# Grand Ocean Retail Group Limited 5907

# GRAND OCEAN RETAIL GROUP LIMITED

# 2021 Annual Report

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Check the website of this annual report: MOPS

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Company website: http://www.grandocean.com.cn

http://www.grandocean.com.tw

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**Litigious and Non-litigious Agent:** 

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V Name and Location of the Exchange for Overseas Securities Listed, and the Methods of Inquiry for the Securities Thereof: NA

VI Company Website: http://www.grandocean.com.tw; http://www.grandocean.com.cn

## VII Directors of Board

Title	Name	Nation ality	Main Education and Work Experience
Chairman	Kuo Jen Hao	ROC	Director of Poly Warehouse Director \ Chief financial officer of Natural Group Vice president of Private Equity Management Group PWC Transation Services Rothstein Kass Hedge Fund Auditor Merrill Lynch Research Assistant Pace University NY MBA Finance and Accounting major American CPA
Director	First Steamship Company Ltd Representative:	- НК	Chinese Certified Public Accountant Director \( \) financial director \( \) Vice chairman of Shanghai Allied Cement Limited Managing Director of Allied Cement Holdings Limited
	Ng Qing Hai		Executive director · Managing Director of CHIANVISION MEDIA GROUP LIMITED
	First Steamship S.A	-	Department of Business Economics Renmin University of China General manager of Beijing Xicheng Department Store Business manager of Beijing Xidan Shopping Center Manager of Beijing Scitech Shopping Center Department store Deputy general manager Of Beijing SOGO Department store
Director	Representative: Zhang Jin Guo	CN	group Deputy general manager of Wuhan store Wanda Group: Assistant to the president and Wanda Department Store Deputy general manager Xi'an and Jinan Regional general manager of Wanda Business Management Company Director • Vice president of Grand Ocean Department Store Group Limited
Director	Lee Seng Chay	MY	Banhelor of Science, Monash University, Australia. Mulpha International Bhd, General Manager. President/Vice President of Mabuhay Holdings Corporation,
Independent director	Ding Jin Huei	ROC	NCTU Executive Master of Business Administration; Ph.D. in Business Management, Tianjin Nankai University; Certified Public Accountant of the Republic of China Member of School Affairs Fund of NCTU; Director · Secretary of Chinese Association of Valuation; Host of Taipei's bus privatization planning and implementation plan; Independent Director of ASSEM TECHNOLOGY CO., LTD · LUNG HWA ELECTRONIC CO., LTD · TRENDCHIP TECHNOLOGY CO., LTD; Remuneration Committee of TSTI
Independent director	Sher Ching Yee	НК	Master of Practising Accounting, MONASH UNIVERSITY; Bachelor degree from University of London; Member of the Association of Chartered Certified Accountants, UK. Auditor of Deloitte Touche Tohmatsu Limited (HK); Director of Dehui International (Group) Co., Ltd; Vice Chairman & MG of Xiamen Shijia Chemical Co., Ltd; GM of Qianjing Clothing Co., Ltd.; GM of Qingdao Mingyu Real Estate Plaza Co., Ltd.
Independent director	Lin Yuk Yan Maya	нк	NEW YORK UNIVERSITY STERN SCHOOL OF BUSINESS/HONG KONG UNIVERSITY OF SCIENCE & TECHNOLOGY M.S.Degree, Global Finance; PARSONS SCHOOL OF DESIGN AAS Degree, Fashion Merchandising w/Honors – PS Dean's Scholarship, PS Dean's List; NEW YORK UNIVERSITY B.S. Degree, Communications w/ Specialization in Advertising & Marketing. LOUIS VUITTON LTD., Hong Kong. Retail Marking Analyst  Assistant Manager FENDI NA INC, NEW YORK. Retail Marking Manager. POSCELIN CO., LTD., Hong Kong. Director. Cartier, Far East, Project Manager.

### INDEX

ONE.	. REPORT TO SHAREHOLDERS	6
TWO	O. COMPANY INTRODUCTION	10
Ι	Date of Establishment	10
II	COMPANY HISTORY	10
III	GROUP STRUCTURE	11
THR	EE. CORPORATE GOVERNANCE REPORT	16
I	ORGANIZATION SYSTEM	16
II	PERSONAL INFORMATION OF DIRECTOR, SUPERVISOR, GENERAL MANAGER, VICE GENERAL MANAGER,	
	ASSISTANT GENERAL MANAGER, AND MANAGER OF EACH DEPARTMENT AND BRANCH	20
III	, ,	
V V	CORPORATE GOVERNANCE AND OPERATION	
	INFORMATION ON ACCOUNTANT CHANGE:	
	I THE COMPANY'S CHAIRMAN, GM, MANAGERS OF FINANCIAL OR ACCOUNTING AFFAIRS, WHO HAS EVER WO	
	IN THE ACCOUNTANT'S AFFILIATED FIRM OR ITS AFFILIATES IN THE PAST YEAR: NONE	
VII	II LAST FISCAL YEAR, AND AS OF THE DATE OF PUBLICATION OF ANNUAL REPORT, DIRECTORS, SUPERVISORS	*
	MANAGERS AND SHAREHOLDERS WHOSE EQUITY TRANSFER AND SHAREHOLDING PLEDGE CHANGES WITH A SHAREHOLDING RATIO OF MORE THAN $10\%$	
IX	INFORMATION ON INTERRELATIONS BETWEEN EACH SHAREHOLDER WHOSE SHAREHOLDING RATIO IS RAN	
	ONE OF THE TOP TEN	
X	THE NUMBER OF SHARES HELD BY THE COMPANY, THE COMPANY'S DIRECTORS, MANAGERS AND THE COMP	
	DIRECTLY OR INDIRECTLY CONTROLLED BY THE SAME REINVESTMENT BUSINESS, AND COMBINED TO CALCUTHE COMPREHENSIVE SHAREHOLDING RATIO	
FOU	R.FINANCING SITUATION	
I	CAPITAL AND SHARES	
II	CORPORATE BONDS (INCLUDING OVERSEA CORPORATE BONDS) TREATMENT: NONE	
III IV		
V	EMPLOYEE STOCK OPTION CERTIFICATE TREATMENT: NONE	
	TREATMENT OF RESTRICTION OF EMPLOYEE RIGHTS TO NEW SHARES: NONE	
	I Treatment of Merging or Granting Shares of Other Companies to Issue New Shares: None	
VII	II TREATMENT OF FUNDS OPERATION PLAN: NA	83
FIVE	C. OPERATION OVERVIEW	84
I	BUSINESS CONTENTS	84
II	MARKET AND PRODUCTS SELLING OVERVIEW	
III		
IV		
V	LABOR RELATIONS	
	FINANCIAL OVERVIEW	
I	CONCISE FINANCIAL INFORMATION OVER THE PAST 5 YEARS	
III	FINANCIAL ANALYSIS OVER THE PAST 5 YEARSAUDIT COMMITTEE REPORT OF FINANCIAL REPORT LAST YEAR	
	COMPANY ENTITY FINANCIAL REPORT CERTIFICATED BY ACCOUNTANT LAST YEAR: NA	
V	LAST YEAR, AS OF THE DATE OF PUBLICATION OF ANNUAL REPORT, SHOULD THE COMPANY AND ITS ASSOC	
	HAVE ANY DIFFICULTY ON FINANCIAL OPERATIONS, THE INFLUENCE ON THE FINANCIAL STATUS OF THE COM-	
	SHOULD BE DETAILED: NONE.	
	EN . REVIEW AND ANALYSIS OF FINANCIAL STATUS AND PERFORMANCE, AS WELL AS	
I	Financial Situations	
II	FINANCIAL PERFORMANCE	
III		
IV	INFLUENCE ON FINANCIAL BUSINESS FROM MATERIAL CAPITAL EXPENDITURES LAST YEAR: NONE	180

V	REINVESTMENT POLICIES LAST YEAR, MAIN REASONS OF PROFIT OR LOSS THEREOF, IMPROVEMENT PAN, AS	
	WELL AS INVESTMENT PLAN WITHIN NEXT YEAR	.180
VI	RISK MANAGEMENT	.182
VII	OTHER MATERIAL ITEMS: NONE	.187
EIGH	T. SPECIAL NOTATION	.187
I	CONCERNING INFORMATION OF ASSOCIATES	.187
II	LAST YEAR, AND AS OF THE DATE OF PUBLICATION OF ANNUAL REPORT, TREATMENT OF THE PRIVATE PLACEM	IENT
	OF SECURITIES: NONE.	.193
III	LAST YEAR, AND AS OF THE DATE OF PUBLICATION OF ANNUAL REPORT, ACQUISITION OR DISPOSAL OF THE	
	STOCKS OF THE COMPANY BY ITS SUBSIDIARIES: NONE.	.193
IV	OTHER NECESSARY SUPPLEMENTARY DESCRIPTIONS	.193
NIGH	T. LAST YEAR, AND AS OF THE DATE OF PUBLICATION OF ANNUAL REPORT, ANY	
MATI	ERIAL INFLUENCE UPON THE SHAREHOLDERS EQUITY OR SECURITIES PRICE DEFINED I	IN
ARTI	CLE 36.3.2 IN THE SECURITIES EXCHANGE ACT: NONE	.195

#### One. Report to Shareholders

#### To Every Shareholder:

It has been two years since COVID-19 broke out; the pandemic still existed in 2021 and affected people's lives and all walks of life. We originally expected the situation to improve in 2021. Still, due to the triple squeeze of the pandemic, income and taxes, consumption as the "first carriage" driving economic growth in previous years was lackluster. In 2021, Taiwan's retail sales of social consumer goods totaled NT\$44.1 trillion, a year-on-year increase of 12.5%. The high growth is due to a low base in 2020. Compared with that in 2019, the average growth rate in the two years is only 3.5%. Compared with the growing foreign trade statistics and flat investment statistics, consumption has changed from the first driving force to the shortcoming of economic development. In particular, according to the monthly data of December 2021, the total retail sales of social consumer goods increased by only 1.7% in a single month, the lowest in the year, with negative growth month on month, while catering consumption had negative growth for the second consecutive month. From the perspective of commodity sales of enterprises above the quota, the sales of cosmetics, clothing, gold and jewelry related to residents' life decreased significantly, indicating a lack of effective domestic demand.

In 2021, all stores and departments carried out various work on "taking customers as the center to build a consumer experience demonstration platform; taking artificial intelligence for assistance to open up the space-and-time boundary between online and offline". The Grand Ocean team has deployed a brand upgrading plan for the Group's main stores. The goal responsibility system for all managers has been tried out, and 8 stores successively won the reward of the assessment of the goal responsibility system for all employees. Each store's original independent membership system is integrated into a unified membership system of the Group, and hierarchical management of members is implemented. The real-time big data analysis system has gone online, which further strengthened the intelligent construction of the shopping malls. In addition, it took eight and a half months to prepare the 1000 trees store. It was successfully opened, and Grand Ocean again won the first battle in its strategy. The achievement in 2021 can be called fruitful.

However, under the repeated blow of the continuous slowdown of consumption growth and the sporadic outbreak of the pandemic in the second half of 2021, the Group's customer flow and overall operating data were lower than expected. The average daily customer flow of each store (excluding 1000 trees) of the Group was 13,874 person-times, an increase of only 10.6% year-on-year from 2020. In fact, according to the customer flow statistics by Winner Technology, the average daily customer flow of shopping centers in the country in 2021 was 18,515 person-times, an increase of 9.6% year-on-year from 2020, but still, a decrease of 25.2% compared with that of 2019. The annual report forecast of 26 listed department stores' A-shares showed that only 7 of them had better performance than in 2019.

The operating results of 2021 and the business plan for 2022 are described as follows: I. Operation Results 2021

#### (I) Achievements of Operational Plans

The consolidated operating revenues 2021 of the Group were NT\$5,159,425 thousand, which increase by 7.69% compared with NT\$4,790,864 thousand in year 2020; the net loss after taxes 2021 was NT\$(232,135) thousand, which decreases by 124.99% compared with NT\$(103,177) thousand in year 2020; also, the loss per share (EPS) was NT\$-1.19 in year 2021.

If RMB is used as the denomination unit, then in year 2021 the consolidated operating revenues of the Group were RMB\$1,189,084 thousand, and the net loss after taxes was RMB\$(53,500)thousand; in year 2020 the consolidated operating revenues of the Group were RMB\$1,118,630 thousand, and the net loss after taxes was RMB RMB\$(24,092) thousand.

#### (II) Budget Execution Overview

Undisclosed Financial Estimates 2021 of Grand Ocean Retail Group Ltd.

(III) Analyses on Financial Revenues and Expenses, as well as Profitability

#### (1) Operating Revenues

The consolidated operating revenues 2021 of the Group were NT\$5,159,423 thousand, which increase by 7.69% compared with NT\$4,790,864 thousand in year 2020. Where the main reason is that under the impact of the COVID-19 pandemic, operating income growth was limited due to the restrictions on personnel movement by the pandemic prevention and control measures.

#### (2) Operating Expenses

The consolidated operating expenses 2021 (including operating costs and expenditures) of the Group were NT\$4,727,881 thousand, which increase by NT\$196,122 thousand compared with NT\$4,531,759 thousand in year 2020 (4.33%), wherein the operating costs decrease by NT\$140,390 thousand (-8.92%), and the operating expenditures increase by NT\$336,512 thousand (11.38%). The decrease in operating costs was mainly due to the decrease in the ratio of direct sales, The increase in operating expenses was mainly due to the decrease in the amount of rent reduction and exemption due to the COVID-19 pandemic in 2021 compared with 2020

#### (3) Profitability

The consolidated net operating profit 2021 of the Group was NT\$428,858 thousand, which increases by NT\$182,378 thousand (73.99%) compared with NT\$246,480 thousand in year 2020, and the consolidated net profit margin decreases from 5.14% in year 2020 to 8.31% in year 2021. The consolidated non-operating revenues and expenses 2021 were NT\$-350,942 thousand, which decrease by NT\$58,002 thousand compared with NT\$-408,944 thousand in year 2020, causing by 2020, the Company recognized an impairment loss at Fengsheng in accordance with IFRS. In addition, the consolidated net loss after taxes 2021 was NT\$232,135 thousand, which decreases by NT\$128,958 thousand compared with NT\$103,177 thousand in year 2020.

#### (IV) Research & Development

Due to the fact that the Group belongs to the department retail industry, it does not involve any R&D, nor manufacture of the products; hence, the Group does not concern any plans nor expenses for R&D. Yet, as for the characteristics in this field, it is crucial to educate and to train the professional management personnel, as well as to raise the talent quality, in order to be the material nutrients for the Group to be more competitive in the future. Grand Ocean has its own management teams who all have at least one to two decades of business experience, and all are very experienced and dedicated to marketing proposal, enterprise establishment as well as branch expansion. In recent years, we even more greatly recruit younger managers or supervisors, in order to have younger store managers and other managers. For the past two years, we particularly selected our reservation supervisors from all the top universities or colleges all over mainland China. After our attentive cultivation, many of them have occupied various important positions in our stores as well as in the Department of Boundless Retail, and they actually have proven themselves worthy. For the future expansion of our Company, we shall hereafter further reinforce the development, training and education of human resource, to reserve as well as to recruit more excellent retail talent. Then we are able to enrich our stores and improve the level of management.

#### II. Overview of Operational Plans 2022

What breaks from the outside is pressure, and what breaks from the inside is growth. The more the environment is unsatisfactory, the more it is necessary to cultivate skills and make self-improvement. Grand Ocean has been exploring a new direction of development. In 2022, the Group put forward the business theme of "building a new landmark of humanities, art and innovative retail; being a leader in consumption, experience and lifestyle". All stores are required to grasp consumer psychology from a humanistic perspective, break the store stereotype with the integration of art, accelerate brand integration and business optimization, be innovative in retail to change the traditional positioning, get familiar with consumption habits in

the new era, strengthen experiential consumption, attract the younger generation and lead a new way of life.

The Group requires to turn its loss into a profit in 2022. Therefore, all stores of the Group are required to actively fill their empty counters. The employees shall use the data analysis app for daily review, decompose each floor, compare the brands and carry out the work based on the budget. The Group will also use the budget as a tool to determine the objectives and formulate the assessment indicators of the target responsibility system for all employees in 2022.

#### III. Strategies of Future Company Development

The shadow of COVID-19 may still be there in 2022, but the impact will generally become mild. However, the increasingly complex business environment, crowded business circles and cruel market competition still require retail enterprises to find a way to break through.

Only a differentiated competition strategy is the way out for Grand Ocean. The key to Grand Ocean's differentiated competition is to attract people's attention. Physical stores must be beautiful in the fast-paced modern society, and aesthetic power is market power. Business cannot be without beauty. There are few commercial brands that are completely separated from art and aesthetics, and commercial retail is deeply bound with fashion aesthetics. By creating a shopping mall with the perfect combination of humanities, art and commerce, and turning the shopping mall into a reason for people to get together, can we capture the hearts of consumers; by making use of consumers' impulse of sharing, can we increase the loyalty in users' psychology and make people happier.

Grand Ocean's 1000 trees project is a proven and perfect example. The 1000 trees project is the first store opened by the Group in a first-tier city in mainland China. It is also a shopping center integrating humanities, art and fashion. Grand Ocean will continue to strengthen 1000 trees's leadership in humanities and arts in 2022, inject art, culture and even elements of historical value into shopping malls, and break the stereotype of stores. 1000 trees is no longer just an ordinary shopping mall. Instead, it is regarded as a must-visit for Internet celebrities. People go there to take photos, broadcast live and share them in the circle of friends. Its influence continues to expand, and more people go there with admiration, which solves the pain point of insufficient customer flow. Only when there is popularity can there be business, increased attention, customer flow, and stopover time that protect rental income. This is the experience of physical commerce that cannot be shaken by e-commerce. It has a strong attraction to consumers of all ages, and is also the best way for physical commerce to seek to break through its own limitations.

The experience of 1000 trees is also applicable to the adjustment and reform of stores. We believe that the key is to attract people's attention in the fast-paced modern society, and physical stores must be beautiful. For most people, what is scarce is not food or goods, but unique scenes. An interesting shopping mall will make consumers can't help but take pictures and send them to the circle of friends, which will also arouse the interest of viewers, forming a chain reaction. Therefore, Grand Ocean wants to build shopping malls with a perfect combination of humanities, art and commerce. The adjustment to shopping malls is not only the choice and management of brands, but also the key process of shaping the power of scenes. A good adjustment should bring topics, customer flow and spontaneous communication to the mall, so that the mall has its own unique temperament, rather than making consumers feel that "it's the same to go to any mall, just pick the nearest one". Only by turning the shopping mall into a reason for people to get together, can we capture the hearts of consumers, make use of consumers' impulse of sharing, increase the loyalty in users' psychology, and make the shopping mall more popular.

IV. Analyses on Influence by External Competition, Laws and Regulations, as well as Overall Environments

According to the statistics of Commercial Big Data, there were 545 newly opened commercial projects in China in 2021, with an area of more than 47 million square meters, a significant increase of 35% over that in 2020. By the end of 2021, the number of shopping

centers in China reached 5,387, with an area of 475 million square meters. In terms of the area of launched projects, the overall growth of small and medium-sized projects is growing. The area range of 50,000 ~ 100,000 square meters has been the main trend for a long time, while the number of large projects with an area of more than 100,000 square meters has declined. Small and medium-sized projects build regional businesses, focus on the living habits of regional consumers through characteristic theme positioning, and create differentiated shopping scenes and experiences, which are more and more favored by the market. It is estimated that there will be 895 commercial projects to be launched nationwide in 2022, with an area of more than 80 million square meters. China's commercial real estate will be in the era of both stock control and increment for a long time, and the stock control pressure is increasing day by day. Therefore, the contradiction between supply and demand of physical commerce has not been alleviated, and Grand Ocean will carefully and moderately consider the expansion of new projects.

Another important change is that with the increasing cost of online traffic, the impact of ecommerce on offline stores is gradually reduced. In 2021, the growth rate of online retail was 11.3%, which was lower than that of social zero by 12.5%. After the significant increase in online penetration during the pandemic period, the rate of 2021 was the same as that of 2020, about 30%. Although the Internet still occupies a lot of users' time, the per capita user time in a single day is 6.5 hours, with a growth rate of only 5%, and the room for growth is limited. The offline physical business shows signs of bottoming out. In 2021. The average daily customer flow of shopping malls across the country was 18,000, with a growth rate of about 10%, about 75% in 2019. The recovery progress of cities at all levels was similar, but the siphoning effect of the core business district was obvious. The longer the opening of large shopping malls and the better the location, the better the customer flow performance.

According to our judgment, with the characteristics of more and more online surfing for pleasure, health, leisure and social consumption by young customers, the direction of transformation and adjustment of a physical business in the future is to make shopping malls artistic, scenic and social, and aesthetic power will become purchasing power. The second is deretailing, retail experiencing and innovation. In the future, Grand Ocean will explore more newstyle beauty collection stores, smart home experience centers, technology product experience stores, new energy vehicle experience centers, AR / VR experiences, etc. At the same time, attention will be paid to the introduction of the first store in brand selection to form differentiation with the same type of goods and guide differentiated consumption experience.

Grand Ocean Retai

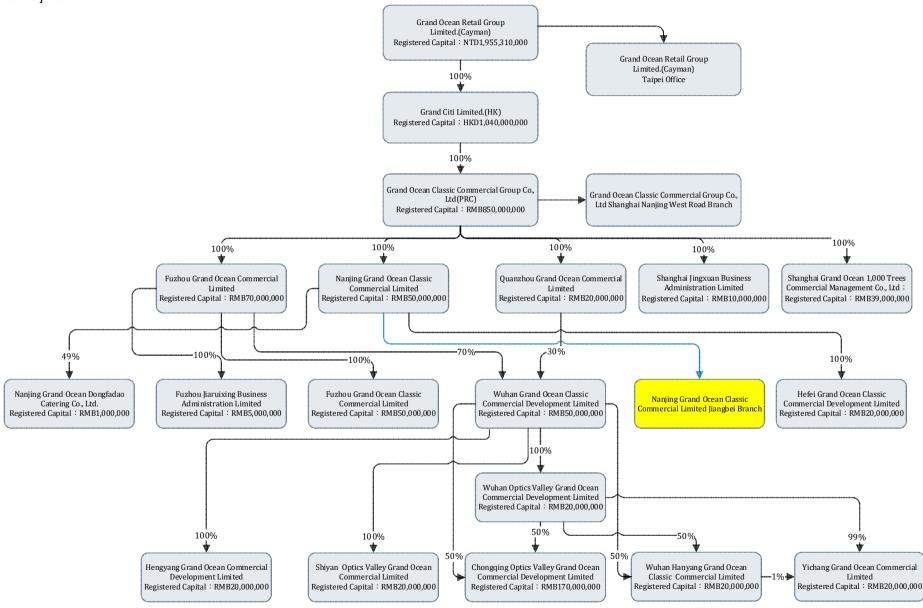
Chairman: GUO REN HAO

#### Two. Company Introduction

I Date of EstablishmentFounded in Dalian, China (P.R.C.) in May 2002

#### II Company History

Grand Ocean Retail Group Ltd. (hereinafter referred to as Grand Ocean or the Company) is one of the largest and most influential department retail distribution groups in mainland China. As a holding company, Grand Ocean Department Store Group Ltd. deploys all the retail stores in each major city in compliance with our operation strategy "a department store for a company". Our operation team members mainly contain most of those talents who expertize in department operation, coming from Taiwan and China. We actively uphold the concepts of "Fashion We Lead, Taste We have", "Genuineness We Deliver, Reputation We Believe" and "Customer the Highest, Service the Newest" to create a shopping environment with extraordinary fashion, taste and comfort for our customers all over. Operations of Grand Ocean Group contain shopping, leisure events, entertainment and catering services, making it a comprehensive department retail entity. The very first department store – Fuzhou Zhongcheng Grand Ocean Department Store Ltd. of our Group was founded in Sep 2002. As the economic was growing rapidly in mainland China, consumption ability of the people also increased. Afterwards, Grand Ocean subsequently established its own branches in different provinces and regions in China to enlarge the group scale, and has become one of the largest-scale department groups among the mainland. As of the publication date of the Annual Report, Grand Ocean Group has totally founded 15 department stores, covering 10 cities in China, including Shanghai, Fuzhou, Nanjing, Quanzhou, Wuhan, Hengyang, Yichang, Chongqing, Hefei and Shiyan (containing Fuzhou Jiaruixing Underground Shopping Center). Grand Ocean shall keep deeply cultivating in the three major regions where we have the advantage in competitiveness (Fujian, Jiangsu, Anhui, Hubei and Hunan included): Sino-center region based on Wuhan city, Sino-east region based on Nanjing city, as well as Sino-south region based on Fuzhou city. At the end of 2021, Grand Ocean entered the first-tier city of Shanghai. The Grand Classic 1000 trees project, which was grandly opened on the bank of Suzhou River is the perfect beginning of the great vision of "creating another Grand Ocean" of our staff.



Important Events	
Date	Important Events
May 2002	Dalian Grand Ocean Department Store Ltd. was founded in Dalian City, Liaoning Province, China.
Jun 2002	Fuzhou Zhongcheng Grand Ocean Department Store Ltd. was founded.
Aug 2002	Nanjing Grand Ocean Department Store Ltd. was founded.
Sep 2002	Fuzhou Zhongcheng Grand Ocean Department Store (Fuzhou Primary Store) was opening.
Sep 2002	Suzhou Grand Ocean Department Store Ltd. was founded.
Nov 2002	Suzhou Grand Ocean Department Store was opening.
Jan 2003	Quanzhou Grand Ocean Department Store Ltd. was founded.
Jan 2003	Nanjing Grand Ocean Department Store (Nanjing Store) and Quanzhou Grand
Apr 2003	Ocean Department Store (Quanzhou Store) were opening. Wuxi Grand Ocean Department Store Ltd. was founded.
May 2003	Wuxi Grand Ocean Department Store (Wuxi Store) was opening.
May 2003	Dalian Grand Ocean Department Store (waxi Store) was opening.  Dalian Grand Ocean Department Store Ltd. was renamed as Grand Ocean
Way 2003	Department Store Group Ltd.
Jan 2004	Changzhou Tianan Grand Ocean Department Store Ltd. (which was later renamed as Changzhou Peace Grand Ocean Department Store Ltd.) was founded.
Mar 2004	Changzhou Peace Grand Ocean Department Store (Changzhou Store) was opening.
Sep 2004	Wuhan Grand Ocean Department Store Ltd. (which was later renamed as Wuhan Zhongshan Grand Ocean Department Store Ltd.) was founded.
Dec 2004	Wuhan Zhongshan Grand Ocean Department Store (Wuhan Primary Store) was opening.
Jun 2005	Disposal of Subsidiaries – Equities of Changzhou Peace Grand Ocean Department Store Ltd., Wuxi Grand Ocean Department Store Ltd. and Wuhan Zhongshan Grand Ocean Department Store Ltd.
Jul 2005	The company, Nature Sources Limited, reinvested by First Steamship Co., Ltd. acquired a part of stock rights of the offshore holding company located in the British Virgin Islands (BVI), Regal Ocean International Ltd., and used it as the
Feb 2006	holding company of Grand Ocean Department Store Group Ltd.  Ministry of Commerce of the People's Republic of China (MOFCOM) ratified Regal Ocean International Ltd. to acquire 70% of the total equity of Grand Ocean Department Store Group Ltd. After the transaction was fulfilled, First Steamship Co., Ltd. became the largest shareholder of Grand Ocean Department Store Group Ltd.
Jun 2006	First Steamship Co., Ltd. modified the investment structure, and transferred a part of stock rights of Regal Ocean International Ltd. to the investment company, First Steamship S.A.
Aug 2006	Grand Ocean Retail Group Ltd. (hereinafter referred to as Grand Ocean or the Company) was founded in the Cayman Islands to be the holding parent company of the Group as well as an application entity of primary listing.
Dec 2006	Dalian Foreign Trade & Economic Cooperation Bureau ratified Regal Ocean International Ltd. to acquire 100% of the equity of Grand Ocean Department Store Group Ltd.
Feb 2007	Regal Ocean International Ltd. formally acquired 100% of the equity of Grand Ocean Department Store Group Ltd.
Mar 2007	Repurchase of the equities of Changzhou Peace Grand Ocean Department Store Ltd., Wuxi Grand Ocean Department Store Ltd. and Wuhan Zhongshan Grand Ocean Department Store Ltd.

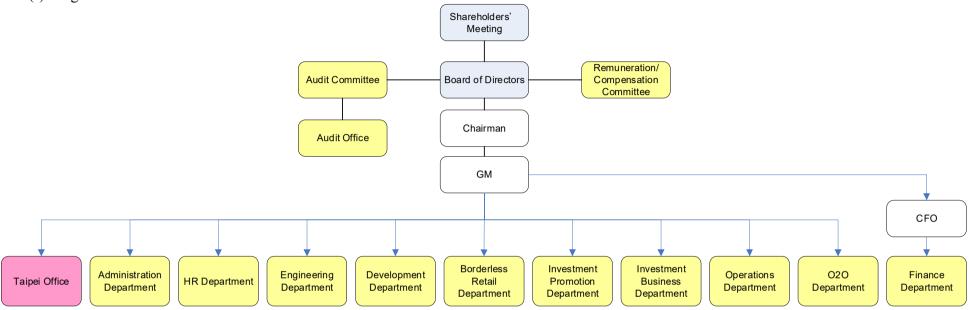
Date	Important Events
Mar 2007	Acquisition of the equity of Fuzhou Grand Ocean Department Store Ltd.
Jul 2007	Wuhan Optics Valley Grand Ocean Department Store Ltd. was founded.
Oct 2007	The organization structure was adjusted. A new holding company – Grand Citi Ltd. was founded in Hong Kong by Regal Ocean International Ltd., and all the equities of Grand Ocean Department Store Group Ltd. were transferred to Grand Citi Ltd.
Nov 2007	The organization structure was adjusted. The stocks of Regal Ocean International Ltd. were swapped with the ones of Grand Ocean, making the former a subsidiary whose equity was 100% possessed by the Company, also Grand Ocean Department Store Group Ltd. became a subsidiary whose equity was 100% possessed indirectly by the Company.
Nov 2007	Fuzhou Grand Ocean World Department Store Ltd. was founded.
Dec 2007	Wuhan Optics Valley Grand Ocean Department Store (Wuhan Secondary Store) and Fuzhou Grand Ocean Department Store (Fuzhou Secondary Store) were opening.
Feb 2008	Xiangtan Grand Ocean Department Store Ltd. was founded.
Mar 2008	Chongqing Optics Valley Department Store Ltd. was founded.
May 2008	Fuzhou Grand Ocean World Department Store (Fuzhou Third Store) was opening.
Jul 2008	Wuhan Longyang Grand Ocean Department Store Ltd. was founded.
Sep 2008	Xi'an Grand Ocean Department Store Ltd. was founded.
Dec 2008	Chongqing Optics Valley Department Store (Chongqing Store) was opening.
Mar 2009	Shihkiachwang Zhongshan Grand Ocean Department Store Ltd. was founded.
Mar 2009	In the cause of simplification of the organization structure, the Company merged Regal Ocean International Ltd., making Grand Citi Ltd. a subsidiary whose equity was 100% possessed directly by the Company.
Aug 2009	Hengyang Grand Ocean Department Store Ltd. was founded.
Sep 2009	Xi'an Grand Ocean Department Store (Xi'an Store) and Xiangtan Grand Ocean Department Store (Xiangtan Store) were opening.
Dec 2009	Wuhan Longyang Grand Ocean Department Store (Wuhan Third Store) was opening.
Sep 2010	Yichang Grand Ocean Department Store Ltd. was founded.
Dec 2010	Nanjing Grand Ocean Department Store Ltd. Jiangbei Branch was founded.
Dec 2010	Hengyang Grand Ocean Department Store (Hengyang Store) was opening.
May 2011	Grand Ocean Retail Group Ltd. Taipei Office was founded.
May 2011	Fuzhou Elegance Food & Beverage Co., Ltd. was founded to approach the delicate and high-class restaurant industry.
Jun 2011	Nanjing Grand Ocean Department Store Hefei Ltd. was founded.
Jun 2011	Shanghai Sunny Ocean Clothes & Accessories Trading Co., Ltd. was founded to develop clothing of our own brand.
Sep 2011	Yichang Grand Ocean Department Store (Yichang Store) was opening.
Sep 2011	Wuhan Grand Ocean Real Estate Co., Ltd. was founded to handle the development business of the properties for department store locations.
Dec 2011	Shihkiachwang Zhongshan Grand Ocean Department Store (Shihkiachwang Store) was opening.
Mar 2012	Shanghai Honglin Commerce Co., Ltd. was founded to deal with the Shopping Card business of department stores.

