the board of directors shall call, within 60 days, a special shareholders meeting to elect succeeding directors to fill the vacancies for the remaining service time of the dismissed directors.

Article 20 The Board of Directors shall be organized by the directors. The Chairman shall be elected by more than half of the directors present at a board meeting attended by at least two-thirds of all directors from among themselves. The Chairman shall represent the Company externally.

Article 21 Convention of a board of directors meeting must be advised to all directors with detailed agenda at least 7 days in advance. However, meetings can be held in shorter notice in case of emergency.

The abovementioned meeting advice can be delivered via written correspondence, fax, or electronic form.

Article 22 If the Chairman is unable to perform duties due to leave of absence or any reason, a delegate shall be appointed in accordance with Article 208 of the Company Act.

Article 23 Unless otherwise provided for in the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors.

A director who has a personal interest in the matter under discussion at a board meeting shall explain to the board meeting the essential contents of such personal interest.

Directors who are unable to attend personally may appoint other directors to attend on their behalf, by issuing a proxy form detailing the scope of authority delegated to the proxy attendee. Each director can only represent the presence of one other director.

Article 24 Details of board meeting shall be recorded in minutes and signed or sealed by the chairperson. Minutes are to be distributed to directors and supervisors within 20 days after each meeting. The minutes shall contain details including the date and venue of meeting, the name of chairperson, the method of resolution, and the progress and outcome of each motion. The minutes, the attendance log, and proxy forms

shall be retained within the Company.

Article 25 The Company may compensate directors regardless of the state of its profitability. The board of directors is authorized to determine the level of compensation based on individual directors' participation and contribution to the Company's operations, and in reference to industry peers.

Directors or shareholders who concurrently serve as employees shall be paid salaries at the same rate as ordinary employees.

The board of directors may purchase liability insurance covering the entire board over the duration of service if necessary, provided that the proposal is raised in a board meeting with more than half of all directors present and supported by more than half of attending directors.

#### **Chapter 5 Managers**

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

#### **Chapter 6 Accounting**

Article 27 The board of directors shall prepare: (1) A Business Report, (2) Financial statements, and (3) Earnings appropriation or loss reimbursement proposal at the end of each financial year. The above documents shall be presented for acknowledgment during regular shareholders' meetings.

Article 28 Profits concluded from a financial year are subject to employee remuneration of 0.1%-4% and director remuneration of no more than 4%. However, profits must first be reserved to offset against cumulative losses (including adjustments to unappropriated earnings) if any. Employee remuneration, as mentioned in the preceding Paragraph, can be paid in cash or in shares. Payments may also be made to employees of subordinate companies that satisfy the eligibility criteria. The above director remuneration can only be paid in cash.

The two decisions above are resolved by the board of directors and reported during the next shareholder meeting.

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

The Company is bound by laws to make provision for special earnings reserve from unappropriated earnings carried from previous years for any net contra-equity balances accumulated under other contra-equity items in previous years before distributing earnings. If the Company is unable to make adequate provision from unappropriated earnings carried from previous years, the Company shall treat current net income and non-net income items as unappropriated earnings and make provisions accordingly.

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.

#### **Chapter 7 Supplemental Provisions**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The 30th amendment was made on August 31, 2021.

The 31st amendment was made on June 14, 2022.