Date	Important Events
Jun 2012	Grand Ocean Retail Group Ltd. was formally listed in Taiwan Stock Exchange (TWSE).
Jul 2012	Heritage Riches Ltd. (H.K.) was founded.
Oct 2012	Investment on Suzhou Bohong Asset Management Joint Venture.
Nov 2012	Nanjing Grand Ocean Department Store Hefei (Hefei Store) was opening.
Jan 2013	Disposal of the subsidiary, Wuhan Grand Ocean Real Estate Co., Ltd.
Mar 2013	Disposal of the subsidiary, Changzhou Peace Grand Ocean Department Store Ltd.
Mar 2013	Putian Grand Ocean Department Store Ltd. was founded.
Mar 2013	The lease agreement of Wuxi Grand Ocean Department Store Ltd. expired to therefore discontinue operation.
May 2013	The real estate developer of Shihkiachwang Zhongshan Grand Ocean Department Store Ltd. failed to fulfill the contact to deliver the new mall; therefore the operation was discontinued.
Jul 2013	Investment on Hubei Sino-Universe Investment Co., Ltd. was ratified.
Aug 2013	Due to the long-term losses, both Fuzhou Elegance Food & Beverage Co., Ltd. and Shanghai Sunny Ocean Clothes & Accessories Trading Co. ceased operation.
Mar 2014	Selling of Xi'an Grand Ocean Department Store with a deficit was ratified.
May 2014	Shanghai Honglin Commerce Co., Ltd. failed to efficiently open up the market for business expanding; therefore the operation was discontinued.
Sep 2014	Tongling Grand Ocean Department Store Ltd. was founded.
Oct 2014	The capital of Putian Grand Ocean Department Store Ltd. was reduced to RMB\$5,000 thousand.
Dec 2014	Hubei Xianning Store (administration store) was opening.
Mar 2015	Establishment of Grand Ocean Pawn Co., Ltd. in Fuzhou was ratified.
Jun 2015	Selling of 41.2% of the equity of Grand Ocean Pawn Co., Ltd. was ratified.
Dec 2015	First write-down of the treasury stock at 1,000,000 shares was ratified.
Dec 2015	Selling of 45.0% of the equity of Grand Ocean Pawn Co., Ltd. was ratified.
Mar 2016	Second write-down of the treasury stock at 1,501,000 shares was ratified.
Mar 2016	CPOS system was launched into each store of the entire Group, and Grand Ocean clearly defined the path to fully support e-wallet.
Apr 2016	A strategical cooperation arrangement of QQ Wallet was cosigned between Tencent Group and Grand Ocean.
May 2016	A strategical cooperation agreement was cosigned between China Minsheng Bank Corp., Ltd. (CMBC) and Grand Ocean.
Jun 2016	QQ Wallet was formally introduced in the presentation of Grand Ocean Department Store, that e-wallet system was to be conducted into each store, and WeChat Pay, Alipay, ApplyPay, Quick Pass and JD Wallet were also to be introduced subsequently.
Jun 2016	Investment strategies of the Group were adjusted, and the wholly-owned investment company, HERITAGE RICHES LTD., was sold.
Sep 2016	O2O Department was founded in the Group; mainly responsible for promotion and cooperation with e-commerce business.
Sep 2016	WeChat digital membership card was launched in the CPOS system of Grand Ocean, and membership card of the Group stepped into the digital age.
Sep 2016	Forge of the strategic alliance with China Internet Plus Group (CIP) to co-build a brand new ecology of intelligence retail via big data.
Dec 2016	Putian Grand Ocean Department Store Ltd. was written off.

Date	Important Events
Dec 2016	Selling of the whole equity of Tongling Grand Ocean Department Store Ltd.
Dec 2016	Capital reduction as well as retrieve of the entire investments of Hubei Grand Ocean Sino-Universe Investment Co., Ltd.
Jan 2017	The Group schemed to build Shiyan Grand Ocean Modern Shopping Center via the purchase of commercial properties in "Shiyan International Finance Center".
Mar 2017	Xi'an Grand Ocean Department Store ceased operation.
Apr 2017	The Group commenced the strategical cooperation with Baiwang Electronics to launch smart taxation, big data for public finance, and digital invoices.
Aug 2017	The Group cosigned the framework agreement of strategical cooperation with JD, containing JD Home, JD.COM, JD Finance, JD Logistics, as well as the membership and big data.
Nov 2017	Shanghai Jingxuan Business Administration Ltd. was founded.
Dec 2017	New purchase of the commercial properties in 8F and 9F in "Shiyan International Finance Center".
Dec 2017	The strategical cooperation was arranged between Grand Ocean Group and China Postal Express & Logistics to develop a new combination approach of "Internet + Retail + Express".
Jan 2018	Xi'an Grand Ocean Department Store Ltd. had been written off.
Feb 2018	Stock agency of the Company was changed to KGI Securities Investment Trust Co. Ltd.
Feb 2018	Hubei Shiyan Grand Ocean Modern Shopping Ltd. started business.
Apr 2018	Fuzhou Jiaruixing Business Administration Ltd. was founded.
Oct 2018	Fuzhou Jiaruixing Business Administration Ltd. started business.
Dec 2018	Suzhou Grand Ocean Department Store discontinued operation.
Dec 2018	Xiangtan Grand Ocean Department Store discontinued operation.
Jun 2019	Commercial areas on the 1F and 2F of Shiyan International Financial Center have been additionally purchased.
Nov 2019	Suzhou Grand Ocean Department Store Limited completed its cancellation.
Mar 2020	Established Borderless Retail Division.
Apr 2020	Fuzhou Grand Ocean World Department Store Limited ceases business.
Jun 2020	The group companies changed their Chinese names, and the Chinese name of the company was changed from "大洋百貨控股股份有限公司" to "大洋商業控股股份有限公司", declaring that the group would get rid of the traditional department store format and strive towards a new retail model.
Nov 2020	Established Investment Business Division.
Dec 2020	Fuzhou Grand Ocean World Department Store Limited completed its cancellation.
Feb 2021	Established Merchants Business Division.
July 2021	Acquired Shangsai 1000 trees Commercial ManagementCo., Ltd,and Changed its name to Shanghai Grand Ocean 1000 trees Commercial Management Co., Ltd.
Oct 2021	1-3 floors of Fuzhou Grand Ocean Commerce Limited closed.
Dec 2021	Shanghai Grand Ocean 1000TREES Shopping Mall openes.
Mar 2022	Captial increase in Chongqing Optics Valley Grand Ocean Commercial Development Limited

#### Three. Corporate Governance Report

Organization System
(I) Organization Structure



### (II) Business Scope of Each Primary Departmen

		be of Each Primary Departmen
Department		Range of Responsibility
<b>Audit Committee</b>	1.	To correct or revise the internal control system.
	_	To assess efficiency of the internal control system.
	3.	To correct or revise any procedure concerning the material financial operations of acquisition or disposal of assets, transaction of derivative merchandise, loans to others,
		and endorsements or guarantees for others.
	4.	To resolve the matters involved with self-interest of the Directors.
	5.	To Ratify the transactions regarding the material assets or derivative merchandise.
	6.	To review the material loans, endorsements or guarantees.
	7.	Collection, issuance or private placement of any marketable securities with nature of equity.
	8.	Authorization, dismissal or remuneration of CPA.
		Designation or dismissal of the executives of Finance Department, Accounting
		Department, or Internal Audit Office.
		. To examine the annual and semiannual financial reports.
11.000	11	Other material matters regarding other companies or competent authorities.
Audit Office	:4.	To be in charge of every auditing business, as well as assessment on the corporate
Remuneration/Remu	1nte	ernal control, and to track the progress of improvement thereof.  To define and periodically review the policies, systems, standards and structures of
neration Committee	1.	remuneration/compensation for the Directors and managers.
	2.	To periodically review and define the remunerations/compensations for the Directors and
		managers.
Administration	1.	To instruct each store in legal affairs. To partake in the demonstration, verification,
Department		preparation as well as negotiation of a contract of the Group, and examine all kinds of
	2	contracts or clauses of each store.
	۷.	To prepare, receive and deliver all kinds of official documents of the Group, where the senior executives are responsible to sign and supervise; to administer all kinds of files of
		the Group; to govern all kinds of seals and stamps of the Group.
	3.	To build and create a good relation with the related department of the governments, as
		well as guide each store to establish a good external environment. To expand the media
		access, maintain and manage the public relations, carry out the communication for public relations, coordinate all kinds of presentations, interview with the news media, as well as
		compile the news releases of the Company.
	4.	To deal with the headquarter rear service of the Group, including the office equipment and
		commodities, accommodation arrangement, ticket reservation of transportation, allocation and maintenance of the company vehicles, driver deploy, inventory control over various
		consumables of the headquarter and each store, as well as the budget control. To be in
		charge of the use, allocation and maintenance of the Group headquarter vehicles, as well
		as the deploy of drivers; also to deal with the safety protocols and sanitary jobs of the offices.
	5.	To launch the daily promotion activities, coupon management, cost and expense
		assessment, gross margin control, as well as the asset and inventory management in each
		store of the Group for audit, examination and supervision, therefore to compile the audit
		projects. To control the stock of the consumables of headquarter and each store, as well as
		the expenses and budgets. To align with the Audit Department dealing with the internal control assessment.
	6.	To establish the database of suppliers and construction subcontractors, and to be
		responsible for the supplier verifications, inquiry, comparison and negotiation of a price,
		as well as the confirmation of a subcontract. Moreover, to examine the aptitude of a
		subcontractor, as well as determine the budgets, final accounts and issuance of a
		subcontract. Also, to instruct and administer the business regarding purchase and subcontract of each store.
HR Department	1.	To be responsible for verifying and processing the human resource matters of the Group
· <b>F</b> ······		concerning recruitment, review, appointment, performance assessment, reward and
		punishment, position transfer, promotion, welfare, pension and resignation. To establish
		and complete the human resource regulations and systems regarding management of
		remuneration/compensation and social insurance, structure establishment, personnel
		accounting, personal filing, and, labor dispute, as well as guide and inspect the human resource matters of each store.

Department	Range of Responsibility
	2. To be in charge of regulating the training programs for the Group headquarter and each
	store, and to follow as well as improve the progress of the entire training programs; also,
Operations	to manage the training database.  1. To scheme, supervise and execute the annual operating budgets for each store; to be in
Department	charge of the operation (for example, projects, art designs, customer services and foreign
•	contractors); to deal with other business such as group purchasing or advertising revenues.
	2. To launch the market investigation, orientation and contractor recruitment for a new store;
	to build, analyze and update the information of a supplier.
	3. To institute the adjustment strategies, as well as execute the adjustment plans and assess the efficiency thereof.
Borderless Retail	Innovative new online technology and new models have been initiatively applied and
Department	promoted under the support of the Department of OTO. To launch market research,
•	orientation, and contractor recruitment for each store; to build, analyze, and update the
	database of supplier information.
	2. To propagandize the Grand Ocean APP and to increase the downloads and registrations
	through the stores and WeChat Public Account. To coordinate with the store to make
	the Grand Ocean APP Online accomplish certain fundamental missions such as purchase, shipment, after-sales service, etc.
	3. To appropriately assign the cadre members of each store to establish the Department of
	Borderless Retail.
Investment	Perform feasibility research and analysis on catering, retail, department store and shopping
Business	mall-related brands and companies to select potential high-return brands and companies to
Department	invest in. Use existing stores and the Group's large platforms to cultivate and participate in
	management, and promote them to society to achieve the development objectives.
Investment Promotion	1. To be responsible for the investment promotion of new projects, among which more than 50%, with the leading brands directly completed on their own, while the project teams
Department	were responsible for the rest (non-leading brands).
Department	2. Provid consultation for adjustment, improvement, and optimization to the Group's stores
	that are already open, and collaboratively developed plans to promote investment.
	3. Collect the information of cooperative suppliers from all over the world, established a
	database in headquarters for the cooperated brands, and communicated with suppliers
	periodically.  4. Establish standards for the investment promotion and improved control mechanisms.
Development	<ol> <li>Establish standards for the investment promotion and improved control mechanisms.</li> <li>To found a broad commercial information network, studying the development of</li> </ol>
Department	department store industry in each major city, also to investigate the market and select the store
1	locations in order to provide the basis of correct policies for the possibility of a development
	project, and then to submit the analysis reports of comprehensive investigation for the
	development project thereof.
Engineering	1. To be responsible for the comprehensive management of fundamental construction
Department	projects of the Group and each store; to assist the acceptance of construction delivery and completion for the projects of both building and development of the Group system; to
	administer, test & accept, renovate and maintain the structures.
	2. To launch the designs and plans for decoration, air condition, water & electricity, as well
	as water supply & drainage of the structures.
	3. To supervise and regulate the protection, sanitation, fire control, facility, and warehouse
Finance Denoutment	management of each store.  1. To establish the financial system of the Group, containing financing, using, distributing of
Finance Department	the funds, as well as making-up and performing of the plans for financial income/expenses
	and credit loans. To examine and supervise the fund operation of each store, elaborating
	the fund distribution center of the Group to participate in each important demonstration
	and policy of the Group.
	2. To establish a healthy financial budget, accounting, and control system of cost of the
	Group, and to reinforce the cost management. To organize the summary of financial
	budgets of the Group, prepare the final accounts and consolidated financial statements of the Group, as well as summarize and report various economic contracts. Also, to be
	responsible for the management of financial assets, and to direct the tax planning of each
	store.
O2O Department	1. To research & develop the information system of the Group, as well as verify the
	construction projects. To build the firewall for protecting the Group data on the Internet.
	To construct the system and budget/code/coordination of a new store, also to improve the

Department	Range of Responsibility
	technologies thereof. Moreover, to provide the technique consulting and services, also the related training for each store.
	2. To found the platforms and technologies for cooperation between the Group and each e-
	commerce company.

- II Personal Information of Director, Supervisor, General Manager, Vice General Manager, Assistant General Manager, and Manager of Each Department and Branch
  - (I) Director of the Board (the Company has assigned an Audit Committee, hence there is no Supervisor)

Apr 30, 2021

Title Name	Nationality or Registration	Gende r	Date of Election (Take Office)	Expiry Date of Office	Date of the First Election	Number of Elec		Number o Curi		Current of Minor (	of Shares Spouse and Children	Name o	f Shares in f Others	Major Education and Experience	Concurrent Position of the Company or Other Companies	Othe D Supervi Relatio within	er Manag irectors of isors Whon as Spo Second- Relatives	gers, or o Have ouse, or degree	Notat
						Number of Shares (thousand)	Shareholdi ng Ratio	Number of Shares (thousand)	Shareholdi ng Ratio	Number of Shares (thousand)	Shareholdi ng Ratio	Number of Shares (thousand)	Sharehold ing Ratio			Title	Name	Relati on	
Chairman Kuo Jen Hao	ROC	М	2020.06.17	2023.06.16	2016.06.23	0	0	0	0	0	0	0	0	Director of Poly Warehouse Director \ Chief financial officer of Natural Group Vice president of Private Equity Management Group PWC Transation Services Rothstein Kass Hedge Fund Auditor Merrill Lynch Research Assistant Pace University NY MBA Finance and Accounting major American CPA	Chairman and General manager of First Steamship Company Ltd \ Royal Sunway Development Co., Ltd. \ Yee Shin Investment Co., Ltd. \ Yee Shin Investment Co., Ltd. \ Yee Young Investment Co., Ltd. Chairman and CEO of Taiwan Environment Scientific Co., Ltd. Chairman of Grand Ocean Retail Group Limited. \ Mariner Finance Ltd. \ First Steamship S.A.(PANAMA) \ Praise Maritime S.A.(PANAMA) \ Best Steamship S.A. (PANAMA) \ Best Steamship S.A. (PANAMA) \ Grand Steamship S.A. (PANAMA) \ Ship Bulker Steamship S.A. (PANAMA) \ Sure Success Steamship Investment S.A.(PANAMA) \ Excellent Steamship Investment S.A.(PANAMA) \ Sure Success Steamship Investment S.A.(PANAMA) \ Scene Success Steamship Investment S.A.(PANAMA) \ Sure Success Steamship I				

Title Name	Nationality or Registration	Gende r	Date of Election (Take Office)	Expiry Date of Office	Date of the First Election	Number of Elec		Number o Curi		Current of	of Shares Spouse and Children	Number of Shares in Name of Others		Major Education and Experience	Concurrent Position of the Company or Other Companies	Di Supervi Relation within	r Manag rectors of sors Who n as Spo Second-	or o Have ouse, or degree	Notat ion
						Number of Shares (thousand)	Shareholdi ng Ratio	Number of Shares (thousand)	Shareholdi ng Ratio	Number of Shares (thousand)	Shareholdi ng Ratio	Number of Shares (thousand)	Sharehold ing Ratio			Title	Name	Relati on	
										,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,					Heng Huei Investment Co.,Ltd. ` Technology Co., Ltd. ` Richwell Capital Ltd. Director of Sandmartin International Holding Limited. ` First Mariner Holding Lrd. ` Ahead Capital Ltd. ` Media Assets Global Ltd. ` Heritage Riches Ltd. ` First Mariner Capital Ltd. ` Morgan Finance Ltd. ` Morton Securities Ltd. ` Mariner Capital Ltd. ` Mariner Far East Ltd. ` Easy Elegant Limited ` New Urban Investments Ltd.(BVI) ` Grand Citi Limited. ` Jiawang Develpoment Asset Co., Ltd. Non-Executive Director of DA YU FINANCIAL HOLDINGS LIMITED. Member of Remuneration/Remuneration Committee and Audit Committee of DA YU FINANCIAL HOLDINGS LIMITED.				
First Steamship Company Ltd	ROC	-	2020.06.17	2023.6.16	2014.01.03	6,760	3.35%	7,226	3.70%	0	0	0	0	-	-	-	-	-	-
Representat ive: Director Ng Qing Hai	НК	М	2020.06.17	2023.6.16	2014.06.27	0	0	2,600	1.33%	0	0	0	0	Chinese Certified Public Accountant Director \ financial director \ Vice chairman of Shanghai Allied Cement Limited Managing Director of Allied Cement Holdings Limited Executive director \ Managing Director of CHIANVISION MEDIA GROUP LIMITED	Shanghai Allied Cement Limited Vice chairman Tongfang Kontafarma Holdings Limited Executive Director Shandong Allied Wangchao Cement Limited Legal representative First Steamship Company Ltd Director Grand Ocean Retail Group Limited General Manager	-	-	-	-

Title Name	Nationality or Registration	Gende r	Date of Election (Take Office)	Expiry Date of Office	Date of the First Election	Number of Elec		Cun	of Shares rent	Current of Minor	of Shares Spouse and Children	Name o	f Shares in f Others	Major Education and Experience	Concurrent Position of the Company or Other Companies	Supervi Relatio within	er Manag irectors of sors Wh n as Spo Second- Relatives	or o Have ouse, or degree	Notat ion
						Number of Shares (thousand)	Shareholdi ng Ratio	Number of Shares (thousand)	Shareholdi ng Ratio	Number of Shares (thousand)	Shareholdi ng Ratio	Number of Shares (thousand)	Sharehold ing Ratio			Title	Name	Relati on	
															Grand Citi Limited director Supervisors and GMs of Each Associate (Page190~191)				
First Steamship S.A	PA	-	2020.06.17	2023.6.16	2011.04.24	91,560	45.33%	91,560	46.83%	0	0	0	0	-	-	-	-	-	-
Representat ive: Director Zhang Jin Guo	CN	М	2020.06.17	2023.6.16	2017.04.01	0	0	0	0	0	0	0	0	Department of Business Economics Renmin University of China General manager of Beijing Xicheng Department Store Business manager of Beijing Xidan Shopping Center Manager of Beijing Scitech Shopping Center Department store Deputy general manager Of Beijing SOGO Department store group Deputy general manager of Wuhan store Wanda Group: Assistant to the president and Wanda Department Store Deputy general manager Xi'an and Jinan Regional general manager of Wanda Business Management Company Director Vice president of Grand Ocean Department Store Group Limited	Grand Ocean Department Store Group Limited Director · Vice president Supervisors and GMs of Each Associate (Page190~191)	-	-	-	-
Director Lee Seng Chay	MY	M	2020.06.17	2023.6.16	2014.06.27	0	0	0	0	0	0	0	0	Banhelor of Science,Monash University,Australia. Mulpha International Bhd, General Manager. President/Vice President of Mabuhay Holdings Corporation,	Auditor General of Grand Ocean Retail Group Limited Director of Grand Citi Limited \cdot Grand Ocean Department Store Group Limited Responsible person of Shiun Tung Company Limited	-	-	-	-

Title Name	Nationality or Registration	Gende r	Date of Election (Take Office)	Expiry Date of Office	Date of the First Election	Number of Elect		Number o		Current of Minor (	of Shares Spouse and Children	se and ren Name of Others  Number of Sharehold	Major Education and Experience	Concurrent Position of the Company or Other Companies	Di Supervi Relatio within	r Manag rectors of sors Wh n as Spo Second- Celatives	or o Have use, or degree	Notat ion	
						Number of Shares (thousand)	Shareholdi ng Ratio	Number of Shares (thousand)	Shareholdi ng Ratio	Number of Shares (thousand)	Shareholdi ng Ratio		Sharehold ing Ratio			Title	Name	Relati on	
Independen t director Ding Jin Huei	ROC	M	2020.06.17	2023.6.16	2020.06.17	0	0	0	0	0	0	0	0	NCTU Executive Master of Business Administration; Ph.D. in Business Management, Tianjin Nankai University; Certified Public Accountant of the Republic of China Member of School Affairs Fund of NCTU; Director  Secretary of Chinese Association of Valuation; Host of Taipei's bus privatization planning and implementation plan; Independent Director of ASSEM TECHNOLOGY CO., LTD \ LUNG HWA ELECTRONIC CO., LTD \ TRENDCHIP TECHNOLOGY CO., LTD : Remuneration Committee of TSTI	Director of PAN ASIA INTERNATIONAL & CO., CPAs; Arbitrator of CHINESE ARBITRATION ASSOCIATION, TAIPEI; Adjunct Assistant Professor of NCTU; Supervisor of HUANABIOTECH CO., LTD; Director of Preferred Investment Advisors(HK) Ltd; Director of UNION WINNER INTERNATIONAL CO., LTD.(KY); Independent Director of Taiwan Environment Scientific Co., Ltd	-		-	-
Independen t director Sher Ching Yee	НК	F	2020.06.17	2023.6.16	2020.06.17	0	0	0	0	0	0	0		Master of Practising Accounting, MONASH UNIVERSITY; Bachelor degree from University of London; Member of the Association of Chartered Certified Accountants, UK. Auditor of Deloitte Touche Tohmatsu Limited (HK); Director of Dehui International (Group) Co., Ltd; Vice Chairman & MG of Xiamen Shijia Chemical Co., Ltd; GM of Qianjing Clothing Co., Ltd.; GM of	Vice Chairman of Dehui International (Group) Co., Ltd; Chairman of Qingdao Mingyu Real Estate Plaza Co., Ltd.	-		-	-

Title Name		Gende r	Date of Election (Take Office)	Expiry Date of Office	Date of the First Election	Number of Elect		Number o		Current of Minor (	of Shares Spouse and Children	Name o	1	Major Education and Experience	Concurrent Position of the Company or Other Companies	Di Supervi Relatio within	er Manag irectors of sors Wh n as Spo Second- Relatives	or no Have ouse, or -degree	Notat ion
						Number of Shares (thousand)	Shareholdi ng Ratio	Number of Shares (thousand)	Shareholdi ng Ratio	Number of Shares (thousand)	Shareholdi ng Ratio	Number of Shares (thousand)	Sharehold ing Ratio			Title	Name	Relati on	
														Qingdao Mingyu Real Estate Plaza Co., Ltd.					
Independen t director Lin Yuk Yan Maya	НК	F	2020.06.17	2023.6.16	2020.06.17	0	0	0	0	0	0	0	0	NEW YORK UNIVERSITY STERN SCHOOL OF BUSINESS/HONG KONG UNIVERSITY OF SCIENCE & TECHNOLOGY M.S.Degree, Global Finance; PARSONS SCHOOL OF DESIGN AAS Degree, Fashion Merchandising w/Honors – PS Dean's Scholarship, PS Dean's Scholarship, PS Dean's List; NEW YORK UNIVERSITY B.S. Degree, Communications w/ Specialization in Advertising & Marketing. LOUIS VUITTON LTD., Hong Kong. Retail Marking Analyst \ Assistant Manager FENDI NA INC, NEW YORK. Retail Marking Manager. POSCELIN CO., LTD., Hong Kong. Director. Cartier, Far East, Project Manager.	Cartier, High Jewellery Direct \ Regional High Jewellery Director, Asia. The Hong Kong Ballet Limited, Governor.	-		-	-

Name of Shareholder as Juridical Person	Major Shareholder as Juridical Person
First Steamship S.A.	First Steamship Company Ltd (100%)
First Steamship Company Ltd	Henghua Investment Co., Ltd.(6.84%) \ Capital Securities Corp. in custody for Investment Account of Luk Fook Securities (HK) Ltd.(4.10%) \ Yonghenghui Investment Co., Ltd.(2.09%) \ Xundong Investment Co., Ltd.(1.82%) \ JPMorgan Chase Bank (Taiwan) in custody for Vanguard Emerging Markets Fund Investment Account(1.30%) \ JPMorgan Chase Bank (Taiwan) in custody for Advance Starlight Aggregate International Stock Index Fund(1.15%) \ JPMorgan Chase Bank (Taiwan) in custody for Vanguard Series FTSE (Excluding USA) Account(0.45%) \ JPMorgan Chase Bank (Taiwan) in custody for Advance Trust Stock Index II Investment Account(0.42%) \ 'Liao, Yi-Kai(0.41%) \ Citi Commercial Bank (Taiwan) in custody for DFA Emerging Markets Core Securities Investment Account(0.35%)

### Major Shareholder of Juridical Person Who Is Major Shareholder of the Company

Apr 26,2022

Name of Shareholder as	Major Shareholder as Juridical Person
Juridical Person	11 m g c 2 m m 2 m 2 m 2 m 2 m 2 m 2 m 2 m 2 m
First Steamship Company Ltd	Henghua Investment Co., Ltd.(6.84%) Capital Securities Corp. in custody for Investment Account of Luk Fook Securities (HK) Ltd.(4.10%) Yonghenghui Investment Co., Ltd.(2.09%) Xundong Investment Co., Ltd.(1.82%) JPMorgan Chase Bank (Taiwan) in custody for Vanguard Emerging Markets Fund Investment Account(1.30%) JPMorgan Chase Bank (Taiwan) in custody for Advance Starlight Aggregate International Stock Index Fund(1.15%) JPMorgan Chase Bank (Taiwan) in custody for Vanguard Series FTSE (Excluding USA) Account(0.45%) JPMorgan Chase Bank (Taiwan) in custody for Advance Trust Stock Index II Investment Account(0.42%) Liao, Yi-Kai(0.41%) Citi Commercial Bank (Taiwan) in custody for DFA Emerging Markets Core Securities Investment Account(0.35%)
Herng Hwa Investment Company Limited	Sheng Shin Investment Company Limited (100%)
Yong Heng Huei Investment Co.,Ltd.	Kuo Jen Hao 、Lai Yi Ying
Shiun Tung Investment Company Limited	Jian Cheng Investment Company Limited (100%)
Sheng Shin Investment Company Limited	HANGLETON HOLDINGS LTD.(100%)
Jian Cheng Investment Company Limited	FORTUNE GOLD INVESTMENTS LTD.(100%)

Disclosure of professional qualifications of directors and independent directors and independence of independent directors:

Conditions	Professional qualifications and experience	Independence conformity	Number of occupation of Independent Director in other listed companies concurrently
Kuo Jen Hao	Professional qualifications and educational experience: Director of Poly Warehouse Director \cdot Chief financial officer of Natural Group Vice president of Private Equity Management Group PWC Transation Services Rothstein Kass Hedge Fund Auditor Merrill Lynch Research Assistant Pace University NY MBA Finance and Accounting major American CPA Where the matter does not concern any reference in Article 30 of the Company Act.: Qualified.		_
First Steamship Company Ltd Representative: Ng Qing Hai	Professional qualifications and educational experience: Chinese Certified Public Accountant Director · financial director · Vice chairman of Shanghai Allied Cement Limited Managing Director of Allied Cement Holdings Limited Executive director · Managing Director of CHIANVISION MEDIA GROUP LIMITED Where the matter does not concern any reference in Article 30 of the Company Act.: Qualified.		_
First Steamship S.A. Representative : Zhang Jin Guo	Professional qualifications and educational experience:  Department of Business Economics Renmin University of China General manager of Beijing Xicheng Department Store Business manager of Beijing Xidan Shopping Center Manager of Beijing Scitech Shopping Center Department store Deputy general manager Of Beijing SOGO Department store group Deputy general manager of Wuhan store Wanda Group: Assistant to the president and Wanda Department Store Deputy general manager Xi'an and Jinan Regional general manager of Wanda Business Management Company Director Vice president of Grand Ocean Department Store Group Limited Where the matter does not concern any reference in Article 30 of the Company Act.: Qualified.		_
Lee Seng Chay	Professional qualifications and educational experience: Banhelor of Science, Monash University, Australia. Mulpha International Bhd, General Manager. President/Vice President of Mabuhay Holdings Corporation, Where the matter does not concern any reference in Article 30 of the Company Act.: Qualified.		_
Ding Jin Huei	Professional qualifications and educational experience:  NCTU Executive Master of Business Administration; Ph.D. in Business Management, Tianjin Nankai University; Certified Public Accountant of the Republic of China Member of School Affairs Fund of NCTU; Director Secretary of Chinese Association of Valuation; Host of Taipei's bus privatization planning and implementation plan; Independent Director of ASSEM TECHNOLOGY CO., LTD LUNG HWA ELECTRONIC CO., LTD TRENDCHIP TECHNOLOGY CO., LTD; Remuneration Committee of TSTI Where the matter does not concern any reference in Article 30 of the Company Act.: Qualified.	Independence description:  The Company has obtained a written statement and kinship list from independent directors to confirm their immediate family members' independence relative to the Company. None of the Company's three independent directors and their second-class relatives have served in the Company and the Group, and have not received any remuneration other than directors' remuneration. Among them, Ding Jin Huei, an independent director, also serves as an independent director of Taiwan Environment Scientific Co., Ltd., an affiliated company of the Group.  The independence of the directors of the Company needs to be judged according to the actual situation. The board of directors is committed to evaluating the independence of directors by considering all relevant factors, including whether the relevant directors can	1
Sher Ching Yee	Professional qualifications and educational experience:  Master of Practising Accounting, MONASH UNIVERSITY; Bachelor degree from University of London; Member of the	continue to be the management or other directors, whether their words and deeds are appropriate inside and outside the board of directors, and whether they can exercise independent judgment and make suggestions on	0

Conditions Name	Professional qualifications and experience	Independence conformity	Number of occupation of Independent Director in other listed companies concurrently
	Association of Chartered Certified Accountants, UK. Auditor of Deloitte Touche Tohmatsu Limited (HK); Director of Dehui International (Group) Co., Ltd; Vice Chairman & MG of Xiamen Shijia Chemical Co., Ltd; GM of Qianjing Clothing Co., Ltd.; GM of Qingdao Mingyu Real Estate Plaza Co., Ltd Where the matter does not concern any reference in Article 30 of the Company Act.: Qualified.	proposals. The behavior of the independent directors of the Company can meet the expectations and show the characteristics above.  After considering all the conditions described in this part, the Company believes that all independent directors are independent of the Company.  The CVs of all directors and related personnel and the relationship among the members (if any) are detailed on pages 20~24.	
Lin Yuk Yan Maya	Professional qualifications and educational experience:  NEW YORK UNIVERSITY STERN SCHOOL OF BUSINESS/HONG KONG UNIVERSITY OF SCIENCE & TECHNOLOGY M.S.Degree, Global Finance; PARSONS SCHOOL OF DESIGN AAS Degree, Fashion Merchandising w/Honors – PS Dean's Scholarship, PS Dean's List; NEW YORK UNIVERSITY B.S. Degree, Communications w/ Specialization in Advertising & Marketing. LOUIS VUITTON LTD., Hong Kong. Retail Marking Analyst \ Assistant Manager FENDI NA INC, NEW YORK. Retail Marking Manager. POSCELIN CO., LTD., Hong Kong. Director. Cartier, Far East, Project Manager. Where the matter does not concern any reference in Article 30 of the Company Act.: Qualified.		0

#### Director diversity policy:

The Company advocates and respects the diversification policy. In order to strengthen corporate governance and promote the sound development of the composition and structure of the board of directors, the diversification policy will help improve the function of the board of directors. Members of the board of directors are selected based on the principle of abilities, and the talents in various industries can complement different professional abilities.

In accordance with Article 20 of the Code of Practice for Corporate Governance of the Company, members of the board of directors shall generally have the knowledge, skills and literacy necessary for the performance of their duties. In order to achieve the goals of corporate governance, the overall capabilities of the board of directors are as follows:

- I. Operational judgment ability.
- II. Accounting and financial analysis ability.
- III. Operation and management ability.
- IV. Crisis management ability.
- V. Industrial knowledge
- VI. International market perspective.
- VII. Leadership.
- VIII. Decision-making ability.

The current board of directors of the Company consists of seven directors, including four general directors and three independent directors. The members have rich experience and expertise in the fields of business management, risk control, financial accounting and boutique fashion. In addition, the Company also pays attention to gender equality in the composition of the board of directors. The target ratio of female directors is more than 25%. At present, the ratio of seven directors, including two female directors, is 29%. The average tenure of the directors of the Company is about 4 years, of which the tenure of the three independent directors is 1.5 years, and none of the independent directors have served more than three consecutive terms.

In addition, the directors of the Company (including independent directors) have been verified to have no circumstances under paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act.

The implementation of the diversification policy of board members is as follows:

				Basic Con	nponent			
Diversified items Director's Name	Nationality	Gender	Part-time employee		age		Tenure and independer	seniority of nt directors
Director's Ivame				41~50	51~60	61~70	3 years or less	6-9years
Kuo Jen Hao	ROC	M	Y	$\checkmark$			-	-
Ng Qing Hai	HK	M	Y			✓	-	-
Zhang Jin Guo	CN	M	Y			✓	-	-
Lee Seng Chay	MY	M	Y			✓	-	-
Ding Jin Huei	ROC	M				✓	✓	-
Sher Ching Yee	HK	F			✓		✓	-
Lin Yuk Yan Maya	HK	F		<b>√</b>			✓	-

Diversified items		Industry F	Experience				Profession	onal Establ	lishment		
Director's Name	Accounting	Industry	Finance	Marketing	Operational judgment	Accounting and finance	Operation management	Crisis management	Industrial	International market perspective	Leadership and decision making
Kuo Jen Hao	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Ng Qing Hai	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Zhang Jin Guo		✓		✓	✓		✓	✓	✓	✓	✓
Lee Seng Chay		✓			✓		✓	✓	✓	✓	✓
Ding Jin Huei	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Sher Ching Yee	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Lin Yuk Yan Maya		<b>√</b>		<b>√</b>	<b>√</b>		<b>√</b>	✓	<b>√</b>	<b>√</b>	✓

# (II) Personal Information of General Manager, Vice General Manager, Assistant General Manager, and Manager of Each Department and Branch APR 30,2022

															APR 30	J <u>,</u> 2022_
Title	Nationality	Name	Gender	Date of Election (Take Office)	Number	r of Shares	Current o	r of Shares f Spouse and Children		of Shares in of Others	Major Education and Experience	Concurrent Position of the Company or Other Companies	Su <sub>I</sub> Ha	Directo perviso ve Rela Spou within S	rs Who ation as	Notation
					Number of Shares (thousand)	Shareholding Ratio	Number of Shares (thousand)	Shareholding Ratio	Number of Shares (thousand)	Shareholding Ratio			Title	Name	Relation	
General manager of GORG and President of GOCC	НК	Ng Qing Hai	М	2015.12.21	2,600	1.33%	0	0	0	0	Director • financial director • Vice chairman of Shanghai Allied Cement Limited Managing Director of Allied Cement Holdings Limited Executive director • Managing Director of CHIANVISION MEDIA	Shanghai Allied Cement Limited Vice chairman Tongfang Kontafarma Holdings Limited Executive Director Shandong Allied Wangchao Cement Limited Legal representative First Steamship Company Ltd Director Grand Ocean Retail Group Limited General Manager Grand Citi Limited director Supervisors and GMs of Each Associate (Page190~191)	_	_	-	-
Auditor General	MY	Lee Seng Chay	М	2014.08.12	0	0	0	0	0	0	Banhelor of Science, Monash University, Australia. Mulpha International Bhd, General Manager. Mabuhay Holdings Corporation,President/Vice President	Director of Grand Ocean Retail Group Limited S Grand Citi Limited Grand Ocean Classic Commercial Group Co., Ltd Responsible person of Shiun Tung Company Limited	_	_	_	_
Acting chief Financial officer	ROC	Hung Wei Kai		2017.12.11	80	0.04%	0	0	0	0	Department of Cooperative Ecomonic, National Chung Hsing University Gratuate Institute of Finance, Ming Chuan University Audit Manager \ Accounting Supervisor \ Financial Associate of D-Max INC. Financial & Accounting Assistant of TFC INC. Audit Manager of ERA Design INC. \ AVY Precision Technology INC. ERNST & YOUNG auditor	_	_	_	-	_

Title	Nationality	Name	Gender	Date of Election (Take Office)	Numbe	r of Shares	Current of	r of Shares f Spouse and Children		of Shares in of Others	Major Education and Experience	Concurrent Position of the Company or Other Companies	I Sup Hav	Directo perviso we Rela Spou within S	rs Who ation as	Notation
					Number of Shares (thousand)	Shareholding Ratio	Number of Shares (thousand)	Shareholding Ratio	io (thousand) Ratio				Title	Name	Relation	1
Accounting supervisor	CN	Li Chao	М	2022.03.30	0	0	0	0	0		Shanghai Institute of Building Materials Industry Director of Finance Department and Chief Accountant of Hubei Non- Metallic Geology Company Hong Kong Shanghai Allied Cement Limited \(^\shangtharpoonup\) Shanghai Allied Cement Limited senior management Financial managementand chief financial officer of Shanghai Allied Cement Limited.	Deputy chief financial officer of Shanglian Coment Group Co., Ltd. Director of Shanghai Allied Cement Limited Director of Shandong United Wangchao Cement Co., Ltd. General Manager of Shanghai Guorui Tongshun Energy Conservation and Environmental Protection Technology Development Co., Ltd. Director of Shanghai Guokunsheng Construction Group Co., Ltd.	1	_	_	_
Vice President of GOCC	CN	Zhang Jin Guo	M	2016.04.01	0	0	0	0	0		Deputy general manager Of Beijing SOGO Department store group	•	1	_	_	_

Note: Accounting supervisor Li Min Fang retired on March 30,2022, The board of directors approved Li Chao to take over the chief accountant position.

#### III Remunerations for Director, Independent Director, GM and VGM

Remunerations of Last Fiscal Year for Director, Independent Director, GM and VGM

1 Remunerations for Director (Independent Director included)

Cu										Cur	rency: N7	TD (thousand)										
				Rei	munerations	for Directo	r						Related Re	emuneration	s for Emplo	yee with C	oncurrent E	mployment				
Title	Name	Compens	ations (A)	Pensio	ons (B)  All the		rations for tor (C)		g Expenses D)	Pro of the Su B, C and Income a Taxes	D to Net	and S	Bonuses special ments (E)	Pensio	ons (F)	Remi	unerations f	or Employe	. /	Proportion Sum of A, E, F and G Income after	B, C, D, to Net er Taxes	Any remuneration acquired from
			All the Companies		Compani es		Compani es		Compani es		Compani es		Compani es		Compani es	The Co	ompany	Included in the Financial Statements			All the Companie s Included	reinvestments besides subsidiaries or
			The Company		Company	Included in the Financial Statement s	Company F	Included in the Financial Statement s	in the inancial Company	Included in the Financial Statement s	The Company	Included in the Financial Statement s	The Company		Company	Included in the Financial Statement s	Cash Amount	Stock Amount	Cash Amount	Stock Amount	The Company	in the
Chairman	Kuo Jen Hao	642	642	-	-	-	-	-	-	0.27	0.27	-	-	-	-	-	-	-	-	0.27	0.27	4,856
Director	First Steamship Company Ltd Representative: Ng Qing Hai	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	First Steamship S.A Representative: Zhang Jin Guo	540	540	-	-	-	-	-	-	0.23	0.23	-	4,442	-	1	1	-	-	-	0.23	2.15	480
Director	Lee Seng Chay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent Director (Note1)	Ding Jin Huei	540	540	-	-	-	-	-	-	0.23	0.23	-	5,771	-	ı	II.	-	-	-	0.23	2.72	-
Independent Director (Note1)	Sher Ching Yee	540	540	-	-	-	-	-	1	0.23	0.23	-	5,083	-	ı	II.	1	-	-	0.23	2.42	-
Independent Director (Note1)	Lin Yuk Yan Maya	540	540	-	-	-	-	-	-	0.23	0.23	-	-	-	-	-	-	-	-	0.23	0.23	-

<sup>1.</sup> The policies, procedures, standards and structure of independent Directors' remuneration, as well as the description of their responsibilities, risks, time spent, and the linkage to the amount paid:

The remuneration of the Company's Directors includes the compensation and Director's emoluments. According to the provisions of the Company's Articles, if the Company has profit before taxes in the year, the Company should make an attribution of no more than 3% from the profit before taxes for the Directors' remuneration. The distribution ratio and amount of Directors' remuneration are determined by the Board of Directors, having considered the responsibilities, time spent, performance evaluation of the Directors, as well as the Company's operating results, and operational risks in the future.

<sup>2.</sup> Except as disclosed in the table above, the remuneration received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, (such as being independent contractors): None.

Table of Remuneration Bracket

Table of Remuneration Bracket	Name of Director							
		ount of the		ount of the				
		rations by	Remunerations by					
	(A+B-	+C+D)	(A+B+C+)	D+E+F+G)				
Bracket of Remunerations Paid to Each Director of the Company	The Company	All the Companies Included in the Financial Statements (H)	The Company	Parent Company and all the Companies Included in the Financial Statements (I)				
Less than NTD1,000,000	Kuo Jen Hao; Ng Qing Hai; Zhang Jin Guo; Lee Seng Chay; Sher Ching Yee; Ding Jin Huei; Lin Yuk Yan Maya; First Steamship S.A.; First Steamship S.A.;	Kuo Jen Hao; Ng Qing Hai; Zhang Jin Guo; Lee Seng Chay; Sher Ching Yee; Ding Jin Huei; Lin Yuk Yan Maya; First Steamship S.A.; First Steamship S.A.;	Kuo Jen Hao; Ng Qing Hai; Zhang Jin Guo; Lee Seng Chay; Sher Ching Yee; Ding Jin Huei; Lin Yuk Yan Maya; First Steamship S.A.; First Steamship S.A.;	Sher Ching Yee; Ding Jin Huei; Lin Yuk Yan Maya;				
NTD1,000,000~NTD2,000,000(Excluded)								
NTD2,000,000~NTD3,500,000(Excluded)								
NTD3,500,000~NTD5,000,000(Excluded)	_	_	_	_				
NTD5,000,000~NTD10,000,000(Excluded)	_	_	_	Kuo Jen Hao; Ng Qing Hai; Zhang Jin Guo; Lee Seng Chay; First Steamship S.A.; First Steamship S.A.;				
NTD10,000,000~NTD15,000,000(Excluded)	_	_	_	_				
NTD 15,000,000~NTD30,000,000(Excluded)	_	_	_	_				
NTD 30,000,000~NTD 50,000,000(Excluded)	_	_	_	_				
NTD 50,000,000~NTD 100,000,000(Excluded)	_	_	_	_				
More than NTD 100,000,000	_	_	_	_				
Total (number of people)	9	9	9	9				

### 2 Remunerations Paid to Each GM and VGM

2 101	nuncianons i	ara to Eu	on on a	ia v Givi									Currency:	NTD (thousand)
		Salaries (A)		Pensions (B)		Bonuses and Special Disbursements (C)		Remunerations for Employee(D)				Proportion of the Sum of A, B, C and D to Net Income after Taxes (%)		Any remuneration
Title	Name	The Company	All the Companies Included in the Financial Statements	The	All the Companies Included in the Financial Statements	The Company	All the Companies Included in the Financial Statements	The Company		All the Companies Included in the Financial Statements		The	All the Companies Included in	acquired from reinvestments besides
				Company				Cash Amount	Stock Amount	Cash Amount	Stock Amount	Company	the Financial Statements	subsidiaries or parent company
General manager of GORG and President of GODS	Ng Qing Hai	-	4,982	-	-	-	-	1	-	-	-	-	2.15	480
Auditor General	Lee Seng Chay	-	5,623	-	-	-	-	-	-	-	-	-	2.42	-
Vice President of GODS	Zhang Jin Guo	-	6,311	-	-	-	-	-	-	-	-	-	2.72	-
Acting chief financial officer	Hung Wei Kai	1.292	1,292	-	-	-	-	ı	1	-	-	0.56	0.56	-
Accounting supervisor	Li Mig Fang	-	2,375	-	-	-	-	-	-	-	-	-	1.02	-

### 3 Remunerations Paid to five top executives

	indifferentions 1	ard to my	e top exe	catives										NTD (thousand)
		Salaries (A)		Pensions (B)		Bonuses and Special Disbursements (C)		Remunerations for Employee(D)				Proportion of the Sum of A, B, C and D to Net Income after Taxes (%)		Any remuneration
Title	Name	The Company	All the Companies Included in the Financial Statements	The	All the Companies Included in the Financial Statements	Company	All the Companies Included in the Financial Statements	The Company		All the Companies Included in the Financial Statements		The	Included in	acquired from reinvestments besides
				Company				Cash Amount	Stock Amount	Cash Amount	Stock Amount	Company	the Financial Statements	subsidiaries or parent company
General manager of GORG and President of GODS	Ng Qing Hai	ı	4,982	-	-	ı	-	-	-	-	-	-	2.15	480
Auditor General	Lee Seng Chay	-	5,623	-	-	-	-	-	-	-	-	-	2.42	-
Vice President of GODS	Zhang Jin Guo	-	6,311	-	-	-	-	-	-	-	-	-	2.72	-
Acting chief financial officer	Hung Wei Kai	1.292	1,292	-	-	1	-	-	-	-	1	0.56	0.56	-
Accounting supervisor	Li Mig Fang	1	2,375	-	-	-	-	-	-	-	-	-	1.02	-

Table of Remuneration Bracket

	Name of GM and VGM					
Bracket of Remunerations Paid to Each GM and VGM of the Company	The Company	Parent Company and all the Companies Included in the Financial Statements				
Less than NTD1,000,000	Ng Qing Hai Lee Seng Chay Zhang Chin Guo Li Min Fang	_				
NTD1,000,000~NTD2,000,000(Excluded)	Hung Wei Kai	Hung Wei Kai				
NTD2,000,000~NTD3,500,000(Excluded)	_	Li Min Fang				
NTD3,500,000~NTD5,000,000(Excluded)	_	_				
NTD5,000,000~NTD10,000,000(Excluded)	_	Ng Qing Hai Lee Seng Chay Zhang Chin Guo				
NTD10,000,000~NTD15,000,000(Excluded)	_	_				
NTD 15,000,000~NTD30,000,000(Excluded)	_	_				
NTD 30,000,000~NTD 50,000,000(Excluded)	_	_				
NTD 50,000,000~NTD 100,000,000(Excluded)	_	_				
More than NTD 100,000,000	_	_				
Total (number of people)	5	5				

Distribution of Employee Remunerations of Last Fiscal Year for Manager and the Name Thereof

Currency: NTD (thousand)

	Title	Name	Stock Amount	Cash Amount	Total	Proportion of the Sum to Net Income after Taxes (%)	
	GM as well as President of Grand Ocean Group	Ng Qing Hai					
Ma	CRO	Lee Seng Chay					
Manager	Vice President of Grand Ocean Group	Zhang Chin Guo	_	_	_	_	
	Deputy CFO	Hung Wei Kai					
	Accounting Supervisor	Li Min Gang					

- (III) Analyses are launched on the proportion of the sums of remunerations paid to the Directors, Supervisors, GMs and VGMs by the Company and all the companies included in the consolidated financial statements in the past two years, to the net income after taxes. Also, explanations are drawn for the policies, criteria and combinations of the remunerations, procedures of how to define the remunerations, as well as the relativity between operational performance and future risks
  - 1 Analyses are launched on the proportion of the sums of remunerations paid to the Directors, Supervisors, GMs and VGMs by the Company and all the companies included in the consolidated financial statements, to the net profit after tax.

Currency: NTD (thousand)

Item		The Co	mpany		All the Companies Included in the Financial Statements					
	2020	%	2021	%	2020	%	2021	%		
Director	4,123	3.99%	3,882	1.67%	19,531	18.93%	19,178	8.26%		
GM and VGM	1,314	1.27%	1,292	0.56%	20,760	20.12%	20,583	8.87%		
Net profit after tax	(103,177)	100.00 %	(232,135)	100%	(103,177)	100.00%	(232,155)	100%		

2 Policies, Criteria and Combinations of the Remunerations, Procedures of How to Define the Remunerations, as well as the Relativity between Operational Performance and Future Risks

The Company has founded the Remuneration/Remuneration Committee, and has three Independent Directors designated as the Commissioners thereof. Duty of the Committee is to build and review the performance evaluation on the Directors and managers, as well as the policies, systems, criteria and structures of remuneration/compensation; also, to periodically assess the remuneration/compensation for the Directors and managers.

- 2.1 Remunerations for a Director should be granted according to the scope and value of services by this Director to the company operation, as well as the standards of the same industry domestic and abroad.
- 2.2 Remunerations for a GM and VGM should be granted according to the position and contribution to the company, as well as the standards of the same industry based on HR laws of the Company.

#### IV Corporate Governance and Operation

- (I) Board Operation
  - (1) Board information

Board Meeting of the Company had been held for 12 times (A) in total last fiscal year, and the attendance of each Director is as below:

Title	Name	Count for Actual Attendance (B)	Count for Attendance by Representative	Actual Attendance Rate (%)(B/A)	Notation
Chairman	Kuo Jen Hao	11	1	91.67%	
Directo	Ng Qing Hai First Steamship Company Ltd Representative	11	1	91.67%	
Director	Zhang Jin Kuo First Steamship S.A Representative	12	0	100.00%	
Director	Lee Seng Chay	12	0	100.00%	
Independent Director (Note1)	Ding Jin Huei	12	0	100.00%	
Independent Director (Note1)	Sher Ching Yee	12	0	100.00%	
Independent Directo (Note1)r	Lin Yuk Yan Maya	10	1	83.33%	

#### Other Recordable Memos:

- (I) Concerning matters listed in Article 14.3 of the Securities and Exchange Act, as well as any bill resolved in the Board Meeting which is recorded or proclaimed in writing with an objection or qualified opinion by an Independent Director, should be described in details of the date, session, bill contents, other comments from every Independent Director, as well as the solutions by the company to this opposite opinion: None.
- (II) Avoidance of any resolution involving self-interest with a Director should be described in details of name of the Director, bill contents, reasons for self-interest avoidance and the situations of voting thereof:

	Date	Name of	Contents of the motion	Reasons for	Participation in	
	Date	Dircetor	Contents of the motion	benefit avoidance	voting	
			Proposal to lease the	The recused	Do not participate	
			commercial real estate of	director is a	in discussions and	
	2021.07.13	Ng Qing	Shanghai 1000 trees project	stakeholders	voting, and	
	2021.07.13	Hai	from Shanghai Kaixuanmen		withdraw from the	
			Enterprise Development Co.,		meeting	
			Ltd.			

- (III) Targets (for example, foundation of the Audit Committee, raise of the information transparency, etc.) and Execution Assessment of Reinforcement on the Board Functions of Current Fiscal Year and Last Fiscal Year:
  - (1) Targets of Reinforcement on the Board Functions: The Company has founded the Independent Directors within the Board members to strengthen the independence of the Directors. Furthermore, the Company had established the Audit Committee and Remuneration/Remuneration Committee (for the relational operation of both committees, please refer to Page 37~42 and 52~53) on Aug 9, 2011. Through the setup and operation of these functional committees as above, it is expected to intensify the Board functions.
  - (2) Execution: Any material bill (for example, investment, acquisition or disposal of assets, loans to others or endorsements/guarantees) will not be fulfilled until the Board has it sufficiently discussed and then resolved. Besides, all the material bills resolved by the Board should be fully disclosed on the Market Observation Post System in order to achieve the goal of information transparency.

(2) Board of Directors Assessment Status Information **Evaluation** Once per year Cycle Evaluation 2021.02~2022.01 Period **Evaluation** Board of Directors, Members of the Board of Directors, Audit Committee, Remuneration Committee Scope Evaluation Board of Directors Internal Self-evaluation, Evaluation of Directors Method 1. Board of Directors performance evaluation: degree of company operations participation, Board of Directors policy quality improvement, Board of Directors composition and structure, election and continuous education of directors, and internal control. 2. Individual director's performance evaluation: ability to master company goals and **Evaluation** tasks, awareness of directors' responsibilities, company operations participation, internal relationship management and communication, professionalism and Content continuous education for directors, and internal control. 3. Functional committee performance evaluation: degree of company operations participation, awareness of functional committee responsibilities, functional committee policy quality improvement, functional committee composition and member election, and internal control.

# (II) Audit Committee Operation

Audit Committee meeting of the Company had been held for 10 times (A) in total last fiscal year, and the attendance of each Independent Director is as below:

Title	Name	Count for Actual Attendance (B)	Count for Attendance by Representati	Actual Attendance Rate (%)(B/A)	Notation
Independent Director	Ding Jin Huei	10	0	100.00%	
Independent Directo	Sher Ching Yee	10	0	100.00%	
Independent Directo	Lin Yuk Yan Maya	9	0	90.00%	

Other Recordable Memos:

I Any of the following circumstances in the Audit Committee's operation, the meeting date, session, proposal description, dissents, qualified opinions, or key recommendations of the independent directors, resolutions adopted by the Audit Committee, and the Company's treatment to the Audit Committee's opinion shall be specified.

1. Concerning matters listed in Article 14.5 of the Securities and Exchange Act:

	rning matters listed in Article 14.5 of the Securities and Exchange Act:								
Audit Committee	Contents of Bill and the Subsequent Treatment Thereof								
	1. The Quanzhou Fengsheng Case – the Group's accounts receivable was increased owing to the "Assignment of Claim Agreement."								
Audit	Independent Directors' opinion:								
Committee	There are no objections or reservations, and no major proposed project content.								
2021.02.05	Treatment to the Opinion Thereof by Company:								
	Approved by the Board of directors.								
	Draft on the Amendment to "Articles of Incorporation" of the Company.								
	2. Check whether the amounts under the company's accounts receivable, other								
Audit	receivables, pre-payments, deposit margins or other items are considered as								
Committee	capital loans according to the "Q&A for Regulations Governing Loaning of								
2021.03.16	Funds and Making of Endorsements/Guarantees by Public Companies."								
_0_1100110	Independent Directors' opinion:								
	There are no objections or reservations, and no major proposed project content.								
	Treatment to the Opinion Thereof by Company:								
	Approved by the Board of directors.								
	1. Annual Business Report and Consolidated Financial Statements 2020.								
	2. Statement of Internal Control System 2020 of the Company								
Audit	3. The Company's 2020 Audit Committee Audit Reports.								
Committee	Independent Directors' opinion:								
2021.03.31	There are no objections or reservations, and no major proposed project content.								
	Treatment to the Opinion Thereof by Company:								
	Approved by the Board of directors.								
	1. Annual Business Report and Consolidated Financial Statements 2020.								
	2. Statement of Internal Control System 2020 of the Company								
Audit	3. Assessment on the competency and independence of the new CPA.								
Committee	4. Update the Company's 2020 Audit Committee Audit Reports								
2021.04.27	Independent Directors' opinion:								
2021.04.27	There are no objections or reservations, and no major proposed project content.								
	Treatment to the Opinion Thereof by Company:								
	Approved by the Board of directors.								
	1. Proposal to lease the commercial real estate of Shanghai 1000 trees project								
	from Shanghai Kaixuanmen Enterprise Development Co., Ltd.								
	2. Sandmartin International Holdings Limited (hereinafter referred to as								
Audit Committee	Sandmartin, stock code 00482.HK), which is reinvested by Grand Citi limited,								
	plans to issue SEOS in the form of the rights issue, and the Group plans to								
	participate.								
2021.06.30	Independent Directors' opinion:								
	There are no objections or reservations, and no major proposed project content.								
	Treatment to the Opinion Thereof by Company:								
	Approved by the Board of directors.								
Audit	1. Check whether the amounts under the company's accounts receivable, other								
Committee	receivables, pre-payments, deposit margins or other items are considered as								
· · ·									

Audit								
Committee	Contents of Bill and the Subsequent Treatment Thereof							
2021.07.13	capital loans according to the "Q&A for Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies."							
	2. Proposal to lease the commercial real estate of Shanghai 1000 trees project							
	from Shanghai Kaixuanmen Enterprise Development Co., Ltd.							
	Independent Directors' opinion:							
	There are no objections or reservations, and no major proposed project content.							
	Treatment to the Opinion Thereof by Company: Approved by the Board of directors.							
	1. Consolidated financial statements for the first half of 2021.							
Audit	Independent Directors' opinion:							
Committee	There are no objections or reservations, and no major proposed project content.							
2021.08.31	Treatment to the Opinion Thereof by Company:							
	Approved by the Board of directors.							
	1. Appointment of the new internal audit manager.							
	2. Proposal to revise the operating procedures for the loan of funds to others by the Company's 100% reinvested subsidiaries.							
	3. Proposal to revise the Company's internal audit system and implementation rules.							
Audit	4. Check whether the amounts under the company's accounts receivable, other							
Committee	receivables, pre-payments, deposit margins or other items are considered as							
2021.11.15	capital loans according to the "Q&A for Regulations Governing Loaning of							
	Funds and Making of Endorsements/Guarantees by Public Companies."							
	Independent Directors' opinion:							
	There are no objections or reservations, and no major proposed project content.							
	Treatment to the Opinion Thereof by Company:							
	Approved by the Board of directors.							
	1. 2022 audit plan.							
	2. 2022 financial budget of Grand Ocean Retail Group Limited.							
Audit	3. Proposal to revise the internal control system - salary cycle and internal audit							
Committee	system and implementation rules.							
2021.12.20	Independent Directors' opinion:							
	There are no objections or reservations, and no major proposed project content.							
	Treatment to the Opinion Thereof by Company:							
	Approved by the Board of directors.							
	1. Proposal to increase the capital of Chongqing Optics Valley Grand Ocean Commercial Development Limited.							
Audit	Independent Directors' opinion:							
Committee	There are no objections or reservations, and no major proposed project content.							
2022.01.21	Treatment to the Opinion Thereof by Company:							
	Approved by the Board of directors.							
	1. Draft on the Amendment to the Part of Articles in "Procedures of Acquisition							
	and/or Disposal of Assets " of the Company.							
Audit	2. Annual Business Report and Consolidated Financial Statements 2021.							
Committee 2022.03.30	3. Statement of Internal Control System 2021 of the Company.							
2022.03.30	4. The Company's 2021 Audit Committee Audit Reports.							
	5. Appointment of the company's Accounting Supervisor.							

Audit Committee	Contents of Bill and the Subsequent Treatment Thereof
	6. The recognition of materiality of the overdue account receivables reported to the board of directors.
	7. Check whether the amounts under the company's accounts receivable, other receivables, pre-payments, deposit margins or other items are considered as capital loans according to the "Q&A for Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies."
	Independent Directors' opinion: There are no objections or reservations, and no major proposed project content.
	Treatment to the Opinion Thereof by Company: Approved by the Board of directors.

- 2. As well as any bill which is not ratified by the Audit Committee but resolved through at least two-thirds vote of the total Directors: None.
- II Avoidance of any resolution involving self-interest with an Independent Director should be described in details of name of the Independent Director, bill contents, reasons for self-interest avoidance and the situations of voting thereof: None.
- III Communication (for example, any material matter, method or conclusion of the financial and business circumstances of the company) between the Independent Director, Internal Audit Manager and Accountant:
  - (I) Communication between the Independent Director and Internal Audit:
    - 1. The internal audit officer submits the annual audit plan to the Audit Committee for discussion, and submits to the board of directors' resolutions upon the Audit Committee's approval.
    - 2. The Company's Internal Audit Supervisor: Deliver the audit or tracking report of the previous month in writing to each independent director for review; the independent directors reply or advise depending on the necessity.
    - 3. The Company's Internal Audit Supervisor: At least report the implementation of the audit operation and audit outcomes every quarter.

4. The Company's Internal Audit Supervisor: Report the self-assessed effectiveness of the internal control system design and implementation (with statement) to the Audit Committee for approval and submit to the board of directors for resolution.

Date	Way of communication	Item of Communication	Recommendation and Results
2021.03.16	Audit	Report the Conclusion of	Note, no opinion,
	Committee	Internal Audit (Dec 2020 and	and report to the
		Nov 2021 Audit Report)	board of directors.
		Loan by Quanzhou Grand	Note, no opinion,
		Ocean Commerce Limited to	and report to the
		Quanzhou Sanhe Xiansen	board of directors.
		Commercial Co. Ltd.	
2021.03.31	Audit	Report the Conclusion of	Note, no opinion,
	Committee	Internal Audit (Feb 2021	and report to the
		Audit Report)	board of directors.
		Statement of Internal Control	All the directors
		System 2020 of the Company	present passed the
			proposal without
			objection.
2021.04.27	Audit	Report the Conclusion of	Note, no opinion,
	Committee	Internal Audit (The audit	and report to the

	Way of		Recommendation and
Date	communication	Item of Communication	Results
		report of Mar 2021, and the	board of directors.
		tracking report on the	
		deficiency improvement of	
2021.05.13	Audit	2021 Q1)	Note no eninion
2021.03.13	Committee	Report the Conclusion of	Note, no opinion,
	Committee	Internal Audit (The audit report of Apr 2021)	and report to the board of directors.
2021.08.31	Audit	Report the Conclusion of	Note, no opinion,
2021.06.31	Committee	Internal Audit (The audit	and report to the
	Committee	report of Jun, Jul, Aug 2021)	board of directors.
2021.11.15	Audit	Report the Conclusion of	Note, no opinion,
202111111	Committee	Internal Audit (The audit	and report to the
		report of Sep 2021 audit	board of directors.
		report)	
		Proposal to revise the	All the directors
		operating procedures for the	present passed the
		loan of funds to others by the	proposal without
		Company's 100% reinvested	objection
		subsidiaries.	
		Proposal to revise the	All the directors
		Company's internal audit	present passed the
		system and implementation	proposal without
2021.12.20	Audit	rules.	objection
2021.12.20	Committee	Report the Conclusion of Internal Audit (The audit	Note, no opinion, and report to the
	Committee	report of Oct 2021)	board of directors.
		2022 audit plane	All the directors
		2022 audit plane	present passed the
			proposal without
			objection
		Proposal to revise the internal	All the directors
		control system - salary cycle	present passed the
		and internal audit system and	proposal without
		implementation rules.	objection
2022.01.21	Audit	Report the Conclusion of	Note, no opinion,
	Committee	Internal Audit (The audit	and report to the
2022 02 27		report of Nov 2021)	board of directors.
2022.02.25	Audit	Report the Conclusion of	Note, no opinion,
	Committee	Internal Audit (The audit	and report to the
2022.03.30	Audit	report of Dec 2021) Report the Conclusion of	board of directors.
2022.03.30	Committee	Internal Audit (The audit	Note, no opinion, and report to the
	Committee	report of Jan 2022)	board of directors.
		Statement of Internal Control	All the directors
		System 2021 of the Company.	present passed the
		by stern 2021 of the Company.	proposal without
			objection
	1	<u>l</u>	ı J

# (II) Communication between the Independent Director and CPA:

1. The Audit Committee of the Company consists of all independent directors. Every year, at least one meeting is arranged to have the CPAs report the audited and

reviewed the Company's financial positions to the independent directors, and fully explain the effects from the amended regulations, enabling the independent directors to have a better understanding of the Company's status and the policy directions of the competent authorities.

2. The independent directors may contact the CPAs directly if required.

Date Way communi 2021.08.31 CPA au operation	ication idit	Item of Communication The CPAs communicate with	Recommendation and Results Independent
operation			Independent
report (meetin between CPAs a	ng n the and	the 2021 financial statement audits, notes from the competent authorities and key regulations	directors have no opinion
independirector alone)			

(III) Difference between the corporate governance and operation and "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", as well as the reasons thereof.

			Operation	Difference with "Corporate Governance
Evaluation Items		NO	Summary	Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons Thereof
I Does the company accord with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" to define and disclose the best practice principles of corporate governance?	V		The Company has stipulated the "Corporate Governance Best Practice Principles" and disclosed the Principles on the corporate website as well as the Market Observatory Post System (MOPS).	No significant discrepancy.
II Shareholding Structure and Shareholder Equity of the Company				
(I) Does the company define an internal operating procedure to treat the comments, doubts, disputes as well as lawsuits from the shareholders, and accord with this procedure?	V		(I) Other than commissioning the professional shareholder services agency, the Company has established the internal operational procedures to handle the shareholder services and has designated the specific spokesman to be responsible for responding to the proposals or inquiries from a shareholder. Should there be any legal disputes or litigation, the Company shall authorize the attorneys to take care of such matters.	No significant discrepancy.

			Operation	Difference with "Corporate Governance
Evaluation Items	YES	NO	Summary	Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons Thereof
(II) Does the company actually grasp the list concerning the major shareholders as well as their final controllers thereof?	V		(II) The Company authorizes the professional stock agency to provide and disclose the list of major shareholders, and is therefore capable of providing the list of final controllers of each major shareholder.	No significant discrepancy.
(III) Does the company establish and exercise the risk control toward its associates as well as the firewall system?	V		(III) The Company has, pursuant to regulations including "AA," "AB," "AC," and "AD," established the Company's "BA," the "Procedures for Supervising and Managing Subsidiaries," "BC," "BD," "BE," and the "Procedures for Managing Transactions with Related Parties and Group Entities," to clearly divide the power and accountabilities among the Company and affiliates, while establishing the proper firewall based on the risk assessment, for continuing implementation and control.	No significant discrepancy.
(IV) Does the company define the internal regulations, forbidding the corporate insiders to use the undisclosed information in the market to transact the marketable securities?	V		(IV) The Company has established the "Procedures for Preventing Insider Trading" to strictly require the insiders, quasiinsiders, and information recipients to comply with the Securities and Exchange Act, and must not apply the information not disclosed to the market to trade securities.	No significant discrepancy.
III Composition and Duty of the Board				

In the Company's "BH," it is Does the board of (I) No significant specified the diversity policy for directors formulate discrepancy. diversity policies, the board members and the specific management abilities shall be possessed by objectives and the board as a whole. The implement them? composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the basic requirements and values: Gender, age, nationality, and culture; and professional knowledge and skills, such as professional background, professional skills, and industry experience. The abilities that must be present in the board as a whole include the abilities to make judgments about operations, accounting and financial analysis, business management ability, crisis management ability, knowledge of the industry, an international market perspective, leadership, and decision-making. At least one director in the board shall have the accounting or finance expertise, and at least one director has the business administration experience; to seek the gender equality in the member composition of the board, the target percentage of the female directors is 25% or more, as the concrete management target. Currently, there are four directors in the board shall have the accounting or finance expertise among the seven directors, with two female directors, or 29% of the

members, and thus the concrete

			Operation	Difference with "Corporate Governance
Evaluation Items	YES	NO	Summary	Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons Thereof
			management target of the board's diversity is achieved.  For the education and experience, gender, professional qualification, work experience and diversity of each director, please refer to the II: Personal Information of Director, Supervisor, General Manager, Vice General Manager,  Assistant General Manager, and Manager of Each Department and Branch in Three. Corporate Governance Report.	
(II) Does the company voluntarily found the committees with other diverse functions besides Remuneration/Remun eration Committee and Audit Committee?		V	(II) Currently the Company has established both the Remuneration/Remuneration Committee and Audit Committee, and may also increase other functional committees depending on the actual operations.	The company has not yet set up various other functional committees, which will be set up in the future according to the company's scale and needs.
(III) Does the company define an assessment and the method thereof to evaluate the Board performance, and has the performance evaluation results been reported to the Board of Directors and used as a reference for individual director remuneration and new-term nomination?	V		(III) The company has established the "Procedures for Performance Evaluations of the Board of Directors and the Subordinate Functional Committees" and set an annual evaluation for the overall Board of Directors, individual board members and subordinating functional committees' performances.  The 2021 annual performance evaluation results (evaluation period from February-2021 to January-2022) have been submitted to the Board of Directors on March 30, 2022. Regular performance evaluations will continue to be	No significant discrepancy.

	Operation Difference with "Corporate Governance				
Evaluation Items	YES	NO	Summary	Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons Thereof	
(IV) Does the company periodically assess the independence of the CPA?	V		conducted according to this Method, which will serve as a future reference for individual director remuneration and new- term nomination.  (IV) The Company periodically reviews independence of the CPA every year to evaluate whether he/she is paid with extra salaries by any Director or shareholder of the Company, or the Company itself, as well as confirm the accounting firm is not the stakeholder thereof. In addition, the CPA should avoid the stakes concerning authorized matters or himself/herself directly or indirectly. Job rotation of the accountants should also be pursuant to the	No significant discrepancy.	
(V) Has the TWSE/TPEx listed company deployed competent and appropriate number of corporate governance personnel and designated a head of corporate governance to take charge of corporate governance-related matters (including, but not limited to, providing information required by directors and supervisors to perform operations, assisting directors and supervisors with legal compliance issues, handle Board of Directors and shareholders meeting-related matters in accordance with the law, making Board of	V		concerned regulations.  (I) A specific secretary is assigned to the Board, providing necessary information for the Board operations, treating relational matters regarding meetings of the Audit Committee and Remuneration/Remuneration Committee, as well as making meeting minutes for the Board Meeting and Shareholders' Meeting.  (II) Moreover, specific personnel are assigned to be responsible for company registration and the modification thereof.  (III) As for relational matters of the Shareholders' Meeting shall be left to the authorized stock agency.	The company has not yet appointed a head of corporate goverance.	

			Difference with "Corporate Governance	
Evaluation Items	YES	NO	Summary	Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons Thereof
Directors and shareholders meeting minutes)?				
IV Has the company established communications with stakeholders (including, but not limited to, shareholders, employees, customers, and suppliers) and set up a special area for the stakeholders in the company website to appropriately respond to the key corporate social responsibility issues that are of concern to the stakeholders?	V		The Company has installed a special section for the stakeholders on the corporate website, as well as the email and contact number, responding to each critical social issue about which the stakeholders are concerned. Please refer to the "Stakeholder Section" of the "Sustainable Development" on the official website for the complete information related to the stakeholders.	No significant discrepancy.
V Does the company authorize a professional agent for stock affairs to deal with the affairs of Shareholders Meeting?	V		The Company has authorized KGI Securities to be the stock agency, dealing with the relevant matters for Stockholders' Meeting.	No significant discrepancy.
VI Information Open  (I) Does the company install a website to disclose the information concerning its financial business and corporate governance?	V		(I) The Company has installed a website for any shareholders and the public to browse, where the contents thereof adequately disclose the information regarding financial operations as well as corporate governance of the Company. °	No significant discrepancy.
(II) Does the company conduct any other information disclosure methods (for example, installing the English website, assigning a specific personnel to collect and disclose the company information, practicing the spokesman system, or, uploading the procedures of the institutional investor	V		(II) The Company has founded and practice the system of spokesman. Also, specific personnel are assigned to be responsible to collect and disclose the corporate information, as well as convene the Institutional Investors' Conference, and upload the contents thereof to the corporate website and MOPS for any shareholders or the public to browse.	No significant discrepancy.

			Operation	Difference with "Corporate Governance
Evaluation Items	YES	NO	Summary	Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons Thereof
conference to the company website)?				
(III) Has the company announced and declared its annual financial report within two months after the end of the fiscal year; and published the 1st, 2nd, and 3rd quarter financial reports as well as the monthly operating status reports within the prescribed deadline?	V		(III) The Company publicly announces and reports the annual financial statements within three months upon ending of each fiscal year as required by the related laws and the competent authority's regulations. The remaining quarterly financial reports and monthly operating conditions have been announced and declared prior to the regulation deadlines.	At present, the company has not announced or declared its annual financial report within two months after the end of the fiscal year. The company is still actively planning the preparation process in order to achieve an early financial report announcement and declaration.
VII Does the company have any other information which may be helpful with understanding the corporate governance as well as operation (including but not limited to the employee rights, employee care, investor relations, supplier relations, stakeholders rights, continuing education of the Directors and Supervisors, implementation of the risk management policies as well as the risk measurement criteria, execution of the customer policies, or, purchase of the liability insurance for the Directors and Supervisors by the company)?	V		<ol> <li>The Company has fulfilled the protection for each right and interest of an employee in compliance with the Labor Standards Act.</li> <li>The Company has setup the "Investor's Section" on the website, disclose relevant imformation and procide a contact window where specific personnel are assigned to deal with the investor relations, as well as reply to each question from an investor.</li> <li>The Company has setup the "Stakeholder's Section" on the website, where specific personnel are assigned as a communication channel among consumers, suppliers in cooperation with and employees, in order to serve various concerned parties.</li> <li>Please refer to the table on page 50~51 for the further education of directors.</li> <li>The Company has designated the Chief Risk Officer (CRO) to coordinate and supervise both operating and financial risks of the Group, as well as direct the audit</li> </ol>	No significant discrepancy.

			Operation	Difference with "Corporate Governance			
Evaluation Items	YES	NO	Summary	Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons Thereof			
			team to regularly audit the				
			operations and management of each				
			operating location of the Group.				
			5. The company has established "Risk				
			Management Guidelines", which are				
			continuously monitored and				
			implemented by the management				
			and timely adjusted				
			countermeasures. For relevant				
			information, please refer to Section				
			VII. Review and Analysis of				
			Financial Status and Financial				
			Performance and Risk Matters VI.				
			Risk Matters Analysis and				
			Evaluation Information.				
			6. The company has maintained				
			liability insurance for directors and				
			managers, and submitted important				
			information such as insured amount,				
			coverage and premium rate to the				
			latest board of directors.				
VIII Please explain the	(I)	Iten	n Improved				
improvement for	1.		n 2.2 of the Evaluation (Did the company	•			
corporate governance			ersity policy and disclose the specific man	_			
evaluation results issued		.,	ectives as well as the status of implement				
by the Corporate			ersity policy on the company's website ar				
Governance Center of		-	ort? ): Disclosed on page 27~28 of the Ar	-			
TWSE last fiscal year,	2.		1 2.24 of the Evaluation (Has the compar				
and provide the			rmation security risk management frame				
reinforcement and		information security policies and concrete management programs, and disclosed them on the company's website and					
measures in advance for							
the unimproved items.		in its annual report?): the disclosure is on page 102~104 of					
(no need to fill in if the			ual report.				
company is not listed for	(II)		n Unimproved yet Reinforcements and M	leasures Are			
the evaluation)		Pro	vided First: None.				

TP:41	NT	D /		2021年12	
Title	Name	Date	Organizer	Course Title	Hours
Chairment	Kuo Jen Hao	110.11.26	Taiwan	Understand related party transactions and irregular transactions from practical cases.  Aspects of Directors and Supervisors' Responsibilities- Talking about Corporate	3.0
Director and General Manager	Ng Qing Hai	110.11.26	Taiwan corporate Governance Association	Governance from KY Cases.  Understand related party transactions and irregular transactions from practical cases.  Aspects of Directors and Supervisors' Responsibilities-Talking about Corporate Governance from KY Cases.	3.0
Director	LEE SENG CHAY	110.11.26	Taiwan corporate Governance Association	Understand related party transactions and irregular transactions from practical cases. Aspects of Directors and Supervisors' Responsibilities- Talking about Corporate Governance from KY Cases.	3.0
Director	Zhang Jin Guo	110.11.26	Taiwan corporate Governance Association	Understand related party transactions and irregular transactions from practical cases. Aspects of Directors and Supervisors' Responsibilities- Talking about Corporate Governance from KY Cases.	3.0
Independent Director	Sher Ching Yee	110.11.26	Taiwan corporate Governance Association	Understand related party transactions and irregular transactions from practical cases. Aspects of Directors and Supervisors' Responsibilities- Talking about Corporate Governance from KY Cases.	3.0
Independent Director	Lin Yuk Yan Maya	110.11.26	Taiwan corporate Governance Association	Understand related party transactions and irregular transactions from practical cases.  Aspects of Directors and Supervisors' Responsibilities-Talking about Corporate Governance from KY Cases.	3.0
Independent Director	Ding Jin Huei	110.09.01		The 13th Taipei Corporate Governance Forum - How Boards Can Create ESG Management Performance.	3.0

Title	Name	Date	Organizer	Course Title	Hours
				The 13th Taipei Corporate Governance Forum - Sustainable	3.0
				Management.	

(IV) Organization, duty and operation of the Remuneration/Remuneration Committee of the company should be disclosed if there is one:

1 Personal Information of Remuneration/Remuneration Committee Member

	1 Per	sonal information of Remuneration	on/Remuneration Committee Mem	DEI
Identity (Note 1)	Conditions	Professional qualifications and experience	Independence status	Number of occupation of Remuneration/Remu neration Committee member in other listed companies concurrently
		Professional qualifications and		-
Independe nt director	Ding Jin Huei	educational experience:  NCTU Executive Master of Business Administration; Ph.D. in Business Management, Tianjin Nankai University; Certified Public Accountant of the Republic of China Member of School Affairs Fund of NCTU; Director Secretary of Chinese Association of Valuation;	Independence description:  The Company has obtained a written statement and kinship list from independent directors to confirm their immediate family members' independence relative to the Company. None of the Company's three independent directors and their second-class relatives have served in the Company and the Group, and have not received any remuneration other than directors' remuneration. Among them, Ding Jin Huei, an independent director, also serves as an independent director of Taiwan Environment Scientific Co., Ltd., an affiliated company of the Group.  The independence of the directors of the Company needs to be judged according to the actual situation. The board of directors is committed to evaluating the independence of	
Independe nt director	Sher Ching Yee	Professional qualifications and educational experience:  Master of Practising Accounting, MONASH UNIVERSITY;  Bachelor degree from University of London; Member of the Association of Chartered Certified Accountants, UK.  Auditor of Deloitte Touche Tohmatsu Limited (HK);  Director of Dehui International (Group) Co., Ltd; Vice Chairman & MG of Xiamen Shijia Chemical Co., Ltd; GM of Qianjing Clothing Co., Ltd.; GM of Qingdao Mingyu Real Estate Plaza Co., Ltd  Where the matter does not concern any reference in Article 30 of the Company Act.: Qualified.	directors by considering all relevant factors, including whether the relevant directors can continue to be the management or other directors, whether their words and deeds are appropriate inside and outside the board of directors, and whether they can exercise independent judgment and make suggestions on proposals. The behavior of the independent directors of the Company can meet the expectations and show the characteristics above. After considering all the conditions described in this part, the Company believes that all independent directors are independent of the Company.  The CVs of all directors and related personnel and the relationship among the members (if any) are detailed on pages 20~24.	-

		Professonal qualifications and	-
		educational experience:	
		NEW YORK UNIVERSITY	
		STERN SCHOOL OF	
		BUSINESS/HONG KONG	
		UNIVERSITY OF SCIENCE &	
		TECHNOLOGY M.S.Degree,	
		Global Finance; PARSONS	
		SCHOOL OF DESIGN AAS	
		Degree, Fashion Merchandising	
		w/Honors – PS Dean's Scholarship,	
I., J., J.	Lin Yuk Yan Maya	PS Dean's List; NEW YORK	
nt		UNIVERSITY B.S. Degree,	
director		Communications w/ Specialization	
director	iviaya	in Advertising & Marketing.	
		LOUIS VUITTON LTD., Hong	
		Kong. Retail Marking Analyst	
		Assistant Manager	
		FENDI NA INC, NEW YORK.	
		Retail Marking Manager.	
		POSCELIN CO., LTD., Hong	
		Kong. Director.	
		Cartier, Far East, Project Manager.	
		Where the matter does not concern any	
		reference in Article 30 of the	
		Company Act. : Qualified.	

- 2 Operation Information of Remuneration/Remuneration Committee
  - 2.1 There are three commissioners in the Remuneration/Remuneration Committee of the Company.
  - 2.2 Current Term of Office of Commissioner: From Jun 17, 2020 till Jun 16, 2023, Remuneration/Remuneration Committee meeting had been held for 3 times (A) in total last fiscal year, and the qualification and attendance of each commissioner are as below:

Title	Name	Count for Actual Attendance (B)	Count for Attendance by Representative	Actual Attendance Rate (%)(B/A)	Notation
Convener	Ding Jin Huei	3	0	100.00%	
Member	Sher Ching Yee	3	0	100.00%	
Member	Lin Yuk Yan Maya	3	0	100.00%	

### Other Recordable Memos:

- I If the Board Meeting rejects or revises any proposal from the Remuneration/Remuneration Committee, then the date, session, bill contents, resolution results of the Board Meeting, as well as the solutions by the company to the proposal thereof should be described in details (or, if the Board ratifies the proposal, the diversity and reasons should be described in details): None.
- II Any bill resolved in the Remuneration/Remuneration Committee which is recorded or proclaimed in writing with an objection or qualified opinion by a Commissioner, should be described in details of the date, session, bill contents, other comments from every Commissioners, as well as the solutions by the company to this opposite opinion: None. °

- 3 Organization and duty of the Remuneration/Remuneration Committee of the company are listed as below:
  - 3.1 To define and periodically review the performance evaluation, as well as the policies, systems, standards and structures of remuneration/compensation for the Directors, Supervisors and managers.
  - 3.2 To periodically assess and define the remunerations/compensations for the Directors, Supervisors and managers.

4 Date, content of motions and results of resolutions of 2021 Remuneration & Remuneration Committee Meeting, as well as the Company's Treatment of the Opinions made to the Remuneration & Remuneration Committee:

Remuneration/ Remuneration Committee	Contents of Motions and the Subsequent Actions taken Thereof	Results of Resolutions	How the Company treats the Opinions of Remuneration & Remuneration Committee
2021.03.31	I Remuneration Distribution to Employees and Directors 2020.	All the members of the Committee consent to.	Conduct in accordance with the resolution passed by the Remuneration & Remuneration Committee.
2021.08.31	<ul> <li>I. Reward program for employees and managers.</li> <li>II. It is planned to adjust the Company's two equity incentive plans due to the COVID-19 pandemic.</li> </ul>	All the members of the Committee consent to.	Conduct in accordance with the resolution passed by the Remuneration & Remuneration Committee.
2021.12.20	I. Formulation of the 2022 work plan of the Remuneration Committee.	All the members of the Committee consent to.	Conduct in accordance with the resolution passed by the Remuneration & Remuneration Committee.

(V) Corporate Social Responsibility (CSR) Fulfillment

	(v) Corporate Social Responsionity (CSR) I diffinition							
				Operation	Difference by			
	Evaluation Items		NO	Summary	Comparing with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies",			
					as well as the Reasons thereof			
I	Does the Company	V		Sustainable development is mainly promoted	No			
	follow the			by the administration department in Taipei Office;	significant			
	Materiality			with the officers in the malls in China, they	discrepancy.			
	Principle to exercise			jointly promote the ethical corporate				
	the risk assessment			management, development of sustainable				
	on the issues in			environment, support for social welfare,				
	regard with			preparation of sustainability reports, and				
	environments,			enhancement of information disclosure.				
	society and							

		Difference by		
Evaluation Items	YES	NO	Operation Summary	Comparing with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons thereof
corporate governance incurred by the corporate operation, as well as to stipulate the risk management policies or strategies?	V		The disabosed information across the	No
II Has the company set up a specific unit (sole or concurrent duty) to promote the CSR, where the unit is to be treated by the executive management authorized directly by the Board, and to reported to the Board regarding the progress?	V		The disclosed information covers the sustainable development performance at the major presences during January 2021 to December 2021. The boundaries of the risk management are centered at the Company, and the subsidiaries in China are included based on the relevance to the core business and the effects on the material topics.  The management, based on the principle of materiality, evaluates and considers the risk sources encountered during the course of business, and by the three major issues, namely environment, social, and governance to identify the following risk items by the preventable risks, strategic risks, and external risks with their experience and professional judgment, and the countermeasures are formulated accordingly.  Material issue Risk item Countermeasures  Environment Environmental disasters  Risk item Countermeasures  Environment Environmental disasters  1. Air pollution and GHG  The air-conditioning system is filtered and circulated, to ensure indoor air quality.  In restaurants, the smoke and oil purifiers are installed to treat the oil and smoke before exhausting, and meet the local regulatory requirement.  2. Energy saving  Replace the lighting in the malls with LED lights gradually.  Each store adjusts the time to turn on the air-conditioning based on the weather and the temperature in malls, to reduce the power consumed by the air conditioners continuously.  The taps with sensors are applied in bathrooms for water-saving control.  Enhancing the energy save promotion, and attendance of energy-saving activities	No significant discrepancy.

		Difference by				
Evaluation Items	YES	NO		Operation Sum	mary	Comparing with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons thereof
			Social	Product responsibility and customer relationship management	by all employees, to reduce unnecessary power consumption.  3. Disposal of waste  The garbage is categorized first; the recyclable wastes are moved away by the legal disposers, and the food residuals are placed in the closed garbage bins, to be disposed of by the environment department on the same day.  The medical wastes including used masks and gloves are placed in the designated storage, to be retrieved by the professional contractor for harmless treatment.  Studying and planning  Auto temperature control system.  Introduction of recycled eco-toilet paper and toxic-free plastic bags.  The products with ecolabels and related certifications are firstly procured.  For the proprietary brands, the suppliers are required to provide a qualified test report of products issued by third-party institutions.  Refining the health management system for the kitchens in the restaurants (including food, utensils, environment, personal hygiene, and the accountability of each post); all employees are required to obtain the health certificates before onboard to ensure the health of consumers.  The service in the VIP lounge is provided by the dedicated staff; if necessary, the floor manager will handle jointly, to seek to handle the complaints of consumers timely and resolve such well.  In special circumstances, the compensation may be made based on the complaint fund agreed in the suppliers' agreement.  Cooperate with the pandemic containment strategies, to	
				safety	execute the related control	

		Difference by				
Evaluation Items	YES	NO		Operation Sum	nmary	Comparing with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons thereof
			Corporate	Information security  Human Resource  Strategy and operation	<ul> <li>Establish the pandemic prevention and containment task force, to take charge of pandemic prevention and containment.</li> <li>Access and visitor control Measure body temperature daily, no-mask-off policy, registration of visitors and counting the attendees, and checking the health code at the mall's entrance.</li> <li>Cleaning and sterilization of environment         The public area and the non-public area of the malls are cleaned and sterilized regularly; individual seats are sterilized daily.     </li> <li>Pursuant to the procedures of managing computer and network, to set up the firewalls and anti-virus software, and update and change the password regularly, to prevent the damage from hackers or computer viruses.</li> <li>The dual terminal backup, recovery of hard disks, and test of tape recovery are conducted regularly pursuant to the information system recovery plan.</li> <li>The turnover rate of personnel is low, and there is no risk of labor shortage.</li> <li>Providing shopping service to customers via online channels.</li> <li>The operation models of shopping malls are expanded with different business models added, to create diversified shopping mall spaces.</li> <li>Through the integration of consumption patterns and the diversification of product mixes, more diversified and abundant sales channels are offered.</li> <li>Set up leisure space to enhance consumer's experience, and enhance the VIP services to increase loyalty.</li> <li>Form alliances with the internet celebrities' brands from different industries,</li> </ul>	

	Operation Difference by					
Evaluation Items	YES	NO	Summary	Comparing with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons thereof		
			coupled with community communication and influence, to guide consumption and attract visitors.  Finance  1. Properly control expenses and operating costs, to reduce unnecessary waste.  2. Regularly review the information on changes in laws and regulations, and implement audits of relevant cycles and compliance pursuant to the regulations, and the accountable units are reminded and recommended on time to comply with laws and regulations or the requirements of the competent authority.  Compliance  1. Regularly review the orders and letters from the competent authorities to amend regulations, grasp updates of laws and regulations, and prescribe or amend systems and measures from time to time, to comply with actual laws and regulations.  2. Monitor the amendment of labor laws timely, and adjust internal personnel management measures, to reduce the risk of violations of laws.  3. Conduct training from time to time based on business needs, to enable the employees to be familiar with the local environmental protection and labor laws and regulations of the operating bases, and ensure that the employees conduct business legally.  Report on risk management operations to the board of directors at least once a year; the latest report was made on December 20, 2021.			
III Environmental Issues  (1) Has the Company built an environmental management system which is appropriate based on the industrial	V		(1) The Company shall secure the work environment according to the Public Building Act, Fire Services Act, Occupational Safety and Health Act, as well as the related laws and regulations in regard to energy conservation and carbon reduction.	No significant discrepancy.		

		Operation Difference by					
	Evaluation Items	YES	NO	Summary	Comparing with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons thereof		
	characteristics thereof?						
(2)	Does the Company	V		(2) LED lights are fully adopted in the Taipei	No		
	make efforts to increase the utilization efficiency of each resource, and launch the recyclable materials to reduce impact towards the environment as much as it can?			office, and extinguishment of the lights have been demanded at noon. Energy-saving lights and air conditioners have been utilized in all our department stores and malls in China, and the concept of energy conservation has been further propagandized to reduce unnecessary waste of electricity consumption.  In addition, recycled materials with low impact on the environment are applied; meanwhile, the use of assets is properly maintained to implement the low-carbon offices; the consumables may be used repetitively with eco and energy-saving labels and energy-saving equipment are procured first; garbage classification is implemented to recycling of resources, and reducing waste production volume.	significant discrepancy.		
(3)	Does the Company assess the potential risks and opportunities towards the corporation for now and for the future incurred by climate change, as well as adopting the countermeasures thereof?	V		(3) The Company has always intently paid attention to climate change, as well as initiatively propagandizing the importance of energy conservation to each of our departments, aiming for sustainable operation.	No significant discrepancy.		
(4)	Does the Company gather the statistics in regard to the total volume of greenhouse gas emissions, water usage and waste over the past two years, as well as	V		(4) The emissions of greenhouse gases as well as the volume of water consumption of the Company over the past two years have both been simultaneously disclosed in the CSR Reports of First Steamship Group. Furthermore, water and energy consumption have been reduced due to the adoption of conservation devices among our department stores and malls sited in	No significant discrepancy.		

	Operation Difference by					
Evaluation Items	YES	NO		Summary	Comparing with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons thereof	
stipulating the management policies for energy conservation, carbon reduction, greenhouse gas reduction, or reduction of water consumption and other waste?				China in the recent years. We have also briefed all our sites to reduce energy consumption and reduce unnecessary waste.		
IV Social Issues (1) Does the Company follow the related laws, regulations, as well as the International Bill of Human Rights, to make its management policies and procedures?	V		(1)	The Company has always emphasized labor safety as well as welfare and shall deal with the relevant matters in compliance with the related labor standards act. The Company has been certificated for contribution to human rights and environmental protection by numerous important customers, sufficiently demonstrating that our Company has been approved for we respect labor rights and the working environment.	No significant discrepancy.	
(2) Does the Company stipulate and exercise the reasonable welfare measures for its employees (including remunerations, compensation, vacations and other welfare), as well as properly reflecting the operating performance or outcomes to the remuneration and compensation of the employees?	V		(2)	The Company has stipulated the employment regulations including pay and leave in accordance with the local labor standards act, providing the employees to enjoy legal welfare. Remuneration shall be offered based on an employee's performance every year, and any cadres whose positions are at least managerial level shall be offered correspondent stock options.  The rewarding conditions of equal pay for equal work of both genders, and equal opportunities for promotion are realized. More than 20% of female manager positions are maintained to promote sustainable and inclusive economic growth. In 2021, the average proportion of female employees is 57%, and the average proportion of female managers is 52%.	No significant discrepancy.	
(3) Does the Company provide the safe and healthy work environments for its	V		(3)	A health examination is held every two years in the Taipei office. Training programs in regard to occupational safety and health are held occasionally. Warning	No significant discrepancy.	

employees, as well as regularly implementing safety and health education towards them?  Signs are put up in hazardous areas. Employee health checkups are held annually in the department stores in China. 100% of employees participate in health checkups. All the new recruitments must participate in the programs in regard with mall safety management as well as fire safety training. A fire drill is held every half year. There is no occupational accident in 2021.  The company's occupational safety education, training and promotion in the past 2 years  (4) Does the Company set up the training programs for its employees to develop their effective occupational competency?  (5) Does the Company follow the related laws, regulations and international standards to guarantee the health, safety, consumer privacy, marketing and labeling of those customers who buy the products or utilize the service from the Company, as well as stipulating the related policies and				Difference by	
as regularly implementing safety and health education towards them?  Employee health checkups are held annually in the department stores in China. 100% of employees participate in health checkups. All the new recruitments must participate in the programs in regard with mall safety management as well as fire safety training. A fire drill is held every half year. There is no occupational accident in 2021.  The company's occupational safety education, training and promotion in the past 2 years  (4) Does the Company set up the training programs for its employees to develop their effective occupational competency?  (4) The Company has prescribed the "Training Management Policy" as the basis, for the implementation and management of personnel training at all levels. Based on the demands, the dedicated training department arrange sessions and provided regular training, and professional trainings through diversity trainings. In 2021, there were a total of 690 online and offline sessions, and each employee has received 5.28 hours of training on average.  (5) Does the Company follow the related laws and the stakeholder section is set up on the Company's website, to disclose the contacts, telephone numbers and e-mail addresses for customers to inquire, file complaints or suggestions. Each business point also has a customer service center, to provide the most direct and immediate communication channels.	Evaluation Items		NO	Operation Summary	"Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", as well as the
appeal procedures to protect the	as regularly implementing safety and health education towards them?  (4) Does the Company set up the training programs for its employees to develop their effective occupational competency?  (5) Does the Company follow the related laws, regulations and international standards to guarantee the health, safety, consumer privacy, marketing and labeling of those customers who buy the products or utilize the service from the Company, as well as stipulating the related policies and appeal procedures to			Employee health checkups are held annually in the department stores in China. 100% of employees participate in health checkups. All the new recruitments must participate in the programs in regard with mall safety management as well as fire safety training. A fire drill is held every half year. There is no occupational accident in 2021.  The company's occupational safety education, training and promotion in the past 2 years  (4) The Company has prescribed the "Training Management Policy" as the basis, for the implementation and management of personnel training at all levels. Based on the demands, the dedicated training department arrange sessions and provided regular training, and professional trainings through diversity trainings. In 2021, there were a total of 690 online and offline sessions, and each employee has received 5.28 hours of training on average.  (5) All our department stores and malls sited in China have strictly followed the related laws and the stakeholder section is set up on the Company's website, to disclose the contacts, telephone numbers and e-mail addresses for customers to inquire, file complaints or suggestions. Each business point also has a customer service center, to provide the most direct and immediate communication	No significant discrepancy.
	guarantee the health, safety, consumer privacy, marketing and labeling of those customers who buy the products or utilize the service from the Company, as well as stipulating the related policies and			customers to inquire, file complaints or suggestions. Each business point also has a customer service center, to provide the most direct and immediate communication	

	Operation Difference by					
Evaluation Items	YES	NO	Summary	Comparing with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons thereof		
(6) Does the Company stipulate the supplier management policies to request every supplier to obey and exercise all the related standards in regard with environmental protection, occupational safety and health, or labor rights?	V		(6) Personnel management shall be listed as one of the formal items within a contract cosigned with our suppliers, also we have always requested our suppliers to follow the local laws and regulations, as well as that all the operational approvals in regard with fire safety, public security, environmental protection, and epidemic prevention must be acquired to follow the administrative system of the Company.	No significant discrepancy.		
V Does the Company refer to the guidelines or instructions in regard with report compilation which have been widely accepted internationally to compile the CSR reports disclosing the non-financial information of the Company in the reports? Do the reports indicated in the preceding item acquire an authentication or guarantee from the third party of verification?		V	The non-financial information disclosed in the CSR Reports is calculated and summarized by the internal competent authority, and shall be represented via the index calculation methodologies which have been generally used internationally, where the information shall be reviewed and confirmed by the supervisor of each competent authority. Any confirmation or guarantee which has not yet been verified by a third party	Shall need the verification hereto from a third party depending on the situation in the future.		

VI Please explain the difference between actual operation and regulated principles, if the company has complied with "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" to define its own CSR principles: The Company has stipulated and implemented the Corporate Social Responsibility Best Practice Principles according to the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies".

VII Other Material Information Helping with Understanding CSR Operation:

1. Volunteers from Yichang Grand Ocean Commerce Limited came to the College Street Meteorological Observatory Community, and went deeply into the community residents and surrounding merchants, to promote the creation of the civilized model city. We will

			Operation	Difference by
				Comparing with
				"Corporate
				Governance Best
Evaluation Items	VEC	NIO	C C	Practice Principles
	YES	NO	Summary	for TWSE/TPEx
				Listed Companies",
				as well as the
				Reasons thereof

make endeavors to create a national civilized model city, for building and sharing a happy and beautiful home together.

- 2. In order to celebrate the 31st National Day for Helping the Disabled, Grand Ocean Nanjing Jiangbei Store worked with the street governments at all levels in Jiangbei New District, to promote and conduct charity sales activities for the disabled, to contribute love to the business of disabled.
- 3. Grand Ocean and Yichang Pet Protection Association jointly held the pet adoption and charity activities. In the name of love, select adoption rather than purchase. Grand Ocean builds a bridge of love between these cute little angels and lovely people.

Besides the social public welfare described as above, the Company shall also seek to fulfill the CSR, pursuing the idea of sustainable operation of an enterprise where the benefits between enterprises, shareholders and societies can be satisfied.

(VI) Execution and Measures of Ethical Corporate Management of the Company and difference by Comparing with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons thereof.

	0		Operation	Difference by Comparing with
Evaluation Item	YES	NO	Summary	"Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons thereof.
I Definition of Policies and Projects of Ethical Management				
(I) Has the company formulated an integrity management policy approved by the Board of Directors, expressed the integrity management policy and practices in regulations or external documents and have the Board of Directors and senior management actively implemented the management policies?	V		(I) The Company has established the "BJ" and the "BK," both were submitted to the shareholders' meeting for report after being approved by the board of directors, and disclosed on MOPS and the Company's website.  It is specified that directors, managerial officers, employees, appointees and persons with substantial control shall observe the principles of ethical management, and not engage in unethical conduct. Except for announcing the board and the executives actively implement the	No significant discrepancy.

			Operation	Difference by Comparing with
Evaluation Item	YES	NO	Summary	"Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons thereof.
(II) Has the company established a dishonesty risk assessment mechanism, regularly analyzed and evaluated business activities with a high risk of dishonesty and formulated a plan to prevent dishonesty that at least covers the preventive measures provided by Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"?	V	NO		Principles for TWSE/TPEx Listed Companies", as well as the Reasons
			of consumers or other stakeholders during developing, purchasing, manufacturing, offering or selling, are prohibited.  Meanwhile, through	
			trainings, the ethical corporate management policies are promoted, and link the policies with employee performance appraisal and human resources policy, to establish a clear and	

			Operation	Difference by Comparing with	
Evaluation Item	YES	NO	Summary	"Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons thereof.	
(III) Has the company expressly formulated the operating procedure, behavior guideline, as well as disciplinary penalty and grievance system plans; implemented them accordingly to prevent dishonest behavior; and reviewed and revised them on a regular basis?	V		effective reward and punishment system.  (III) Under "Preventive Programs, Scope and Measures" of the "BJ," any matters included in each clause of Paragraph 2 in Article 7, or any operating activity with the higher risks due to unethical and prohibited conduct shall be precisely referred to under the relevant regulations. Also, the "whistleblowing system" is in place, and the reporting channels are disclosed at the official website.  Regularly review and amend the preventive programs pursuant to the external competent authority and internal policies, as well as the working demands.	No significant discrepancy.	
II Practice of Ethical Management					
(I) Does the company evaluate the ethic records of its counterparty, and explicitly stipulate the articles concerning ethical behaviors in the contract cosigned with the counterparty?	V		(I) The Company evaluates the ethical status and requests the business licenses as well as trademark authorization of each contractor in cooperation prior to establishing the business collaboration with one. Also, concerning ethical clauses, they shall be precisely defined in the business contracts and the Company shall avoid any transaction as much as possible with those ones who have unethical records.	No significant discrepancy.	

			Operation	Difference by Comparing with
Evaluation Item	YES	NO	Summary	"Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons thereof.
(III) Has the company established a full (part) time unit under the board of directors to promote corporate integrity management and regularly (at least once a year) reported the dishonesty prevention integrity management policies and plans to the board of directors in order to supervise their implementation status?	V		(II) The Company has designated the Administration Department in the Shanghai Headquarter as the dedicated unit. This proprietary business scope belongs to the board of directors, which is responsible for the amendment, implementation, interpretation, consulting services, and reporting of content registration and filing of "BK" as well as supervision and implementations. The promotion and implementation results of the ethical corporate management policy and the programs preventing unethical conduct are reported to the board of directors annually.	No significant discrepancy
(III) Does the company make the policies to prevent a conflict of interest, provide an adequate channel for appeals, and perform them exactly?	V		(III) Pursuant to the requirement of recusal in case of conflict of interest in the "BJ" and "BK," where any employee of the Company finds any conflicts of interest when conducting business, or any circumstances from which himself/herself, his/her spouse, parents, children or other related stakeholders can acquire improper benefits when dealing with the corporate affairs, should report the matters to both the line supervisors and the CDU, as the line supervisors shall provide appropriate guidance.  Where directors, managerial officers, and	No significant discrepancy

	Operation Difference by Comparing with "Corporate Governance Best P.			
Evaluation Item	YES	NO	Summary	Principles for TWSE/TPEx Listed Companies", as well as the Reasons thereof.
(IV) Has the company established an effective accounting system and internal control system to implement integrity management, formulated the relevant audit plans based on the dishonesty risk evaluation results of the internal audit unit, and inspected or commissioned a CPA to inspect and ensure compliance with the dishonesty prevention plans?	V		other stakeholders who attend/participate in board meetings, or the entities they represent have interests in the proposals listed in the meeting, that may be harmful to the interests of the company, they shall recuse themselves from discussion and voting.  (IV) The management of the Company has established an effective accounting system and internal control system. The internal auditors schedule and execute audit plans based on the level of risk, and report the implementation of the audit plan to the board of directors periodically.	No significant discrepancy.
(V) Does the company regularly host the internal/external education programs of the ethical management?	V		(V) The Company arranges all the related courses regarding enterprise ethics as well as job specifications in the educational programs and training for a new employee, and launches the propaganda of resolutions in ethical business for the Directors and managers during the periodic management meetings. Additionally, managers of each department shall also promote the importance of ethical business	No significant discrepancy.

			Operation	Difference by Comparing with "Corporate Governance Best Practice
Evaluation Item	YES	NO	Summary	Principles for TWSE/TPEx Listed Companies", as well as the Reasons thereof.
			through internal routine meetings or in-service trainings.	
III Operation of Whistleblower System of the Company (I) Does the company specifically found a system of whistleblowing and reward, build a fast channel for whistleblowing, and designate an	V		(I) The Company has established a whistle- blowing system, and has set up a whistle-blowing channel in the Stakeholder Section on the official website. The whistleblower may report	No significant discrepancy.
adequate personnel specially to handle with the accused objects?			by correspondent or e- mail, and the audit officer is responsible for the acceptance and establishment of the whistleblowing case; For the cases are verified as true, or provide material clues or evidence, the whistleblowers or people with contributions will be given appropriate rewards.	
(II) Has the company established standard operating procedures for accepting complaint reports, and adopted the follow-up measures and related confidentiality mechanisms after the investigation is completed?	V		(II) The Company's whistle-blowing system specifies that the audit officer is responsible for the acceptance and establishment of the whistleblowing cases. The president designates a project leader or an investigation team to conduct investigations, and then reports are made to the president based on the investigation results. The reports may be escalated to the board of directors depending on the facts of the cases. The information related to the whistleblowing case is strictly kept confidential, including but not limited to the identity of the	No significant discrepancy.

			Operation	Difference by Comparing with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons thereof.
Evaluation Item	YES	NO	Summary	
(III) Does the company take any measure protecting a whistleblower from being improperly treated due to the whistleblowing?			whistleblower, the reasons for the report and the investigation procedures.  (III) Any unit or employee must not retaliate against the whistleblower in any way. If any employee is found violating the whistleblower system during the investigation or as a result, disciplinary action will be taken against such employee. In case of crime or violation of laws, legal procedures will be taken depending on the facts, and claim the damage.	No significant discrepancy.
IV Reinforcement of Information Disclosure Does the company disclose the information concerning the contents and efforts of ethical management on its official website as well as on the Market Observation Post System?	V		The Company has disclosed the provisions of "BJ" on the corporate website and MOPS, and all the efforts as well as outcomes shall be also disclosed subsequently depending on the execution progress.	No significant discrepancy.

V Please explain the difference between the actual operations and "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" if the company complies with it to make one: None.

VI Other material information that helps with an understanding of the ethical management and operations of the company (for example, review or amendment to the ethical principles for business of the company):

In order to continuously enhance the internal ethics norms of the Company to establish an ethical corporate management environment, while actively implementing the corporate governance responsibilities, the Company prescribed the "BJ" in 2011, to regulate the company's directors, managerial officers, employees, subsidiaries, and group companies or organizations with substantial control, requiring that before conducting any business relationship, the Company shall consider the ethical status of suppliers or other counterparties, and avoid transactions with those involved in ethical conducts; when signing contracts with others, it should include the terms specifying the compliance with the ethical corporate management policy, and the Company may terminate or rescind the contract at any time if the counterparty involving in unethical conduct.

To respond to the development of relevant international and domestic regulations regarding ethical corporate management, the Company added the "BK" in 2020, which covers anti-corruption, anti-bribery, anti-trust, prohibition of illegal political donations, prohibition of improper charitable donations or sponsorships, prohibition of insider trading, and other preventive programs; disciplinary codes are prescribed regarding recusal for conflict of interest,

	Operation			Difference by Comparing with
Evaluation Item	YES	NO	Summary	"Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", as well as the Reasons thereof.

intellectual property rights, and fair competition, to enable the implementation and compliance of all employees.

In 2020, the "BO" was established to regulate the ethical standards of conduct for directors and managerial officers, and some provisions were amended in 2021 pursuant to laws and regulations.

"Rules of Procedure for Board of Directors Meetings" of the Company defines the system of interest avoidance of the Directors. Any bill listed in the Board should be taken the stakes of itself or the juridical person represented by itself into consideration, and avoidance should be implemented when discussing and resolving.

(VII) Inquiry approaches of any principle regarding the corporate governance and related regulations should be disclosed if there is one:

The Company has established" Corporate Governance Best Practice Principles"," Procedural Rules of General Meeting of Members"," Rules of Board Meeting"," Principles for Election of Directors"," Rules Governing the Scope of Powers of Independent Directors"," Code of Ethical Conduct"," Audit Committee Charter"," Ethical Corporate Management Best Practice Principles"," Remuneration Committee Charter"," Sustainable Development Code of Practice"," Self-Evaluation or Peer Evaluation of the Board of Directors"," Procedures for Ethical Management and Guidelines for Conduct", and the aforesaid regulations related to the corporate governance are disclosed in MOPS and the official website, for the review of the Company's related parties.

(VIII) Other material information helping with understanding corporate governance operation: None.

## (IX) Execution of Internal Control System

### 1 Statement of Internal Control System



#### Statement of Internal Control System

Date: Mar 30, 2022

Statement is made here for internal control system for the year 2021 of the Company and its subsidiaries, according to the conclusions of self-evaluation:

- I The Company and its subsidiaries are well aware of that establishment, execution as well as maintenance of the internal control system are the responsibilities of the Board and managers thereof. The Company and its subsidiaries have built the system. Where its purpose is to approach the targets concerning outcomes and efficiency of the operation (containing profit, performance, and assets protection safety), reliability, immediacy and transparency of the reports, as well as obedience to the related standards, laws and regulations, providing the reasonable protection.
- II Internal control system has its own congenital limitation. No matter how flawless the design is, an effective internal control system can only provide the reasonable protection to the three targets described as above. Moreover, efficiency of the internal control system may change anytime due to the variation of environments or circumstances. Whereas the Company and its subsidiaries have built a self-supervision mechanism within the internal control system, and the countermeasure will be engaged immediately if there is any defect found.
- III The Company and its subsidiaries comply with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter "RICS") to stipulate the assessment contents for effectiveness of an internal control system, and to evaluate if the design and implementation of internal control system are effective. Evaluation on an internal control system by this "RICS" divide the system into five elements in accordance with the diversity of management control process: 1. Control Environment; 2. Risk Assessment; 3. Control Operation; 4. Information and Communication and 5. Supervision. Each element is to be further subdivided into several items. Please refer to the relational regulations in "RICS".
- IV The Company and its subsidiaries have adopted the assessment items for internal control system described as above to evaluate the effectiveness of design as well as implementation of a system.
- V Based on the conclusions of evaluation described as above, the Company and its subsidiaries recognize that as of Dec 31, 2020, design and implementation of the internal control system (containing the supervision and management to the subsidiaries), including comprehension of the operating outcomes and targets approach of the efficiency, also reliability, immediacy and transparency of the reports, as well as obedience to the related standards, laws and regulations, are effective, being capable of reasonably ensuring the achievement of the targets as above.
- VI This statement is to be the one of major contents in the Annual Report as well as Prospectus of the Company, and is to be disclosed openly. Should there be any illegal fact regarding falsity or misprision in the open contents described as above, it shall be involved with the legal liabilities concerning Article 20, 32, 171 and 174 of the Securities Exchange Act.
- VII This statement had been ratified through the Board Meeting on Mar 30, 2022, where no one had objection to it among seven attendees of the Directors; all the attendees in the Board Meeting had the contents of this statement ratified; the statement is made here thereupon.



General Manager Signature: Ng Qing Hai



- 2 Audit Reports on the internal control system via the special project by CPA: None.
- (X) As of the date of publication of the Annual Report last fiscal year, circumstances in terms of the punishment of the company and insiders due to the violation of laws, as well as the punishment, major defects and the improvement thereof executed by the company to the insiders thereof due to the violation of internal control system: None.

(XI) Material Resolutions of Shareholders Meeting and Board Meeting Last Fiscal Year, and as of the Date of Publication of Annual Report

as of	as of the Date of Publication of Annual Report					
	Date	Topic Discussions				
Board of Directors	2021.02.05	1. The Quanzhou Fengsheng Case – the Group's accounts receivable was increased owing to the "Assignment of Claim Agreement."				
Board of Directors	2021.03.16	<ol> <li>Draft on the Amendment to the Part of Articles in "Procedural Rules of Board Meeting" of the Company.</li> <li>Draft on the Amendment to the Part of Articles in "Codes of Ethical Conduct" of the Company.</li> <li>Draft on the Amendment to "Articles of Incorporation" of the Company.</li> <li>Draft on the Amendment to the Part of Articles in "Procedural Rules of Shareholders Meeting" of the Company.</li> <li>Draft on the Amendment to the Part of Articles in "Rules Governing the Scope of Powers of Independent Directors "of the Company.</li> <li>Draft on the Amendment to the Part of Articles in "Audit Committee Charter" of the Company.</li> <li>Draft on the Amendment to the Part of Articles in "Remuneration Committee Charter" of the Company.</li> <li>Stipulate "Risk Management Guidelines" of the Company.</li> <li>Matters in regard with the Annual Shareholders Meeting 2021, the convention time, location, reasons, and the term for suspension of share transfer, etc</li> <li>Matters in regard with the acceptance of proposals submitted by the shareholders in the Annual Shareholders Meeting 2021.</li> <li>Check whether the amounts under the company's accounts receivable, other receivables, pre-payments, deposit margins or other items are considered as capital loans according to the "Q&amp;A for Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies."</li> </ol>				
Board of Directors	2021.03.31	<ol> <li>Annual Business Report and Consolidated Financial Statements 2020.</li> <li>Remuneration Distribution to Employees and Directors 2020.</li> <li>Statement of Internal Control System 2020 of the Company.</li> <li>The Company's 2020 Audit Committee Audit Reports.</li> <li>The Company plans to establish a "Investment Promotion Department."</li> </ol>				
Board of Directors	2021.04.23	Remuneration Distribution to Employees and Directors 2020.				

	Date		Topic Discussions
		2.	2021 Proposals by Shareholders' Proposal Rights
		3.	Assessment on the competency and independence of the new
			CPA.
		4.	Update the Company's 2020 Audit Committee Audit
		5	Reports  Modify the convention reasons in regard with the Annual
		5.	Modify the convention reasons in regard with the Annual Shareholders Meeting 2020.
Board of Directors	2021.05.13	1.	Lease extension and prepaid rent of Hefei Grand Ocean Jingdian Business Development Co., Ltd. and Meiyuan Investment Real Estate Co., Ltd.
Board of Directors	2021.06.25	1.	The Company's compliance to change the date and place of the 2021 general shareholders' meeting.
Board of	2021.06.30	1.	Proposal to lease the commercial real estate of Shanghai 1000
Directors	2021.00.30	1.	trees project from Shanghai Kaixuanmen Enterprise
			Development Co., Ltd.
		2.	Sandmartin International Holdings Limited (hereinafter
			referred to as Sandmartin, stock code 00482.HK), which is
			reinvested by Grand Citi limited, plans to issue SEOS in the
			form of the rights issue, and the Group plans to participate.
Board of	2021.07.13	1.	The Company's compliance to change the date and place of
Directors			the 20211 general shareholders' meeting.
		2.	Check whether the amounts under the company's accounts
			receivable, other receivables, pre-payments, deposit margins
			or other items are considered as capital loans according to the
			"Q&A for Regulations Governing Loaning of Funds and
			Making of Endorsements/Guarantees by Public Companies."
		3.	Proposal to lease the commercial real estate of Shanghai 1000
			trees project from Shanghai Kaixuanmen Enterprise
D 1 C	2021 00 21	1	Development Co., Ltd.
Board of	2021.08.31	1.	Consolidated financial statements for the first half of 2021.
Directors		2.	Set the company's ex-dividends baseline date.
		3.	Reward program for employees and managers.
		4.	It is planned to adjust the Company's two equity incentive
Board of	2021.11.15	1	plans due to the COVID-19 pandemic.
Directors	2021.11.13	1. 2.	Appointment of the new internal audit manager.  Proposal to revise the operating procedures for the loan of
Directors		۷٠	funds to others by the Company's 100% reinvested
			subsidiaries.
		3.	Proposal to revise the Company's internal audit system and
			implementation rules.
		4.	Check whether the amounts under the company's accounts
			receivable, other receivables, pre-payments, deposit margins
			or other items are considered as capital loans according to the
			"Q&A for Regulations Governing Loaning of Funds and
D 1 C	2021 12 22	1	Making of Endorsements/Guarantees by Public Companies."
Board of	2021.12.20	1.	2022 audit plan.
Directors		2.	2022 financial budget of Grand Ocean Retail Group Limited.
		3.	Proposal to revise the internal control system - salary cycle and internal audit system and implementation rules.
Board of	2022.01.21	1.	Proposal to increase the capital of Chongqing Optics Valley
Directors	2022.01.21	1.	Grand Ocean Commercial Development Limited.
Directors	l	1	Grana Ocean Commercial Development Emineu.

	Date	Topic Discussions
Board of	2022.03.30	1. Draft on the Amendment to the Part of Articles in "Principles
Directors		for Election of Directors" of the Company.
		2. Draft on the Amendment to the Part of Articles in "Ethical
		Corporate Management Best Practice Principles" of the
		Company.
		3. Draft on the Amendment to the Part of Articles in "Corporate
		Social Responsibility Best Practice Principles " of the
		Company.
		4. Draft on the Amendment to the Part of Articles in
		"Procedures of Acquisition and/or Disposal of Assets" of the
		Company.
		5. Draft on the Amendment to the Part of Articles in "Corporate
		Governance Best Practice Principles " of the Company.
		6. Draft on the Amendment to the Part of Articles in
		"Procedures for the Prevention of Insider Trading" of the
		Company.
		7. Stipulate "Self-assessment risk operation procedures and
		methods " of the Company.
		8. Draft on the Amendment to the Part of Articles in "Risk
		Management Guidelines " of the Company.
		9. Annual Business Report and Consolidated Financial Statements 2021.
		10. Remuneration Distribution to Employees and Directors 2021.
		11. Statement of Internal Control System 2021 of the Company.
		12. The Company's 2021 Audit Committee Audit Reports.
		13. Matters in regard with the Annual Shareholders Meeting
		2022, the convention time, location, way of meeting,
		reasons, and the term for suspension of share transfer, etc.
		14. Matters in regard with the acceptance of proposals
		submitted by the shareholders in the Annual Shareholders
		Meeting 2022.
		15. Appointment of the company's Accounting Supervisor.
		16. The company submitted to the board of directors for the
		determination of the significance of the amount of overdue
		accounts receivable •
		17. Check whether the amounts under the company's accounts
		receivable, other receivables, pre-payments, deposit margins
		or other items are considered as capital loans according to
		the "Q&A for Regulations Governing Loaning of Funds and
		Making of Endorsements/Guarantees by Public
		Companies."
Note: Contents o	of Material Resolu	tions and the Execution Thereof in Shareholders General Meeting

Note: Contents of Material Resolutions and the Execution Thereof in Shareholders General Meeting 2021:

- I Ratification on the Annual Business Report and Consolidated Financial Statements 2020.
- II Ratification on the Earnings Distribution 2020.

Execution Sep 21, 2021 is defined as the ex-dividend date, and Nov 15, 2021 is defined as the payment date. (dividend distribution in cash at NT\$1 per share)

III Ratification on the amendments to "Articles of Incorporation" of the Company.

Execution: Ratified articles had been submitted to the competent authorities for verification and had been announced on the Company website.  $^{\circ}$ 

- IV Approved the amendment of the Company's "Rules of General Meeting of Members". Implementation situation: implemented in accordance with the revised provisions.
  - (XII) Last fiscal year, and as of the date of publication of Annual Report, main contents of a different opinion on any material resolution ratified through the Board Meeting, which are recorded or proclaimed in writing by a Director or Supervisor: None.
  - (XIII) Last fiscal year, and as of the date of publication of Annual Report, resignation or dismissal of the personnel concerning the financial statements (including Chairman, GMs, Accounting Supervisors, finance managers, R&D managers, as well as internal audit managers): None.

April 30, 2022

Title	Name	Date of Assumption	Date of Dismissal	Reasons for Resignation or Dismissal
Audit Manager	Liu Qian Yu	2019.02.27	2021.08.23	Resignation due to career planning,
Accounting Supervisor	Li Min Fang	2017.03.28	2022.03.30	Applied to retire.

V Information on Professional Fees of Accountant

Name of Accounting Firm	Name of Accountant	Term of Audit	Notation
KPMG Taiwan	Zhang Shuying, Lian Shuling	2021/1/1~2021/12/31	

(I) Non-audit fees paid to a CPA, the CPA's affiliated office and its associated which are more than one quarter of the audit fees: None.

The 2020 non-audit fees paid by the Company occupies 2.7% of the audit fees, of which the service content is as follows:

Name of Accounting Firm	Name of Accountant	Term of Audit	Audit Fees	Non-audit Fees	Total	Notation
	Chang Shu-Ying	2021/01/01				
KPMG		~	14,235	395	14,630	
	Lai Li-Chen	2021/12/31				

Non audit fee service content: Non audit fee refers to industrial and commercial registration and others.

- (II) Audit fees paid to the accounting firm in the year of replacement where they are lower than the audit fees last fiscal year: None.
- (III) Where audit fees reduce 15% at least compared with the fees of last fiscal year: None.
- (IV) Evaluation of the Auditor's Independence: according to the Company's "Principles for Evaluation of Auditors' Independence", the Company evaluates the independence and suitability of its external auditors annually, the content of evaluation includes (I) Basic Information, (II) Content of Evaluation, (III) Performance Description, and (IV) Evaluation Results. Among the above, Content of Evaluation adopts the following 15 criteria in accordance with Article 74 of the Certified Public Accountant Act, and Bulletin No.10 of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China.

#### Items

- 1. Up to the latest certification practice, there's no such circumstance with working for the company for seven years in a row.
- 2. No major financial interested relationship with the client.
- 3. Avoiding any improper relationship with the client.
- 4. The accountant should supervise their assistants to strictly comply with honesty, justice and independence.
- 5. The accountant is prohibited from auditing certification for the company's financial report where he/she has served in within the previous two years.
- 6. The accountant's identification is forbidden to be infringed by another
- 7. The accountant does not hold any shares in the company or in its subsidiaries.
- 8. The accountant does not owe any debt to the company or its subsidiaries.
- 9. The accountant is not in any joint investment or benefit-sharing relationship with the company or its subsidiaries.
- 10. The accountant is not employed and paid regularly by the company or its subsidiaries.
- 11. The accountant does not interfere with any management function towards decision-making in the company or its subsidiaries.
- 12. The accountant does not run any business which will probably deprive him/her of audit independence.
- 13. The accountant is not related to any of the company's management personnel in the following relations: Spouse, blood-related relatives, direct relatives by affinity, second-degree of blood-related relatives, collateral blood-related relatives.
- 14. The accountant does not receive any commission which is occupational-related.
- 15. Up to now, the accountant hasn't been punished for violating any audit independence principle.

#### VI Information on Accountant Change:

- (I) About the Former Accountant: None.
- (II) About the Succeeding Accountant: None.
- (III) Reply from the former accountant toward Article 10.6.1 and 10.6.2.3 in "Regulations Governing Information to be Published in Annual Reports of Public Companies": None.
- VII The company's Chairman, GM, managers of financial or accounting affairs, who has ever worked in the accountant's affiliated firm or its affiliates in the past year: None
- VIII Last fiscal year, and as of the date of publication of Annual Report, Directors, Supervisors, managers and shareholders whose equity transfer and shareholding pledge changes with a shareholding ratio of more than 10%
  - (I) Changes in Shareholdings of Directors, Supervisors, Managers and Major Shareholders

Unit: share

					Omt. snare	
		Year	2021	as of Apr 30 of Current Year		
Title	Name	Number of Increase (Decrease) of Held Shares	Number of Increase (Decrease) of Pledged Shares	Number of Increase (Decrease) of Held Shares	Number of Increase (Decrease) of Pledged Shares	
Chairman of the Board	Kuo Jen Hao	ĺ	_	ĺ	_	
Chairman as well as	First Steamship Co., Ltd.	11,723,000	10,000,000	466,000	_	
GM	Representative: Ng Qing Hai	_	_	_	_	
Director of the	First Steamship S.A	_	_	_	_	
Board	Representative: Zhang Jin Guo	_	_	_	_	
Director of the Board	Lee Seng Chay		_		_	
Independent Director (Note1)	Ding Jin Huei	_	_	_	_	
Independent Director (Note1)	Sher Ching Yee	_	_	_	_	
Independent Directo (Note1)r	Lin Yuk Yan Maya	_	_	_	_	
CFO	Hung Wei Kai	_	_	_	_	
Accounting Supervisor	Li Mig Fang	_	_	_	_	
Accounting Supervisor	Li Chao	_	_	_	_	
Shareholder who has at least 10% Shareholding	First Steamship S.A	_	_	_	_	

Note: Former Accounting Supervisor Li Ming Fang retired on March 30, 2022.

<sup>(</sup>II) Information on related party as a counterparty of equity transfer: None. (III) Information on related party as a counterparty of equity pledge: None.

IX Information on Interrelations between Each Shareholder whose Shareholding Ratio is Ranked as One of the Top Ten

Apr 25, 2022; unit: share; %

							Apr 23, 2022		marc , 70
Name	Self-owned Shares		Number of Shares of Spouse and Minor Children		Number of Shares in Name of Others		The top ten shareholders have the titles or names and relationships complying with the definition of spouse or second-degree relative in FASB6.		Notation
	Shares	Sharehol ding Ratio	Shares	Sharehol ding Ratio	Shares	Sharehol ding Ratio	Title (or Name)	Relation	
Mega International Commercial Bank Co., Ltd. Acting as Custodian for the Investment Account	91,560,000	46.83%	_		_	_	First Steamship Company Ltd Ahead Capital Limited	Parent company	_
of FIRST STEAMSHIP S.A. Principal: Kuo Jen Hao	_	_	_	_	_	_	_	_	_
First Steamship Company	19,952,000	10.00%	_	_	_	_	First Steamship S.A.	Parent company	_
Principal: Kuo Jen Hao	_	_	_	_	_	_	_	_	_
Grand Ocean Retail Group Limited Mainland China Area Employees Collective	5,782,000	2.96%	_	_	_	_	_	Staff	Employees Collective
Deng Wen Da	4,840,000	2.48%	_	_	I	_	ı	_	_
AHEAD CAPITAL LIMITED	3,500,000	1.79%	_	_		_	First Steamship S.A.	Parent company	_
Principal: Kuo Jen Hao	_	_	_	_	_	_	_	_	_
CTBC Bank Employee Stock Ownership Trust Account of Grand Ocean Retail Group Limited	2,915,000	1.49%	_	_		_	١	Staff	Employee Stock Ownership Trust
Liu Hung Jun	2,345,000	1.25%	_	_		_	_	_	
Farglory Life Insurance Co., Ltd.	1,681,000	0.86%	_	_	_	_	_	_	_
Principal: Meng Jiaren		-	_	_		_	1	_	
AmTrust Investment Consulting Corp.	1,500,000	0.77%	_	_	_	_	_	_	_
Principal: Lin Xin Yi	_	_	_	_	_	_	_	_	_
Huang Shih Chieh	1,300,000	0.66%	_	_	_	_	_	_	_

X The number of shares held by the company, the company's Directors, Managers and the company directly or indirectly controlled by the same reinvestment business, and combined to calculate the comprehensive shareholding ratio

unit: share; %

D : (1D :	Investment of	the Company		ntrolled Directly by Directors or	Comprehensive Investment	
Reinvested Business (Note)		Shareholding	Man	agers Shareholding	•	Shareholding
	Shares	Ratio	Shares	Ratio	Shares	Ratio
Grand Citi Limited	1,040,000,000	100.00		—	1,040,000,000	100.00
Sandmartin International Holding Limited	17,678,902	3.59	124,950,000	25.39	142,628,902	28.98
Grand Ocean Classic Commercial Group Co., Ltd (Grand Ocean Department Store Group Limited)	Note1	100.00			Note1	100.00
Nanjing Grand Ocean Classic Commerce Limited (Nanjing Grand Ocean Department Store Limited)	Note1	100.00	—	_	Note1	100.00
Fuzhou Crand Ocean Commerce Limited (Fuzhou Zhongcheng Grand Ocean Department Store Limited)	Note1	100.00	_	_	Note1	100.00
Quanzhou Grand Ocean Commerce Limited (Quanzhou Grand Ocean Department Store Limited)	Note1	100.00		_	Note1	100.00
Wuhan Grand Ocean Classic Commercial Development Limited (Wuhan Zhongshan Grand Ocean Department Store Limited)	Note1	100.00	_	_	Note1	100.00
Whhan Optics Valley Grand Ocean Commercial Development Limited (Wuhan Optics Valley Grand Ocean Department Store Limited)	Note1	100.00	_		Note1	100.00
Wuhan Hanyang Grand Ocean Classic Commercial Limited (Wuhan Longyang Grand Ocean Department Store Limited)	Note1	100.00	_		Note1	100.00
Fuzhou Grand Ocean Classic Commerce Limited (Fuzhou Grand Ocean Department Store Limited)	Note1	100.00	_	_	Note1	100.00
Chongqing Optics Valley Grand Ocean Commercial Development Limited (Chongqing Optics Valley Grand Ocean Department Store Limited)	Note1	100.00	_		Note1	100.00
Hengyang Grand Ocean Commercial Development Limited (Hengyang Grand Ocean Department Store Limited)	Note1	100.00	_	_	Note1	100.00
Yichang Grand Ocean Commerce Limited (Yichang Grand Ocean Department Store Limited)	Note1	100.00	_	_	Note1	100.00
Hefei Grand Ocean Classic Commercial Development Limited (Nanjing Grand Ocean Department Store Hefei Limited)	Note1	100.00	_		Note1	100.00
Shiyan Optics Valley Grand Ocean Commercial Limited (Shiyan Grand Ocean Modern Shopping Limited)	Note1	100.00	_	_	Note1	100.00
Shanghai Jingxuan Business Administration Limited	Note1	100.00	_	_	Note1	100.00
Fuzhou Jiaruixing Business Administration Limited	Note1	100.00	_		Note1	100.00
Shanghai Grand Ocean 1,000 Trees Commercial Management Co., Ltd	Note1	100.00	_		Note1	100.00
Nanjing Grand Ocean Dongfadao Catering Co., Ltd.	Note1	49.00	_		Note1	49.00

Note 1: Where it is a company limited without stock issuance, hence there are no stocks.

## Four.Financing Situation

## I Capital and Shares

## (I) Sources of Share Capital

# 1. Formation of Share Capital

Currency: NTD (thousand); Thousand; unit: share (thousand)

Year	Issuance	Authorized Share Capital		Paid-ir Cap		Notation		, ,
Month	Price	Shares	Amount	Shares	Amount	Sources of Share Capital	Share Proceeds Offset by Assets besides Cash	Others
2012.06	NTD 10/share	500 000	5,000,000	202,000	2,020,000	Capital Increase by Cash	None	May 9, 2012 FSC Letter FA No.1010018503
2015.12	NTD 10/share	500 000	5,000,000	201,000	2,010,000	Capital Reduction by Treasury Stock	None	None
2016.03	NTD 10/share	500 000	5,000,000	199,499	1,994,990	Capital Reduction by Treasury Stock	None	None
2018.01	NTD 10/share	500 000	5,000,000	197,469	1,974,690	Capital Reduction by Treasury Stock	None	None
2019.03	NTD 10/share	500 000	5,000,000	195,531	1,955,310	Capital Reduction by Treasury Stock	None	None

#### 2. Share Classifications Which Have Been Issued

unit: thousand shares

Shares	Auth	orized Share C	apital	
Classific	Outstanding	Un-issued	Total	Notation
ation	Shares	Shares	Total	
Common Stock	195,531	304,469	500,000	

3. Information related to the general declaration system: None.

## (II) Shareholder Structure

Apr 25,2022; share

Shareholder Structure and Number	Government	Financial Institution	Other Juridical Persons	Individual	Foreign Institution and Foreigner (Note 1)	Total
Number of Person	0	8	15	6,105	49	6,177
Shares in Hand	0	48,910,000	223,555,050	640,134,950	1,042,710,000	1,955,310,000
Shareholding Ratio	0.00%	2.50%	11.43%	32.74%	53.32%	100.00%

Note1: Wherein the shareholding ratio of China investment is 2.96%, where there are 5,782,000 shares. These shares are meant to distribute to the employees by a treasury stock project, letting the China employees to have the options. So far they are kept in the account "Special Integrated Account for China Employees" in CTBC Bank.

# (III) Equity Dispersion

## 1. Common Stock

Apr 25,2022; unit: share/NT\$10 per share

		1 '	. 1
Shareholding Grading	Number of Shareholder	Shares in Hand	Shareholding Ratio
1 to 999	316	22,625	0.01%
1,000 to 5,000	4,193	8,796,253	4.50%
5,001 to 10,000	748	6,194,899	3.17%
10,001 to 15,000	257	3,332,500	1.70%
15,001 to 20,000	165	3,110,000	1.59%
20,001 to 30,000	173	4,475,984	2.29%
30,001 to 40,000	76	2,755,000	1.41%
40,001 to 50,000	56	2,626,000	1.34%
50,001 to 100,000	94	6,839,639	3.50%
100,001 to 200,000	49	6,826,600	3.49%
200,001 to 400,000	25	6,989,500	3.57%
400,001 to 600,000	9	4,290,000	2.19%
600,001 to 800,000	5	3,287,000	1.68%
800,001 to 1,000,000	1	920,000	0.47%
Above 1,000,001	10	135,065,000	69.09%
Total	6,177	195,531,000	100.00%
Holding less than 0.1% Shareholding	6,124	44,382,500	22.70%

## 2. Preferred Stock: None

## (IV)List of Major Shareholder

The list of shareholders with a shareholding ratio of more than 5% or the top ten shareholders is as follows:

Apr 25,2022; shares

Name of major shareholder	Shares in Hand	Shareholding Ratio
Mega International Commercial Bank Co., Ltd. Acting as Custodian for the Investment Account of FIRST STEAMSHIP S.A.	91,560,000	46.83%
First Steamship Company Ltd	19,952,000	10.00%
Grand Ocean Retail Group Limited Mainland China Area Employees Collective	5,782,000	2.96%
Deng Wen Da	4,840,000	2.48%
AHEAD CAPITAL LIMITED	3,500,000	1.79%
CTBC Bank Employee Stock Ownership Trust Account of Grand Ocean Retail Group Limited	2,915,000	1.49%
Liu Hung Jun	2,435,000	1.25%
Farglory Life Insurance Co., Ltd.	1,681,000	0.86%
AmTrust Investment Consulting Corp.	1,500,000	0.77%
Huang Shih Chieh	1,300,000	0.66%

# (V) Market Price, Net Worth, Earnings and Dividends per Share, as well as Concerning Information for the Past Two Years

1111	information for the fast 1 wo 1 cars						
Item		Year	2020 (Note 5)	2021 (Note 5)	Current Year As of Mar 31, 2022		
	Maximum		28.25	25.55	17.75		
Market Price per Share	Minimum		15.10	17.55	16.75		
	Average		22.82	20.09	17.39		
Net Worth per	before Distribution		43.53	41.11	42.28		
Share	after Distribution		42.53	41.11	Not Applicable		
	Weighted Average Number of Shares		195,531	195,531	195,531		
Earnings per Share			thousand shares	thousand shares	thousand shares		
Share	Earnings per Share		(0.62)	(1.19)	(0.45)		
	Cash Dividends		1.00	_	Not Applicable		
Dividends per	Share	Share Allotment by Earnings	_		Not Applicable		
Share	Allotment for Free	Share Allotment by Capital Reserves		<del></del>	Not Applicable		
	Accumulated Unpaid Dividends		_	<u>—</u>	Not Applicable		
Analysis of	PER (Note 1)		Not Applicable	Not Applicable	Not Applicable		
Return on	PDR (Note 2)		22.82	Not Applicable	Not Applicable		
Investment	Cash Dividend	Yield (Note 3)	4.38%	Not Applicable	Not Applicable		

Note 1: PER=Current Average Closing Price per Share/Earnings per Share.

Note 2: PDR=Current Average Closing Price per Share/Cash Dividends per Share.

Note 3: Cash Dividend Yield=Cash Dividends per Share/Current Average Closing Price per Share.

Note 4: The 2021 loss make-up proposal was approved by the board of directors on May 13, 2022, but not resolved yet by the Shareholders Meeting.

Note 5: Net worth per share, earnings per share will be measured in compliance with the regulations of IFRS.

## (VI) Dividend Policies and Execution of the Company

1 Dividend Policies Defined in the Articles of the Company:

According to the provisions of the Company's Articles, in addition to the applicable laws and regulations otherwise, if the Company has profit before taxes in the year, the Company should make an attribution from the profit before taxes: (1) No less than 1% of employees' remuneration (including employees of the Company and/or affiliate employees) (hereinafter referred to as "ER"); and (2) No more than 3% for Directors' remuneration. However, if the company still has cumulative losses, it will be reserved as a compensation in advance. The employee remuneration in the preceding paragraph can be obtained by stock or cash; the directors' remuneration is only available in cash.

In accordance with the laws and regulations of British Cayman Island and applicable laws and regulations, the first two items shall be adopted by resolution of a board meeting with more than two-thirds of the directors present, and approved by more than half of the directors present. They shall be reported to the shareholders at the shareholders' meeting after the resolution of the board meeting.

Except as otherwise provided in the applicable Acts and Article 47 of the Articles of Corporation of the Company, if the Company's annual total final accounts have earnings (after the pre-tax profit is paid according to the preceding paragraph), the Board shall formulate the Earnings Distribution in the following manner and in the following order. Submitted to the shareholders meeting by ordinary resolution:

- (1) The tax payable in accordance with the law;
- (2) Compensate for the accumulated losses of previous years (if any);
- (3) 10% of the legal reserve is required by the applicable law, but exception is made if the legal reserve has reached the Company's paid-in capital;

- (4) Applicable by law or by the competent authority to provide special earnings reserve; and
- (5) According to the amount of the current year's earnings after deducting the above items (1) to (4), the accumulated undistributed earnings in the previous period are the available earnings. The available earnings can be distributed through the Board Meeting and then submitted to the Shareholders General Meeting. Applicable decrees are assigned after ordinary resolutions.

The Company's dividend policy shall take into account the current and future industrial prosperity, the demand for funds, and the financial structure. With regard to the distributable surplus, other than the portion reserved at the discretion of the board meeting after considering the financial needs and circumstances of the Company, the remaining distributable surplus may be distributed in the form of stock or cash dividend, and the cash dividend shall not be less than 10% of the total dividend.

2 Current Dividends Distribution Resolved:

On the compensation of the Company's 2021 loss, the board meeting on May 13, 2022 decided to make up the loss with unappropriated retained earnings, and will be submitted to the Shareholders General Meeting for further approval.

- 3 Descriptions for Expected Material Variation: None.
- (VII) Influence upon Operational Performance and Earnings per Share by Draft on Shares Allotment for Free of Current Year

The Company's 2021 annual earnings distribution approved by the Board on May 13, 2022, does not distribute stock dividends, so this item is not applicable.

- (VIII) Remunerations for Employees and Directors
  - 1 Proportion or Range of Remunerations for Employees and Directors Defined in Articles of Incorporation:

According to the provisions of the Company's Articles, in addition to the applicable laws and regulations otherwise, if the Company has profit before taxes in the year, the Company should make an attribution from the profit before taxes: (1) No less than 1% of employees' remuneration (including employees of the Company and/or affiliate employees) (hereinafter referred to as "ER"); and (2) No more than 3% for Directors' remuneration. However, if the company still has cumulative losses, it will be reserved as a compensation in advance. The employee remuneration in the preceding paragraph can be obtained by stock or cash; the directors' remuneration is only available in cash.

- 2 In the current period, the company estimates the basis of the remuneration for the employees and Directors, the calculation basis for the number of shares remunerated by the stocks, and the accounting for the difference between the actual distribution amount and the estimated number of shares:
  - 2.1 For the proportion or scope of remuneration for employees and Directors as defined in the Articles of Incorporation of the Company, please refer (VIII).1.
  - 2.2 In the current period, estimate of the basis of the remuneration for the employees and Directors, the calculation basis for the number of shares remunerated by the stocks, and the accounting for the difference between the actual distribution amount and the estimated number of shares.
    - 2.2.1 After the end of the year, if there is a significant change in the amount of the resolution ratified through the Board Meeting, then the change is adjusted to the original accounted annual fee. At the date of the resolution of the Shareholders Meeting, if the amount still changes, it shall be treated according to the accounting estimates and adjusted in the resolution of the Shareholders Meeting.

- 2.2.2 If the Shareholders Meeting decides on the method of employee bonus distribution, the share number of stock bonus is determined by dividing the amount of dividends by the stock market value. The stock market value refers to the closing price of the day before the resolution of the Shareholders Meeting (after considering the impact on the equity of exdividend), whereas prior to the listing of the Company, it is based on the net value of the latest financial report audited by an accountant.
- 3 Ratification on Remuneration Distribution through the Board
  - 3.1 The Board of the Company passed a resolution on MAR 30 2022 that the proposed staff is entitled to remunerate NT\$788,000 and the Directors remunerate NT\$0. The employee bonus and Directors' reimbursement are increased by NT\$1,000 compared with the original estimate. After the approval of the Shareholders Meeting in 2022, it is intended to be recognized in the profit and loss of year 2022 according to the principle of change in accounting estimates.
  - 3.2 The amount of employee remuneration via stock distribution and its proportion in the total amount of after-tax net profit and employee remuneration in the current entity or individual financial report: Not applicable.
  - 3.3 The basic earnings per share after considering the proposed bonus distributed to employees and Director as remuneration:None.
- 4 In the previous year, the actual distribution of employees and directors' compensation shall be different from the recognition of employees and directors' compensation. The number of differences, reasons and treatment shall be stated:

The Company's 2020 financial statements recognize that employee bonuses and Directors' remuneration are NT\$0 and NTD\$0, respectively. The employee bonus and Director's remuneration allotted by the Shareholders Meeting are NT\$0 and NTD\$0, and there is no difference.

## (IX)Shares Repurchase of the Company:None

- II Corporate Bonds (including oversea corporate bonds) Treatment: None.
- III Preferred Stock Treatment: None.
- IV Overseas Depositary Receipt Treatment: None.
- V Employee Stock Option Certificate Treatment: None.
- VI Treatment of Restriction of Employee Rights to New Shares: None.
- VII Treatment of Merging or Granting Shares of Other Companies to Issue New Shares: None.
- VIII Treatment of Funds Operation Plan: NA.

#### IX Business Contents

#### (I) Business Scope

## 1 Major Contents of Owned Business

The Company is currently engaged in the department store retail business, which is mainly engaged in the department store retail business. The main sales categories are apparel, jewelry, cosmetics, footwear, sporting goods, household and others, etc. Join catering, supermarkets, beauty salons, women's spas, children's play, dance classes, cinemas and other services supporting projects and online retail business. At present, the main sales area of the Group is China's second-tier and third-tier cities, while the terminal sales customers are mainly general consumers. At present, the main revenue sources of the Group are divided into three categories, including counter joint income, counter direct income and rent, other income and management consulting fees •

## 2 Main Products and Operation Weight

Currency: NTD (thousand); %

Main Products	Year 2020		Year 2021	
Main Froducts	Amount	Rate (%)	Amount	Rate (%)
Joint Counter	1,512,406	31.57%	1,695,646	32.87%
Direct Counter	1,685,987	35.19%	1,546,443	29.97%
Rent, other income and management consulting fees	1,592,471	33.24%	1,917,336	37.16%
Total	4,790,864	100.00%	5,159,425	100.00%

#### 3 Current commodities of the company: Same as 1.

New products and services for future project development: Continue to increase product mix and brand richness; increase cooperation with market-active online red brands, increase catering service support; interact with customers; develop management store model, increase management Consultant fee income. Take the opportunity of the grand opening of the Shanghai 1000 trees project to explore new fields and models; make full use of the Group's new membership system to realize the hierarchical management of members so as to increase the consumption loyalty of customers; continue the role of the Investment Banking Department to conduct feasibility research and analysis on brands and companies related to catering, retail department stores and shopping centers, and screen potential and high-return brands and companies for investment.

#### (II) Industry Overview

#### 1 Current Status and Development of the Industry

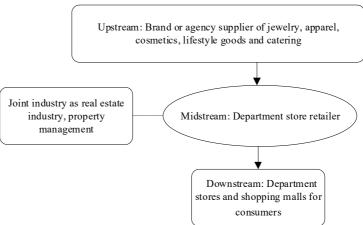
In 2021, the mainland's GDP reached RMB114 trillion. After deducting the inflation factor, the actual growth rate was 8.1%, with an average increase of 5.1% in two years. Compared with the growth rate of 6.1% in 2019, the growth rate gap of 1 percentage point roughly represents the impact of the pandemic. The bright macro information seems to mean that the risk is disappearing gradually. However, although the macro is bright, the micro is difficult.

According to the monthly data of December 2021, the total retail sales of social consumer goods increased by only 1.7% in a single month, the lowest in the year, with negative growth month on month, while catering consumption had negative growth for the second consecutive month. From the perspective of commodity sales of enterprises above the quota, the sales of cosmetics, clothing, gold and jewelry related to residents' life decreased significantly, indicating a lack of effective domestic demand. The overall recovery of physical retail is poor. According to the data released by the all China Business Information Center, the retail sales of 100 key large retail enterprises (mainly

department stores) in China increased by 8.2% year-on-year in 2021. Considering the growth rate of -13.8% in 2020, the retail sales of the 100 key large retail enterprises actually decreased by 6.7% compared with that in 2019.

2 Relativity between Upstream, Midstream and Downstream of Retail Industry

The Company is specialized at department store marketing, where the main business is to lease commercial real estate and set up department store floor space to provide trading space for brand operators and end consumers. Main operation mode: The Company cooperates with real estate and property companies to complete the establishment of department store space, and then introduces department store counters to the upstream brands or their distributors to sell commodities to consumers. Therefore, the related map of the industrial upstream, midstream and downstream of the Company is shown as follows:



Information Source: Yuanta Securities

3 All kinds of development trend of products

As a pillar industry of economic development, the retail industry is the supporting element of the normal cycle of the national economy, and an economic business form closely connected with the consumer, with important strategic and practical significance in building a new development pattern. The development trend of department store retail is also divided into the following points:

- (1) Increase the digital infrastructure of physical retailers and promote the retail industry's digital transformation. In the future, retail enterprises will pay more attention to the construction of the back-end digital supply chain, and analyze the accumulated massive data of different channels through data and algorithm decision-making, so as to provide more accurate distribution, replenishment and transfer decisions. Through the decision-making of supply mode (supply time, quantity and cycle), the inventory can maximally meet the needs of users, and the inventory turnover time can be controlled within a certain range to reduce the inventory risk of the enterprise.
- (2) Make great use of the favorable factors of the policy for vigorous development. For example, promoting imports and reducing tariffs are conducive to the commodity upgrading and price reduction of department stores. In addition, the E-commerce Act also restricts the disorderly development of overseas purchasing agents and promotes the return of some of our high-end commodities. Generally, the direction of consumption upgrading is for sure; it is constantly personalized and becoming entertaining, or it can be said that there is a space for personal preferences. Therefore, on the whole, department stores have a good space for growth.
- (3) Strengthen the combination of online and offline sales, and use online tools more offline. These include public accounts, applets, community marketing, app and so on. The means have been diversified, and many aspects have been realized in terms

- of functions. There are also obvious cases of not only the functions of commodity query, ordering, logistics, member maintenance, points, coupons, stored value cards and so on.
- (4) Increase experiential consumption. In the face of the generations of post-95s and post-00s in pursuit of experience or fashionable lifestyle, this kind of IP, art, culture, entertainment, catering, covering both parents and children, will be increasingly integrated into department stores.
- (5) Give full play to the advantages of regional department stores in all aspects. Regional department stores have some unique advantages. For example, its mechanism is relatively flexible. It is generally private, and can adapt to the region's characteristics. Its brand image in the region is relatively good; at the same time, it is also a local fashion shopping center, and everyone is willing to come here to buy fashion and high-end consumer goods. Therefore, these regional department stores are constantly innovating, and we have seen many examples. Despite the generally poor market, our regional department stores still maintain relatively rapid growth in sales and profits.
- (6) The boundary between department stores and shopping centers has become increasingly blurred, especially in some department stores, community shopping centers and urban shopping centers, and it is now difficult to distinguish the boundary between them. Recently, the Chang'an Department Store and the Chang'an Shopping Mall in Beijing are being transformed toward community shopping centers. Therefore, in terms of direction, shopping centers have the trend of becoming department stores, and department stores becoming shopping centers. The boundary between the two has become more and more blurred.
- (7) Comprehensively improve the skill quality and income level of retail employees. With retail information and technology requirements, the demand for retail professionals will gradually increase. To this end, we should strengthen policy support and further improve the retail industry's professional quality and skill standards. We can set up a training fund for the retail industry and strengthen the training of skilled talents in the retail vocation, which is specially used to improve the employment skills and professional quality of employees in the retail industry; establish a complete retail talent evaluation system and improve the professional level of employees; establish and improve the comprehensive performance appraisal mechanism and give full play to the subjective initiative of employees; establish a sound employee promotion mechanism, optimize the age structure of the enterprise, retain high-level professionals to the greatest extent, and consolidate the foundation of the industry.

#### 4 Competetion

According to the monitoring statistics of Linkshop, the total sales of the flagship stores under 52 retail trading enterprises in China exceeded RMB300 billion in 2021. The performance of 39 shopping malls increased year-on-year, three declined and four were basically flat. Among them, 35 shopping malls achieved double-digit growth, accounting for 67.3%. From the perspective of flagship stores, among the 52 flagship stores, there are 38 shopping centers, 8 department stores and 6 outlets. Shopping centers are the absolute main force, and the same is true in terms of performance. The total performance of 38 shopping centers in 2021 was nearly RMB240 billion, accounting for about 80% of the total performance of the sample. Among them, seven have achieved more than RMB10 billion, including Beijing International Trade mall, Nanjing Deji Plaza, Shanghai IFC, Shanghai Henglong Plaza, Wuhan Wushang Moore City, Shenzhen Vientiane City and Guangzhou Swire.

Compared with 2020, the capacity of the RMB10 billion achievement corps in 2021 has been greatly expanded from 5 members to 9 members. The top combination of the high-end commercial pyramid composed of Beijing SKP, Beijing International Trade Mall and Nanjing Deji Plaza is still strong. Wuhan Wushang Moore city (RMB15 billion) and Guangzhou Swire Exchange (RMB10 billion) successfully ranked among the top 10 on the list. This year, there is the RMB20 billion club for the first time, and a total of three shopping malls have entered the list at the same time, namely Beijing SKP, Beijing International Trade Mall and Nanjing Deji Plaza. Among them, Beijing SKP has once again won the throne of the most profitable shopping mall in China with a performance of nearly RMB24 billion.

Shanghai IFC has the highest growth rate in terms of performance growth, reaching 68.18%, reaching nearly RMB18.5 billion in 2021. Among the high-end shopping malls, the growth rate of Shanghai Henglong Plaza also reached 55%, only second to the Shanghai IFC. Among other flagship stores, Wujin Wuyue Plaza in Changzhou achieved 57.85% growth, and Hangzhou Binjiang Baolong City also recorded a high growth of 55%.

Flagship department stores also performed well in the past year. The lineup of eight golden department stores composed of Beijing SKP, Hangzhou Building, Xinjiekou Store of Nanjing Central Shopping Mall and Hangzhou Wulin Yintai scored more than RMB60 billion last year. There are only 6 outlets on this list. Shanghai Qingpu Bailian Outlet, which has been open for 15 years, has the highest performance, ranking first in the national list of outlets in 2021 with RMB5.5 billion and a year-on-year increase of 46.5%. In 2020, Li Ling, consultant of Linkshop, once pointed out that due to the impact of the pandemic, overseas travel is limited, consumption returns, and consumption in department stores and luxury stores is rising rapidly. This batch of consumption will remain in China in 2021 and will continue to rise. At that time, she said that M-type consumption would become more typical in 2021.

From the list of flagship stores in 2021, the top shopping malls still fared well in the past year, benefiting from the rising trend of domestic luxury consumption. According to the performance report of Hang Lung Real Estate in 2021, driven by the strong performance of high-end shopping malls in the mainland, the overall rental income of Hang Lung Real Estate and Hang Lung Group increased significantly by 16% and 15% to HKD10.321 billion and HKD10.919 billion respectively. The operating profit increased by 16% to HKD7.462 billion and HKD7.898 billion, respectively. The rental income of all mainland shopping malls under Hang Lung increased by 25% year-on-year, of which the rental income of high-end shopping malls recorded double-digit growth. The retail market of high-end products maintained a steady performance throughout the year, and the sales of tenants also increased by 33% to 89% year-on-year. As the representative of Shanghai Dingshe Shopping Center, the rental income of Shanghai Henglong Plaza exceeded RMB1.7 billion in 2021, a year-on-year increase of 25%. On the list of flagship stores, Shanghai Henglong Plaza recorded a high income of RMB15.5 billion last year.

In addition to Hang Lung, Hong Kong developers such as Sun Hung Kai, Swire Real Estate and Wharf have made good achievements in high-end shopping malls in the mainland in the past year. This is undoubtedly closely related to the high growth brought by the continued stability and prosperity of the mainland retail market. The mainland market has become the most important market for major Hong Kong funded real estate enterprises.

#### (III) Technology and R&D Overview

Our group is general merchandise retail business. There is no flaw in the development and manufacture of products. Our management team, department heads and store managers all have 10 to 20 years of experience in retail and department stores. With extensive

experience in marketing, business recruitment and adjustment and location selection, we have been developing and nurturing a young talent pipeline over recent years for stores and corporate management. During the past two years, we have recruited many management trainees from key universities. Under our development program, they have become an important workforce in our shops and Unbounded Retail Department. For the future expansion of our Company, we shall further reinforce the development, training and education of human resource by recruiting and retaining excellent retail talents. Then we are able to enrich our stores and improve the level of management.

## (IV) Long-term and Short-term Business Development Plans

- 1 Short-term Business Development Plans of the Company
  - 1.1 Rising the training, and implement customer service for providing a caring consumer environment.
  - 1.2 Creating new ideas for consumption. Enrich service content. Improve VIP customer loyalty.
  - 1.3 We continue our promo campaigns in the established Weibo and WeChat fan groups and we are seeking to generate sales in live streaming apps such as memore, Douyin and Kuaishou. We continue to explore ways of interactive services via the industry of internet and develop a diversity of e-payment mechanisms to enhance customer stickiness. •
  - 1.4 Reducing non-core business. Gradually implement the upgrading of traditional department stores. Focus on improving customer service and internal control to ensure the company's operating efficiency.
  - 1.5 Providing customers with a diversified and convenient way of settlement. Replace manual reconciliation with new technology. Reducing labor expenditure in short term for attraction customers. We can improve operational performance and reduce operating expenses.
  - 1.6 Pay attention to the adjustment, modification and upgrading; based on the environment's own characteristics and characteristics, locate the consumer group, formulate appropriate adjustment, modification and upgrading plans, and upgrade the cooperative brands.
- 2 Our mid-long term business development plans.
  - 2.1 Deeply cultivate the existing market for improving customers loyalty.
  - 2.2 Keep expanding new markets. Increasing market share and brand influence.
  - 2.3 Launch a new membership system to realize the hierarchical management of members and increase the loyalty of consumption.
  - 2.4 Continue the role of the investment banking department, increase the scope of the Company's investment business, grow and participate in management by using the existing stores and large group platforms.
  - 2.5 Continue the development department's role and explore better and more appropriate projects for "the third venture" and "building another Grand Ocean".
  - 2.6 Adjust brand structure. Keep improving brand positioning.
  - 2.7 Actively cultivate professional talents. Keep the competitiveness of our group.
- 3 Competitive Strategies

The Group has two different development patterns due to different orientations, which are Grand Classic and Grand Ocean, respectively, where the former aims at highend boutique markets, when the latter aims at fashionable department stores, for different cities and different commercial areas. After the market survey, we can promptly find the appropriate orientation to enter the markets for the Group. Meanwhile in 2018, we commence involving shopping mall as well as underground shopping area surrounding rail transport. The Tianan 1000 trees project of Grand Ocean 1000 trees, which was grandly opened on December 22, 2021, is the perfect beginning of Grand Ocean's great vision of "creating another Grand Ocean".

In addition, we shall continue to maintain the second-tier and third-tier cities' deepplowing strategies and the growth advantage, aiming to become the regional retail leader, fully grasping the consumer dynamics, controlling the market share, improving the business performance, and at the same time seeking the suitable purchases or negotiate management store opportunities to expand our operations in a timely manner. The Company launched the new membership system again in mid-2021 to realize the hierarchical management of members, realize precise consumption and refined management, which greatly increased the consumption loyalty; continue the advantage of the investment banking department, conduct feasibility research and analysis on the high-performance brands in retail department stores and shopping centers in the industry, such as popular catering and other related brands and companies, and select potential and high-return brands and companies for investment. Continue to play the role of the Group's boundless retail, launch the data analysis app, realize the multi-dimensional analysis of the Group's relevant business data, and achieve the goal of grasping the sales dynamics in real-time by the Group's managers.

## 4 Business Target

#### 4.1 Create a new retail landmark of humanities, art and innovation

People's demand for art is also increasing with the progress of the times. Shopping malls can provide certain artistic elements for customers to browse, and are an important means to meet consumers in the new era, especially those in the Z era. Therefore, we should inject art, culture and even elements of historical value into the malls like 1000 trees, so as to break the current store stereotype in the industry. The so-called innovative retail is to innovate the brand layout in the store. Abandon the traditional passive consumption that only sees customers' wallets without considering customers' needs, but provide a feast of spirit, vision, hearing and other senses to let consumers actively consume, which is the charm of innovative retail. In terms of layout, we should think about customers rather than stores. This positioning has been divorced from the framework of traditional retail malls. We need to change our ideas and learn what we didn't understand in the past with an open mind. We stand out only when we know more about humanities, art, and innovative retail than our competitors in the same industry.

## 4.2 Be a leader in consumption, experience and lifestyle

The new way of life includes all aspects of people's material and spiritual life, such as clothing, food, housing, transportation, application, labor, work, rest, entertainment, social culture and dealing with people. It is related to consumption and experience and is a large category and concept. 1000 trees's success lies in leading consumers to experience products with high aesthetics and strong artistry to make consumers see what they did not see, broaden their horizons, and let them enjoy consumption. We should deeply study the lifestyle of the new era and of successful people, and lead consumers into a new lifestyle by decorating the store atmosphere. We should not only lead, but also explore the future. Our planning activities should not always rely on subsidies, discounts and price reductions. Instead, we should deeply study lifestyles on the basis of traditional activities and provide new lifestyles, covering all aspects of places, contents, goods and services. Grand Ocean has been a leader in the retail industry since its establishment in 2002, and now we should actively strive to be a leader in new lifestyles. We should understand new lifestyles, study new lifestyles and lead new lifestyles.

## 4.3 Add experiential and immersive shopping scenes

Facing the impact of e-commerce, new retail has come into being. The physical retail industry burst out new vitality by strengthening experiential consumption and integrating online and offline resources. Experience is the soul of new retail, both an atmosphere and a layout. If a store wants customers to

consume, it must have the layout of experience content and change the traditional pattern of making sales for the sake of sales. At present, new changes are taking place in consumer demand, and consumers welcome more personalized, participatory and interactive consumer activities. We should let consumers come here to make friends, improve themselves and spend time. Shopping malls should not only be positioned to be places for consumption but also a form of spiritual enjoyment. Yoga, beauty, fitness, games, online celebrity, drinks, bars, KTV, children, games, technology, exploration, art, lectures and many other business formats can be used to improve the store experience atmosphere and provide services for customers, so that consumers can expand the popularity and influence of the mall in the form of online sharing while obtaining a good shopping experience. The new business model dominated by experience has gradually changed the physical retail industry. As a shopping mall, Grand Ocean should actively embrace new business forms in order to make young people more willing to enter the shopping mall and find new breakthroughs in operation.

4.4 Hierarchical management of members to increase the loyalty of VIP customers

In the process of digital transformation of the Group, one of the key points is how to give consumers a portrait and stick a label. Grand Ocean's original membership system can digitally describe a consumer, but the way to collect customer information also depends on the cashier system of the store. Due to the system's fragmentation and regional restrictions, the digital label constructed in this way cannot be shared by members among different stores, and it is difficult to communicate online and offline. On the basis of absorbing the experience of peers, Grand Ocean integrated the original independent membership system of each store into a unified membership system of the Group on July 1, 2021, and built a customer-centered membership system that integrates the whole pipeline and platform to improve the shopping experience. After the unification of members, consumers' consumption data in multiple stores are integrated into one card, and they can enjoy membership rights and interests in different stores at will. In addition, compared with the previous member system, which pays more attention to attracting new members, the upgraded member system pays more attention to improving the value of existing members and implementing hierarchical member management; the planning expenses are no longer arbitrarily subsidized, but different treatments are given to members of different levels to bid farewell to the undifferentiated approach in the past, so as to better serve loyal members.

4.5 Continue to cultivate online sales, and realize multi-dimensional comparative data analysis

Since its establishment on March 13, 2020, the Boundless Retail Business Department has worked closely with the O2O Business Department to make the Group's online sales exceed 10%, and the attention and activity of the WeChat mall after upgrading have also been improved. Various stores have also carried out normalized live broadcasting activities; some of these live broadcasts have physical sales, and some increase customers' opportunities to come to the store by displaying the store's contents. At present, the number of members of the Group's WeChat mall has reached 450,000, and the number of Tiktok fans has reached 330,000. These are to be further increased in 2022. Now the data analysis app has been launched. Still, we need to know that the biggest challenge for the intelligent construction of enterprises is not the lack of funds or tools, but the lack of a deep understanding of intelligence and the inability to find the integration point of digital technology and business work. We require the general manager and manager of each store to be proficient in using it. The boundless and o2o parts

should be continuously improved to truly realize the unified management of onescreen management and make the data available for our work. Before the midyear celebration, each store shall use the data analysis computer tool's data chart to explain the ideas, plans, and objectives of the marketing activities in the activity proposal and review the data after the activity. On the day of each scheduled activity, each store should try its best to communicate with the top ten members via WeChat on that day, take the initiative to understand customers' needs and provide high-quality services.

## X Market and Products Selling Overview

- (I) Market Analysis
  - 1 Main Products Sales Region

NTD (thousand); %

Pagion	Year	2020	Year 2021		
Region	Amount	Rate	Amount	Rate	
Asia (China)	4,790,864	100.00%	5,159,425	100.00%	
Total	4,790,864	100.00%	5,159,425	100.00%	

#### 2 Market Share

Grand Ocean prefers business districts with crowds and a mature business atmosphere in store site selection. In addition, through reform and innovation, we have completed the adjustment and brand upgrading of many stores. In terms of investment solicitation, business performance is taken as the axis and the market as the leading factor to select the right target customer groups. With the Millennium generation selected as the important customer source in the future, we have introduced a large number of top international cosmetics to meet the market demand, improve the customer flow, and effectively maintain the stability of business performance.

With the pandemic off and on in 2021, various industries in the mainland were affected, and the impact was especially huge on the physical retail market. The response of the whole industry is to shrink the scope of investment, slow down the pace of development, and adopt a conservative and defensive attitude. Taking customers as the center, we should bring better brands to customers. The Grand Ocean team has deployed a brand upgrading plan of the Group's main stores since the second half of 2020. The first step is for important departments to cooperate with market-leading brands:

In the hard struggle with Zhixin City, our Hefei store won the Chow Tai Fook Hui Jewelria; our Yichang Store introduced the Group's first Chow Tai Fook Hui Jewelria; our Wuhan Store I introduced the latest image stores of Dior and Shiseido and the first store of the popular brand FILA Fusion in Hubei; our Wuhan Guanggu Store introduced Wuhan's first store of Wuhan Laofengxiang "Treasure Gold".

The second step is to actively strive for the groups/brands with eye-catching market performance but not cooperating with Grand Ocean. For example, Hefei Store B1 introduces UnderArmour and Adidas Terrex stores that the Group did not cooperate with before; The Fuzhou Store II opened the first store of the new light luxury brand Tory Burch in Fuzhou.

The third step is to upgrade the top brands that have cooperated with Grand Ocean but still have room for improvement. The Fuzhou Store II comprehensively upgraded the image of high-end watch area; Omega refurbished its class A flagship counter; the Lining counter of Wuhan Store I was upgraded to become the first store with a 570 double deck in the province; the Puma counter was upgraded to the first

store of black label co-branded products; the Mo&Co store was upgraded to the highest level in China.

In addition, we won over popular and high-performance Internet celebrity brands. For example, our South I Store introduced the internet celebrity restaurant "Dongfadao"; our Wuhan Store I introduced internet celebrities "Chyanyuese" and the first store of "Momo Dim Sum Restaurant" in Wuhan; our South II Store launched Lele Tea Drinks; our Yichang Store introduced the Hubei internet celebrities "Xianyin Xiaolu" and "Pangji Barbecue" which Dianping highly recommends; our Hefei Store introduced snack brands with Changsha characteristics, such as "Xiangxialao" and "Sevenbus".

In 2022, the Group's stores will continue to actively look for cooperation with more top brands and the joining of more brands that have not yet cooperated with Grand Ocean to improve the market competitiveness of each store.

- 3 Future Supply and Demands, as well as Growth of Market
  - 3.1 Future Supply and Demands of Market

According to the statistics of Winshang, there are 895 commercial projects to be launched in 2022 with a volume of more than 80 million square meters, and nearly 20 stock reconstruction projects with a volume of more than 2 million square meters. The number and volume of business to be launched in 2022 decreased year-on-year, nearly 20% lower than that in 2021, but still slightly higher than that in 2020. In addition, according to the data of Winshang, by the end of 2021, the number of shopping centers across the country has reached 5,387 with a volume of 475 million square meters. It is estimated that the number will reach 7,500 in 2025 with a volume of about 640 million square meters. China's commercial real estate will be in the era of both stock and increment for a long time, and the stock pressure is increasing day by day

From the perspective of regional distribution, the largest market position in East China is unshakable. It is far ahead with 360, accounting for 40%. The number of proposed new stores opening in Jiangsu is 89, followed by 69 in Shandong and 58 in Zhejiang. From the perspective of urban commercial levels, the high-level (first tier, quasi first tier and second tier) and the lowlevel (third, fourth and fifth tier) almost share the market, and the proportion of low-level cities is even slightly higher than that of high-level cities. From the perspective of urban commercial levels, the high-level (first tier, quasi first tier and second tier) and the low-level (third, fourth and fifth tier) almost share the market, and the proportion of low-level cities is even slightly higher than that of high-level cities. Driven by the upsurge of the concept of "urban micro vacation", outlets are resurging, especially the outlets complex project with the mode of "famous products at a discount + cultural tourism experience" is favored. In the era of commercial real estate stock, the stock transformation market is becoming more and more important. There are nearly 20 stock transformation projects to be launched in 2022. The second and quasi first tier commercial cities are the most concentrated cities, and they are distributed in the third and fourth tier cities. It can be seen that the stock transformation is quite prominent in the high-level cities with concentrated commerce at present. With the sinking commerce, the demand for stock transformation in the sinking market will be gradually released in the future.

According to the statistics of Winshang, the enterprises with the top 15 projects to be launched in 2022 have a total of more than 200 projects, accounting for about 25% of the national total. Although it is slightly lower

than that of last year, the proportion has increased by nearly 5 percentage points (20% in 2020 and 21% in 2021), and the concentration of top enterprises is still increasing year by year.

## 3.2 Change of Future Demands of Market

## 3.2.1 Continuation of Multi-dimensional Adjustment and Upgrading

The market-oriented development of the department store industry rose in the middle and late 1990s after the reform and opening up. It flourished around 2000, and entered the adjustment period under the impact of e-commerce and other business patterns around 2010. Then it relied on its capital for many years, resulting in more arrears in property conditions, soft and hardware and market-orientation standards of the department store. Adjustment and reform have become the theme of department store development in recent years. From business transformation and property renovation to brand adjustment and store redecoration, department stores are more or less adjusting or preparing to adjust. This trend will continue in 2022.

Based on the successful cases and experience of adjustment and reform, department store enterprises should adjust and reform on different scales according to local conditions based on the business district environment, brand positioning and property conditions of each store. Whether it is a major or minor reform, whether it is a business transformation or environmental and commodity upgrading, it should be carried out closely around the target positioning of the enterprise and attract target customers through quality and experience upgrading. Adjustment, reform and operation need to go hand in hand and support each other. The effect of adjustment and reform needs to be reflected in fine operation to a great extent. Some obstacles or difficulties in operation also need to be solved by adjustment and reform.

#### 3.2.2 Commodity Power Is Still the Focus of Department Stores

Commodity power is the core embodiment of the operating ability of retail enterprises. No matter what kind of channels and ways, allowing customers to continuously buy good goods is the driving force and source for the sustainable development of a retailer. Looking back on the department stores with good business performance in recent years, the commonality is that they have characteristics and highlights in commodity management, be it a complete line of cosmetics, or the integration of online and offline commodity prices and services, or a high proportion of high-end commodities and booming consumption. Of course, some stores have introduced catering and patterns for children to enrich the category structure. These experience forms are icing on the cake for shopping malls but never timely help. It is unrealistic to rely on them to change the overall customer flow and performance. Some department stores abandoned the construction of commodity power and greatly increased catering and patterns for children, which is a practice of abandoning the basics.

On the surface, commodity power is due to unattractive prices. Still, behind it, there are comprehensive factors, including image positioning, operation and management mode, a combination of different categories, relationship with brands, supply chain control, and purchasing ability.

In 2022, department store enterprises will enhance their commodity power by various means, including deepening cooperation with brands, expanding self-operated categories, developing private brands, strengthening brand replacement, developing collection stores, and applying digital means.

## 3.2.3 Creating Immersive Consumption Experience

Physical experience and interaction are the fundamental weapons of offline retail and online competition. Experience and interaction are not only limited to the increase of catering, entertainment, children, sports and other projects, but also includes the beautification of display layout, the differentiation of commodity variety and quality, value for money, the perfection of service, and the improvement of service details and efficiency. In the department store industry, every link, contact, and business process has room to improve the consumer experience.

In other words, there are ways to improve customer experience regardless of the size of the store and the hardware. Like the difference between a bonsai and a garden, there is pride in the big and delicacy in the small; through careful creation, both can form a sense of beauty for consumers and become a place to clock in. On the contrary, no matter how good the hardware and how large the scale, if you are careless about customers and have a rough and artificial layout, it will undoubtedly become a place for consumers to dislike. Small area, old hardware and the inability to alter utility facilities are not the reasons for a poor experience. Being careful, responsible and dedicated will greatly make up for hardware defects.

"Immersive experience" is a matching combination of various factors and means. Consumers can feel it in at least some aspects of vision, hearing, smell, taste, and touch to achieve physical and mental touch and pleasure, which is the key to attracting young consumers. Among them, technology and digital means play an increasingly important role.

#### 4 Competition Benefits

#### 4.1 Excellent Geographical Location

Grand Ocean Department Store prefer the business district with massive crowds and mature business atmosphere when selecting the site. For the 15 stores which are in operation for example, currently 9 of them are located at the exit of the newly opened MRT stations. Among them, 5 stores are directly connected to the MRT underground passage, especially Nanjing Grand Ocean Classic Commerical Limited, Wuhan Zhongshan Store, Wuhan Longyang Store and Fuzhou Secondary Store have become two subway line transfer stations, respectively. In addition, 10 department stores are located in mainstream businesses that gather people and cash flow, and have a convenient transportation shopping are. Shiyan Store and Dongjiekou underground shopping streets which are newly opened in 2018 are also both located at the very center of the traditional commercial area in the city. The 1000 trees project, which was launched on December 22, 2021, is located in Suzhou Riverside Art Park, Putuo District, Shanghai.

#### 4.2 Experienced Department Store Management Talents

All of the main management class and the chiefs of each store have 10~20 years of experience in the department store retail industry, and are all well experienced in department store sales, marketing strategy, store selection and management, making us more competitive in the store selection and marketing strategy than the peers; The Group has continuously enriched the retail business team and talent training through multiple business executives and store head competitions; social recruitment of reserve cadres, industry senior lecturer training, and multi-city industry communication methods. At the same time, we pay more attention to the younger, more specialized, and highly educated construction management team

#### 4.3 Years-accumulated Customer Groups

Grand Ocean Department Store has accumulated many years of experience in department store management. Under the continuous improvement of service quality, it has won the trust from the consumers in recent years and established a good brand image and basic customer base. The key reasons are mainly in the contents of the products sold by Grand Ocean Department Store, which are all in line with the needs of consumers, and provide friendly and considerate service quality to meet customer requirements. Under this competitive advantage, we will continue to improve quality management, and establish the retail venues that meet the modern consumer concept, and to attract more young customers to establish a long-term management mechanism and to achieve the goal of sustainable operation.

#### 4.4 Formulate and Implement a Scientific Incentive System

In order to further improve the management ability of managers, clarify the responsibilities and objectives, more effectively achieve the performance and benefit indicators and tasks assigned by the Group, encourage the advanced, spur the backward, and provide the basis for promotion, salary increase, demotion and salary reduction, the Group formulated and tried out the full target responsibility system for managers in 2021. Throughout the Group, the full target responsibility system has a strong incentive effect; many stores have been rewarded for meeting the standards, the target responsibility system of all employees has been implemented, and the reward standards have been made open and transparent. These have greatly stimulated the enthusiasm of all employees of the Group.

## 4.5 Management styles up to date

Grand Ocean has stood at the forefront of the tide for more than 20 years, and the secret is constant self-reflection and keeping pace with the times. We have experienced many crises and overcome many difficulties. Our team has become strong in the process of overcoming difficulties. In view of the unprecedented changes in the current situation, Grand Ocean gives full play to its undaunted spirit, and at the same time, increases the sense of crisis and starts a new venture for the third time; this is the spirit of the post-pandemic era. Grand Ocean should follow Yang-Ming Wang's concept of practice on things and unity of knowledge and action. We should not wait or rely on others, but win the initiative with our own innovation. We firmly believe that we will not be submerged by the trend of the times, but will bravely stand in the forefront of the tide and pursue the future.

#### 5 Merit, Demerit and Countermeasure of Development Prospect

#### 5.1 Merit

5.1.1 China's economy continues to grow, and the potential of consumption continues to raise.

In 2021, China's total retail sales of social consumer goods reached RMB44.1 trillion, an increase of 12.5% over the previous year, and the average growth rate in the past two years was 3.9%. Among them, the retail sales of consumer goods other than automobiles reached RMB39.7 trillion, an increase of 12.9%. With the price factor excluded, the total retail sales of social consumer goods in 2021 actually increased by 10.7% over the previous year. Two years have passed since the outbreak of COVID-19. As China has achieved major strategic results in COVID-19 control and measures, expanded domestic demand, and promoted consumption stimulus, consumer spending rebounded and the market gradually recovered. However, as incidents of COVID-19 came one after another in 2021, they still had a certain impact on people's lives and all walks of life. In the retail industry, the total retail sales of consumer goods in 2021 as released by the National Bureau of statistics in 2022 is divided by consumption type: the catering revenue is RMB4.69 trillion, an increase of 18.6% over 2020, of which the catering revenue in December is RMB484.1 billion, a decline of 2.2%. In particular, physical retailing is gradually picking up. According to industry data, commodity retail reached RMB39.4 trillion, an increase of 11.8%. Among these, the retail spending in December totaled RMB364 trillion, a year-on-year increase of 2.3%. By retail pattern, in 2021, the retail sales of supermarkets among retail units above designated size increased by 6.0% over the previous year, and the retail sales of department stores, specialty stores and chartered stores increased by 11.7%, 12.8% and 12.0% respectively over the previous year. Statistics show that the consumption of commodity retail and catering services continued to recover compared with the previous year.

#### 5.1.2 Stronger Online Sales Day by Day

In 2021, the online retail market maintained steady growth, and the online retail volume in the mainland reached RMB13.1 trillion, a year-on-year increase of 14.1%. Among them, the online retail sales of physical goods reached RMB10.8 trillion, an increase of 12.0%, accounting for 24.5% of the total retail sales of social consumer goods. Among the online retail sales of physical goods, food, clothing and consumer goods increased by 17.8%, 8.3% and 12.5%, respectively. Online retail plays an increasingly important role in promoting consumption, stabilizing foreign trade, expanding employment and protecting people's livelihood, and has contributed new vitality to the formation of a new development pattern dominated by the domestic cycle, which is mutually promoted by domestic and international dual-circulation. Great market potential in the "dual-circulation" economy. The pandemic brought outbound spending by the Chinese consumers back home. The end-end market segment in China bucked the trend and witnessed tremendous growth. This is evidence of the great potential of consumers supporting domestic circulation. In the meantime, the government adjusted multiple policies on a timely basis to release and expand the domestic demand dividend and boost the market confidence. Relying on the domestic developed logistics system, the total number of express items reached 108.3 billion last year. The Group's Boundless Retail Business Department, based on last year's achievements, has made full use of broadcast platforms

such as WeChat mall, Tiktok and Kuaishou, and has made full efforts in cosmetics, specialty foods, clothing, accessories and household items. Online sales accounted for over 11% of the current turnover, and the online performance was gratifying.

## 5.1.3 National Support on Retail Reform

In 2020, the term "Demand-side Reform" was mentioned in China, emphasizing the importance of technology and the stable development of the property market. The Political Bureau of the Central Committee has spoken many times in its meetings about new infrastructures and technological innovations. "Demand side Reform" will pave the way for mega circulation in China, with gradual and structural change on the demand side. Demand side reform centers on the expansion of domestic demand, the upgrade of investments, and the development of investments. This will benefit sectors such as strategic technology, emerging consumer industries and new energy vehicles. It implies the shift to a domestic demand driven by consumers. Going forward, the distribution system will be enhanced, by encouraging the consumption of key products and improving the consumption environment, in order to better support public finance. The tangible measures include the increase of incomes to the lowincome groups, higher penetration of cars in rural areas, replacement of old home appliances, relaxation of restrictions on relocation and purchase of cars, and development of the after-sale market for cars. Meanwhile, the construction of infrastructures such as 5G, data centers and charging points will be stepped up. All these policy dividends will eventually materialize in the retail market. In 2021, the work report of the Chinese government released the policy signal in the consumption field: adhere to the strategic base point of expanding domestic demand and fully tap the potential of domestic consumption. These are around issues such as "promoting consumption", "new consumption," and "expanding domestic demand", and focus on how to improve high-quality national consumption and expand and upgrade new consumption patterns. With the establishment of the new development pattern of dual-circulation, consumption will become the road to high quality.

## 5.1.4 Excellent Brand Images

Since its establishment in 2002, Grand Ocean Department Store has been developing retail industry. It has accumulated many years of practical experience in department store operations. It has successively expanded its position among the riverbanks of Yangtze River and gradually expanded its business scope. All of them have excellent sales performance, trusted and affirmed profoundly by the China consumers. The successful launch of the new Grand Ocean 1000 trees project has attracted the customer flow in Shanghai and even the whole country, and won the top attention.

## 5.1.5 Experienced Department Store Management Talents

The Company's main management segments (such as managers of each department, etc.) and its stores have a total of 10 to 20 years of experience in the department store and retail industries, and well-experienced in department store sales, marketing strategies, shop selection and management, which makes the Company more competitive in terms of store selection and marketing strategies than

its peers. Furthermore, the excellent management talents can enhance the service quality of the group and provide our consumers with a more comfortable shopping environment. The competitive advantage of the talents is that in the current situation of the department stores, it is impossible for other department stores to reach it within a short time.

#### 5.2 Demerit

## 5.2.1 Cost pressure continues to rise

In addition to the continuous increase in rents and labor that are common in the retail industry, the cost pressure of the department store industry also includes: the new cost of store adjustment; the cost of artistic beauty and the new cost of experience marketing such as IP; Online selling incurs extra operating costs for collaboration with internet celebrities on different platforms, and increased costs due to the application of new technologies, including passenger flow collection, data analysis, and the introduction of marketing and drainage tools.

#### Countermeasure:

In response to the increase in China's domestic basic wages, the company is committed to employee education and training, strengthening human development and talent cultivation, in order to rapidly improve the competitiveness of talents and the use of human resources, thereby reducing the needs of manpower in operating activities. On the other hand, the Company had successively introduced various electronic systems, introduced a multi-channel payment model, and achieved over-the-counter payment. By investing in new technologies, it can not only provide customers with better services, improve accounting accuracy, but also effectively reduce the background manpower expenditure. Expenses for online selling can be reduced with cost-sharing with branded product suppliers and signing contracts with live streamers.

5.2.2 Expanded branches in the same industry and the development of shopping centers, making the competition in department store retailing fiercer than ever.

Due to the rapid development of China's commercial real estate market, department stores have gradually expanded their branches. In addition, large-scale composite retail stores, shopping malls, chain convenience stores, chain convenience supermarkets and online shopping have joined and split market, diversion of customers and reduction of supplier resources, making it more competitive than ever and increasing the pressure of the Company.

#### Countermeasure:

In addition, to enhance the competitiveness of each store, the Company shall continue to strengthen the customer service. In line with the principles of service priority to be reluctant to satisfy the customers, and to constantly adjust the business models, reposition and modification, and strengthening cross-industry cooperation by strategy in response to changes in consumer behavior. With clear and good store planning, more precise market segmentation and marketing strategy planning, creating the barriers from other market formed by the peers to ensure the market share. Successful launch of

the Grand Ocean 1000 trees project -- Winning the first battle of the strategy of rebuilding Grand Ocean. It has attracted the customer flow in Shanghai and even the whole country, and won the top attention. It has not only won wide acclaim on the Internet, but also conforms to the rise of the clock-in culture. The positioning, management and operation of 1000 trees have provided valuable experience for large shopping centers of Grand Ocean, which is of strategic significance.

#### 5.2.3 Internet and Variance of Consumer Habits

Due to the development of the Internet and mobile networks, consumers are provided with convenient and fast consumption channels, creating a new consumption pattern that gradually erodes into the traditional consumer channel market. At the same time, the challenges brought by the pandemic have led to the reduction of customer flow, the change of consumers' shopping behavior and the change of customer groups of business circles. Through the integrated operation of the new member system and the analysis of VIP customers' big data, we can deeply grasp customers' shopping habits and needs, and strive to increase novelty, fashion, pleasure, value addition and other experiential services, so as to improve customers' satisfaction and activity, and establish a strong connection with customers to realize the goals of sales and repurchase. Through the activities of online platforms and other mobile terminals, attract online users to complete the links of offline experience and consumption to create a closed loop of online and offline transactions, and establish user connections through social media to complete a one-stop new consumption mode.

## **Countermeasure:**

O2O network marketing (through WeChat, Weibo, Alipay, Meituan etc.), to increase the visibility of the Company in the network, and expand the identity from the network's emerging consumer group. Also, to increase the collection and utilization of VIP customer information, to analyze and to judge consumer shopping habits and preferences. Conducting one-to-one accurate marketing, which will help to enhance consumer experience and raise the loyalty. We established the "Borderless Retail Department" in 2020. Integrate the online and offline channels of the Group, realize the upgrading of the member system, integrate all channels and platforms, and improve the shopping experience of members in the process of digital transformation of the Group. The data analysis app was launched at the end of 2021, which can conduct real-time big data analysis, realize unified data storage and query, and further strengthen intelligent construction.

## 5.2.4 Mounting talent shortage

Given the rapid expansion of commercial property projects, the industry is seeing a talent shortage of different levels, not only in senior managers but also in junior managers, brand buyers, store managers and senior shop attendants.

#### Countermeasure:

Our Company has spared no effort in the training and education of employees, the development of talent pipelines and the enhancement of human resources. Effectively guarantee the steady work progress through measures such as organizational structure adjustment, staffing optimization, personnel capability enhancement and efficiency improvement. The purpose is to quickly improve our manpower competitiveness and human resources utilization efficiency. During the past two years, we have recruited many management trainees from key universities. Under our development program, they have become an important workforce in our shops and Unbounded Retail Department.

(II) Important use of the main products and production process

The Company belongs to department retail industry; therefore, it is not applicable.

(III) Supply of the Major Materials

The Company belongs to department retail industry; therefore, it is not applicable.

- (IV) List of Major Purchase/Sales Customers
  - 1 Information on Major Supplier over the Past 2 Years

The Company belongs to department store retail industry. The products sold are mainly purchased from agents or brand owners. However, the number of brands sold by various department stores can reach 200-600 brands. Therefore, the largest purchase each year in the supplier's purchase is less than 10%, hence there is no information on major suppliers.

2 Information on Major Sales Customer over the Past 2 Years

The Company belongs to department store retail industry. The main sales target is the general consumer, so there is no information on major sales customer.

(V) Production Volume over the Past 2 Years
The Company belongs to department retail industry; therefore, it is not applicable.

#### (VI) Sales Volume over the Past 2 Years

Currency: NTD (thousand)

		Year 2020			Year 2021			
Main Products	Domestic Sales (Note 1)		Foreign Sales (Note1 & Note 2)		Domestic Sales (Note 1)		Foreign Sales (Note1 & Note 2)	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Joint Counter	_	1,512,406	l		_	1,695,646	l	
Direct Counter	_	1,685,987	_	_	_	1,546,443	_	
Rentals and Others	_	1,592,471			_	1,917,336		_
Total	_	4,790,864		_	_	5,159,425		

Note 1: As the Company belongs to department store retail industry, the nature of sales products is too different, hence the sales volume information is not counted.

Note 2. Foreign sales mean the sales are output to the regions besides China.

XI Number of Employee in the Past 2 Years

Yea	Year		2021	2022/3/31
	Manager	16	16	16
Number of Employee	General Employee	1,402	1,325	1,317
	Total	1,418	1,341	1,333
Age in Av	rerage	36	36.43	36.71
Average Year	of Service	7.2	8.14	8.13
Academic	Ph.D.	0.00%	0.00%	0.00%
Education Distribution Rate	Master	0.78%	1.04%	1.05%
	Bachelor	62.76%	65.55%	65.79%

Year	2020	2021	2022/3/31
Senior High School	24.75%	22.45%	22.28%
below Senior High School	11.71%	10.96%	10.88%

## XII Information on Green Expenses

The Company belongs to department store industry, as being a non-production enterprise, no facility equipment nor emission permit application requirements, and is not subject to the possibility of environmental protection agencies; hence, there are no major environmental issues or expenditures.

#### XIII Labor Relations

(I) List the company's employee welfare measures, education, training, retirement system and the implementation status thereof, as well as the agreement between labor and management, and various employee rights maintenance measures.

## 1 Employee Welfare

In addition to the various welfare measures, the Group has a special department responsible for planning and implementing employee benefits to promote the development of the company's human resources. At present, the Company provides employee insurance benefits measures in addition to the employee's medical insurance, basic employee pension insurance, unemployment insurance, employee injury insurance, maternity insurance and housing provident fund, as well as personal accident insurance. In addition to the insurance and welfare measures, the employees of the Group also enjoy welfare measures such as company feeding (employees at department stores), paid holidays, birthday cake coupons, health checks and condolences, and enjoy the festival bonuses during the Spring Festival and Mid-Autumn Festival. Bonus and year-end bonuses are determined based on the quarterly performance of each store and the approved level of personnel assessment.

#### 2 Education and Training

In order to improve the quality and work skills of our employees, and to strengthen the efficiency and quality of work, the Company has compiled a budget for education and training expenses for employee training. Each department store arranges new employee induction training and professional skills training, where in 2021 there had been 140 sessions of New Employee Induction Training completed, of which there had been 269 trainees; 139 sessions of New Shop Assistant Training completed, of which there had been 2,945 trainees; 138 sessions of Professional Skills Training completed, of which there had been 2,936 trainees. (Among them, 9 training sessions of service awareness and etiquette training of compulsory courses were held, with 199 person times trained; 13 training sessions of detailed explanation of daily floor work [including 50 confirmations] were held, with 217 person times trained; 11 training sessions of consumer psychology were held, with 240 person times trained; 8 training sessions of sales techniques and speaking skills were held, with 160 person times trained; 5 training sessions of shopping mall related regulations were held, with 278 person times trained; 11 training sessions of customer complaint skills were held, with 237 person times trained; 11 training sessions of live broadcast preparation and online after-sales service were held, with 251 person times trained; 12 training sessions of new consumption trends and services were held, with 296 person times trained; 11 training sessions of application of business negotiation skills were held, with 205 person times trained; 11 training sessions of boundless retail and active big data were held, with 214 person times trained; 12 training sessions of official document writing standards were held, with 263 person times trained; 11 training sessions of methods and skills of special industry investment promotion were held, with 146 person times trained; 3 training sessions of CAD basic (building management) of elective courses were held, with 79 person times trained; 3 training sessions of new planning and marketing ideas were held, with 48 person times trained; 5 training sessions of onsite construction planning were held, with 77 person

times trained; 1 training sessions of makeup skills were held, with 14 person times trained; 1 training sessions of coffee tasting were held, with 12 person times trained); 11 training sessions of supervisor improvement were held, with 489 person times trained; 116 training sessions of service skills (I) were held, with 387 person times trained; 116 training sessions of service skills (II) were held, with 397 person times trained; 234 CPOS training sessions were held, with 1514 person times trained; 42 online training sessions were held, with 2122 person times trained; 82 training sessions of other subjects were held, with 1820 person times trained. Additionally, outdoor recruitment expo is held at least once per year, to meet our purpose to cultivate extraordinary talents.

3 Retirement System and Implementation

The operating bases of the Company, the various department stores of the Grand Ocean Classic Commercial Group, have paid monthly pensions to the local government finance department accounts in accordance with the "Regulations on Basic Pension Insurance for Enterprise Employees" in the country of operation. And the company assist employees to go through retirement procedures at the legal retirement age of employees in accordance with the law.

4 Labor Coordination

The Company always attaches great importance to employees' rights and interests, and the labor relations are harmonious. The Company attaches importance to the opinions of employees. Employees can directly communicate with the human resources department or appropriate senior executives to maintain good relations. Therefore, no major labor disputes have occurred so far.

5 Various Employee Rights Maintenance Measures

The Company has internal control and various management methods, which clearly define employee rights and obligations and welfare items, and regularly review the welfare content to protect employees' rights and interests.

(II) Explanation on the losses suffered by the Company due to labor disputes last year, and as of the date of Publication of Annual Report, and disclose the current and future estimated amounts and corresponding measures. If it cannot be reasonably estimated, the facts that cannot be reasonably estimated should be stated.

The Company's group has a harmonious labor relations and respects the opinions of its colleagues. Employees can reflect their opinions at any time through meetings, emails or mailboxes. The labor and management communication pipeline is unimpeded. Therefore, no major labor disputes have occurred so far.

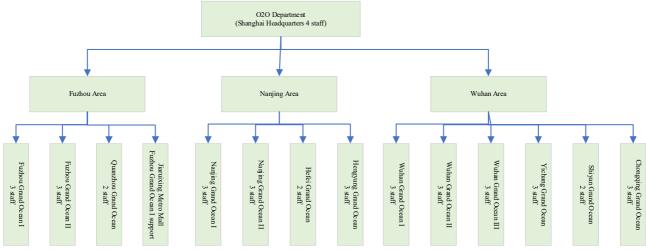
#### XIV Information and Communication Security Management

- (I) Describe the risk management structure of information and communication security, information and communication security policy, and specific management scheme and resources invested in information and communication security management:
  - (1) Risk Management Structure of Information and Communication Security

    The responsible unit of the Company's information security is the
    Information Department, which is responsible for planning,
    implementing and promoting information security management matters
    and promoting information security awareness.

The Audit Department of the Company is the audit unit of information security. Any defect found in the audit will immediately require the audited unit to put forward relevant improvement plans and submit them to the board of directors; it also regularly tracks the improvement results to reduce the internal information security risk.

(2) Organizational Structure of Information Department



## Responsibilities of headquarters O2O:

- A. Research and development of the Group's information system and approval of construction scheme.
- B. Network information security control.
- C. Establishment of store opening system.
- D. Budget, code and coordination.
- E. Technology development and improvement.
- F. Provide technical consultation, technical services and training for stores.

## **Responsibilities of regional IT:**

- A. Front and rear desk network management of the whole store.
- B. Arrange the daily work of IT staff.
- C. Coordinate the relationship between the IT unit and various departments.
- D. Maintenance and management of the Group's cash register software and hardware.
- E. Relevant system management and abnormal state prevention.
- F. Responsible for IT technical support of existing stores in the region.
- G. Assisting the headquarters in system testing.
- H. Assisting in the preliminary preparation of new stores.
- (3) Information Security Policy
  - A. Maintain the information system's continuous operation.
  - B. Prevent hackers and various viruses from invasion and destruction.
  - C. Prevent the unauthorized use of data and systems.
  - D. Maintain physical environment security.
  - E. Implement information security audits regularly to ensure information security.
  - F. Personnel management and information security training.

(4) Specific Management Plans

Network security management	File access management	Emergency response plan and backup restoration	Publicity and inspection
Firewall setup	Computer servers are managed by dedicated personnel, and user permissions are set individually	Regularly check the emergency response plan	Constantly publicize information security to employees to enhance employees' awareness of information security
Scan the operating system and files regularly	Set different permissions to users by function	Annual backup restoration	Regularly carry out information security inspection every year

Network security management	File access management	Emergency response plan and backup restoration	Publicity and inspection
			and report to the Chairman
Regularly change the server account password	Delete the permissions of resigned personnel	Establish a backup mechanism and implement remote backup	
Regularly overlay the network system log to track exceptions	Completely delete data and destroy software before equipment scrapping	Check the computer and network security mechanism regularly	
	Review mechanism for all remote logins		

<sup>(</sup>II) List the losses and possible impacts suffered due to major information and communication security incidents in the most recent year and up to the printing date of the annual report and the countermeasures. If a reasonable estimate is impossible, explain the facts for the inability to estimate reasonably: None.

## XV Material Contract

Characteristic of Contract	Party	Date of Start and Expiration of Contract	Major Contents	Clause of Limitation
Finance Contract	The Company and Bank of Taiwan	2019/9/20~2021/9/20	The Company and the Bank of Taiwan had cosigned a letter of credit for the financing amount and banking services provided by the latter.	NO
Finance Contract	The Company and Bank of Taiwan	2020/9/21~2022/9/21	The Company and the Bank of Taiwan had cosigned a letter of credit for the financing amount and banking services provided by the latter.	NO
Finance Contract	The Company and Land Bank of Taiwan	2020/9/21~2022/9/21	The Company and Land Bank of Taiwan had cosigned a letter of credit for the financing amount and banking services provided by the latter.	NO
Finance Contract	The Company and Bank of Panhsin	2020/9/21~2022/9/21	The Company and Bank of Panhsin had cosigned a letter of credit for the financing amount and banking services provided by the latter.	NO
Finance Contract	The Company and HUA NAN Bank	2022/03/17~2023/03/17	The Company and HUA NAN Bank had cosigned a letter of credit for the financing amount and banking services provided by the latter.	NO
Finance Contract	The Company and CTBC Bank	2021/1/29~2023/1/04	The Company and CTBC Bank had cosigned a letter of credit for	

Characteristic of Contract	Party	Date of Start and Expiration of Contract	Major Contents	Clause of Limitation
			the financing amount and banking services provided by the latter.	
Finance Contract	The Company and Entie Commercial Bank	2020/6/22~2021/7/16	The Company and Entie Commercial Bank had cosigned a letter of credit for the financing amount and banking services provided by the latter.	NO
Finance Contract	The Company, Grand Citi Ltd. and BEA	2022/3/14~2023/3/14	The Company, Grand Citi Ltd. and BEA had cosigned a letter of credit for the financing amount and banking services provided by the latter.	NO
Finance Contract	The Company and KGI Bank	2020/12/30~2022/12/30	The Company and KGI Bank had cosigned a letter of credit for the financing amount and banking services provided by the latter.	NO
Finance Contract	Wuhan Grand Ocean Classic Commerical Develpoment Ltd. and Hankou Bank Co., Ltd. Jianghan Branch	2017/9/24~2022/9/25	Wuhan Grand Ocean Classic Commerical Develpoment Ltd. acquired a credit facility of real estate mortgage loan from Hankou Bank Co., Ltd. Jianghan Branch.	Real Est Mortga Setting
Finance Contract	Wuhan Grand Ocean Classic Commerical Develpoment Ltd. and Hankou Bank Co., Ltd. Jianghan Branch		Wuhan Grand Ocean Classic Commerical Develpoment Ltd. acquired a credit facility of real estate mortgage loan from Hankou Bank Co., Ltd. Jianghan Branch.	Real Est Mortga Setting
Finance Contract	Grand Ocean Classic Commerical Group Co., Ltd. and China Merchants Bank Co., Ltd. Shanghai Tianshan Branch	2021/12/16~2024/12/15	Grand Ocean Classic Commerical Group Co., Ltd. acquired a credit facility of real estate mortgage loan from China Merchants Bank Co., Ltd. Shanghai Tianshan Branch.	Real Est Mortga Setting
Finance Contract	Grand Ocean Classic Commerical Group Co., Ltd. and CTBC Bank Shanghai Branch	2019/8/7~2022/8/5	Grand Ocean Classic Commerical Group Co., Ltd. acquired a credit facility from CTBC Bank Shanghai Branch	NO
Finance Contract	Grand Ocean Classic Commerical Group Co., Ltd. and CTBC Bank Shanghai Branch	2020/11/16~2023/11/15	Grand Ocean Classic Commerical Group Co., Ltd. acquired a credit facility from CTBC Bank Shanghai Branch	NO

Characteristic of Contract	Party	Date of Start and Expiration of Contract	Major Contents	Clause of Limitation
Finance Contract	Grand Ocean Classic Commerical Group Co., Ltd. and CTBC Bank Shanghai Branch	2020/7/29~2023/7/28	Grand Ocean Classic Commerical Group Co., Ltd. acquired a credit facility from CTBC Bank Shanghai Branch	NO
Insurance Contract	The Company and Fubon Product Insurance Co., Ltd.	2021/10/1~2022/10/1	The Company and Fubon Product Insurance Co., Ltd. has cosigned a liability insurance contract for Directors and managers.	NO
Lease Contract	Taiwan Office of the Company and the Final Parent Company – First Steamship Co., Ltd.	2020/9/1~2021/8/31	Taiwan office of the Company leased an office from First Steamship Co., Ltd.	NO
Lease Contract	Grand Ocean Classic Commerical Group Co., Ltd. and Shanghai Tianan Center Building Co., Ltd.	2016/5/1~2022/4/30	Grand Ocean Classic Commerical Group Co., Ltd. leased an office from Shanghai Tianan Center Building Co., Ltd.	NO
Lease Contract	Nanjing Grand Ocean Classic Commerical Limited and Nanjing Tiandu Industrial Co., Ltd.	2003/1/1~2022/12/31	Nanjing Grand Ocean Classic Commerical Limited leased the department store location from Nanjing Tiandu Industrial Co., Ltd.	NO
Lease Contract	Nanjing Grand Ocean Classic Commerical Limited and Nanjing Red Sun Real Estate Development Co., Ltd.	2011/5/1~2031/4/30	Nanjing Grand Ocean Classic Commerical Limited leased the properties as the department store location for Nanjing Secondary Store from Nanjing Red Sun Real Estate Development Co., Ltd.	NO
Lease Contract	Hefei Grand Ocean Classic Commerical Development Limited and Anhui Meiyuan Investment Real Estate Co., Ltd.	2021/5/1~2036/9/30	Hefei Grand Ocean Classic Commerical Development Limited leased the department store location from Anhui Meiyuan Investment Real Estate Co., Ltd.	NO
Lease Contract	Wuhan Grand Ocean Classic Commerical Develpoment Ltd. Wuhan Wanda Commercial Plaza Co., Ltd. and	2004/12/18~2024/12/31	Wuhan Grand Ocean Classic Commerical Develpoment Ltd. leased the department store location from Wuhan Holding Company Ltd.	NO

Characteristic of Contract	Party	Date of Start and Expiration of Contract	Major Contents	Clause of Limitation
	Wuhan Holding Company Ltd.			
Lease Contract	Wuhan Optics Valley Grand Ocean Commerical Development Limited and Wuhan Lijia Real Estate Co., Ltd.	2008/8/1~2028/7/31	Wuhan Optics Valley Grand Ocean Commerical Development Limited leased the department store location from Wuhan Lijia Real Estate Co., Ltd.	NO
Lease Contract	Wuhan Hanyang Grand Ocean Classic Commercial Limited and Wuhan Trade State-owned Holding Group Co., Ltd.	2009/6/30~2029/6/30	Wuhan Hanyang Grand Ocean Classic Commercial Limited leased the department store location from Wuhan Trade State- owned Holding Group Co., Ltd.	NO
Lease Contract	Yichang Grand Ocean Commerical Limited and Yichang Xinhengji Investment Development Co., Ltd.	2011/9/10~2031/9/9	Yichang Grand Ocean Commerical Limited leased the department store location from Yichang Xinhengji Investment Development Co., Ltd.	NO
ary	Yichang Grand Ocean Commerical Limited and Yichang Xinhengji Investment Development Co., Ltd.	2017/10/10~2031/9/9	To increase the area of the leased basement floor, with an area of approximately 5,300 square meters.	NO
Lease Contract	Chongqing Optics Valley Grand Ocean Commerical Development Limited and Chongqing Zhengsheng Real Estate Co., Ltd.	2009/3/1~2029/2/28	Chongqing Optics Valley Grand Ocean Commerical Development Limited leased the department store location from Chongqing Zhengsheng Real Estate Co., Ltd.	NO
Lease Contract	Fuzhou JIARUIXING Business Administration Limited and Fujian Dongbai Group Co., Ltd.	2018/8/2~2028/8/2	Fuzhou JIARUIXING Business Administration Limited leases the location for department store business from Fujian Dongbai Group Co., Ltd.	NO
Lease Contract	Shanghai Grand Ocean 1,000 Trees Commercial Management Co., Ltd and Shanghai	2022/1/1~2041/12/31	Shanghai Grand Ocean 1,000 Trees Commercial Management Co., Ltd leased a shopping center base from Shanghai Arc de	

Characteristic of Contract	Party	Date of Start and Expiration of Contract	Major Contents	Clause of Limitation
	Arc de Triomphe Enterprise Development Co., Ltd.		Triomphe Enterprise Development Co., Ltd.	
Commodity Housing	Quanzhou Grand Ocean Commerical Limited and Quanzhou Fuhua Commercial Building Co., Ltd.	2012/2/21	Quanzhou Grand Ocean Commerical Limited purchased the department store location from Quanzhou Fuhua Commercial Building Co., Ltd. (property certificate of B1F garage, B2F garage, B1F mall, 1F mall, 2F mall, 3F mall and 5F mall had been acquired; property certificate of 4F mall is still under processing)	
Commodity Housing	Wuhan Optics Valley Grand Ocean Commerical Develpoment Limited and Hubei Grand Ocean Sino- Universe Investment Co., Ltd.	2017/1/18	Wuhan Optics Valley Grand Ocean Commerical Development Limited purchased the properties in "Shiyan International Financial Center" from 1F to 7F with an area of approximately 36,000 square meters from Hubei Grand Ocean Sino-Universe Investment Co., Ltd., which is planned to serve as a follow-up department store location.	The developer is being sued to apply for the real estate certificate.
Contract on Commodity Housing Transaction (Pre-sale)	Wuhan Optics Valley Grand Ocean Commerical Develpoment Limited and Hubei Grand Ocean Sino- Universe Investment Co., Ltd.	2017/12/7	Wuhan Optics Valley Grand Ocean Commerical Develpoment Limited newly purchased the properties in "Shiyan International Financial Center" from 8F to 9F with an area of approximately 11,800 square meters from Hubei Grand Ocean Sino-Universe Investment Co., Ltd., which is planned to serve as a follow-up department store location.	The developer is being sued to apply for the real estate certificate.
Contract on Commodity Housing Transaction (Pre-sale)	Wuhan Optics Valley Grand Ocean Commerical Develpoment Limited and Hubei Grand Ocean Sino- Universe Investment Co., Ltd.	2019/7/4	Wuhan Optics Valley Grand Ocean Commerical Development Limited newly purchased the properties in "Shiyan International Financial Center" from 1F to 2F with an area of approximately 2,169.44 square meters from Hubei Grand Ocean Sino- Universe Investment Co., Ltd., which is planned to serve as a follow-up department store location.	

# Six. Financial Overview

# I Concise Financial Information over the Past 5 Years Concise Balance Sheet and Comprehensive Income Statement

# (I) Concise Balance Sheet

Currency: NTD (thousand)

	Year	Fi	nancial Analys	is over the Past	5 Years (Note 1		2022 Q1
Item		2017	2018	2019	2020	2021	(Note 2)
Current Assets		8,503,378	7,695,337	5,680,778	5,116,672	4,999,105	4,272,601
Property, Plant	and Equipment	6,868,394	6,624,600	7,215,048	7,101,445	6,733,070	6,893,151
Intangible Asse	ets	1,839,797	1,838,929	1,775,436	1,765,189	1,849,497	1,916,891
Other Assets		4,795,814	4,775,809	11,547,471	10,342,738	13,659,101	13,935,474
Total Assets		22,007,383	20,934,675	26,218,733	24,326,044	27,277,407	27,018,117
Current	before Distribution	9,108,111	7,194,719	7,401,648	6,839,423	7,225,731	6,303,961
Liabilities	after Distribution	9,335,210	7,525,905	7,831,816	7,034,954	7,225,731	Not applicable
Non-current Li	abilities	3,144,430	3,910,056	9,913,540	8,990,130	12,012,875	12,447,760
Total	before Distribution	12,252,541	11,104,775	17,315,188	15,829,553	19,238,606	18,751,721
Liabilities	after Distribution	12,479,640	11,435,961	17,745,356	16,025,084	19,238,606	Not applicable
Owner's Equity		9,749,811	9,829,596	8,903,545	8,496,491	8,038,801	8,266,396
Share Capital		1,994,990	1,974,690	1,955,310	1,955,310	1,955,310	1,955,310
Additional Paid	l-in Capital	5,144,696	5,092,360	5,063,420	5,065,491	5,0966,363	5,066,363
Retained	before Distribution	3,481,498	3,708,750	2,999,512	2,437,386	2,009,720	1,922,136
Earnings	after Distribution	3,254,399	3,377,564	2,569,344	2,241,855		Not applicable
Other Equity		(554,374)	(742,835)	(1,114,697)	(961,696)	(992,592)	(677,413)
Treasury Stock		(316,999)	(203,369)	-	-	-	-
Non-controlling	g Interest	5,031	304	_	-		-
Total Emilia	before Distribution	9,754,842	9,829,900	8,904,545	8,496,491	8,038,8001	8,266,396
Total Equity	after Distribution	9,527,743	9,498,714	8,473,377	8,300,960		Not applicable

Note 1: All the financial statements over the past 5 years have been certificated by the accountant.

Note 2: Financial information as of Mar 31, 2022 has been examined by the accountant.

Note 3: On the compensation of the Company's 2021 loss, the board meeting on May 13, 2022 decided to make up the loss with unappropriated retained earnings, waiting for the resolution by the Shareholders Meeting 2022.

# (II) Concise Comprehensive Income Statement

Financial Analysis over the Past 5 Years (Note 1) Year 2022 Q1 2017 2018 2019 2020 2021 (Note 2) Item 6,041,927 6,457,831 6,642,331 4,790,864 Operation Revenues 5,159,425 1,250,799 **Gross Profit** 4,759,211 5,015,146 4,886,137 3,217,206 1,003,257 3,726,157 977,640 Operation Profit or Loss 885,800 1,286,677 246,480 428,858 89,329 Non-operation Income and (270,036)(218,018)(357,819)(408,944)(350,942)(138,661)Expense Earnings before Tax 615,764 759,622 928,858 (162,464)77,916 (49,332)Current Net Profit of Continued 490,621 338,788 603,637 (103,177)(232, 135)(87,584)Operating Unit Losses on Discontinued Unit Current Net Income (Loss) 338,788 490,621 603,637 (122, 122)(232,135)(87,584)Current Other Comprehensive Profit or Loss (Net Amount after (72,832)(188,464)(371,862)159,304 (30,896)315,179 Current Total Comprehensive 265,956 302,157 231,775 56,127 227,595 (263,031)Income Net Profit Attributed to Owner of 341,947 495,345 603,941 (103,177)(232,135)(87,584)Parent Company Net Profit Belongs to Non-(3,159)(4,724)(304)controlling Interests Total Amount of Comprehensive

306,884

(4,727)

2.71

232,079

(304)

3.10

56,127

(0.53)

(263,031)

(1.19)

(227,595)

(0.45)

Currency: NTD (thousand)

Note 1: All the financial statements over the past 5 years have been certificated by the accountant.

1.87

269,318

(3,362)

Note 2: Financial information as of Mar 31, 2022 has been examined by the accountant.

Income Attributed to Owner of

Total Amount of Comprehensive Income Belongs to Non-controlling

Parent Company

Earnings per Share

Interests

# II Financial Analysis over the Past 5 Years

Financial Analysis

	Year	Financ	ial Analysis	over the Pas	st 5 Years (N	Note 1)	2022 Q1
Item		2017	2018	2019	2020	2021	(Note 2)
Financial		55.67%	53.04%	66.04%	65.07%	70.53%	69.40%
Structure (%)	Rate of Long-term Funds to Property, Plant and Equipment	187.73%	207.40%	260.80%	246.24%	297.81%	300.50%
C - 1	Current Ratio	93.36%	106.96%	76.75%	74.81%	69.18%	
Solvency (%)	Quick Ratio	85.04%	97.38%	69.11%	66.26%	60.90%	56.83%
(70)	Interest Coverage Ratio	6.38	6.31	2.43	-	1.15	2.86
	Receivables Turnover Rate (times)	20.62	20.27	27.47	27.98	26.62	26.82
	Average Collection Days	17.70	18.00	13.28	13.04	13.71	13.61
Managem	Inventory Turnover Rate (times)	6.26	6.07	6.37	5.21	5.23	3.94
ent	Payables Turnover Rate (times)	0.31	0.37	0.52	0.59	0.66	0.58
Capacity	Average Sales Days	58.30	60.13	57.29	70.05	69.78	92.64
	Property, Plant and Equipment Turnover Rate (times)	1.01	0.96	0.96	0.67	0.75	0.73
	Total Assets Turnover Rate (times)	0.27	0.30	0.28	0.19	0.20	0.18
-	Return on Assets (%)	1.93%	2.79%	4.63%	1.25%	0.64%	0.62%
	Return on Equity (%)	3.52%	5.01%	6.44%	(1.19)%	(2.81)%	(4.30)%
Profitabil ity	Pre-tax Net Profit as a Percentage of Paid-up Capital (%)	30.87%	38.47%	47.5%	(8.31)%	3.98%	(10.09)%
J	Net Profit Rate (%)	5.61%	7.60%	9.09%	(2.15)%	(4.50)%	(7.00)%
	Earnings per Share (NTD)	1.87	2.71	3.10	(0.53)	(1.19)	(0.45)
- C 1	Cash Flow Ratio (%)	7.67%	12.64%	22.93%	4.26%	16.48%	Note3
Cash Flows	Cash Flow Allowable Ratio (%)	76.12%	69.22%	78.66%	87.44%	90.97%	Not Applicable
110W8	Cash Reinvestment Ratio (%)	3.70%	4.79%	6.23%	(0.67)%	4.17%	Note3
Larramaga	Operating Leverage	3.31	3.18	3.38	12.52	8.65	8.99
Leverage	Financial Leverage	1.15	1.17	2.02	(0.79)	(4.26)	(1.07)

Reasons of Variation of Increase/Decrease of Each Financial Rate in the Past 2 Years (variation up to 20%):

- 1. Long-term Capital as a Percentage of Property, Plant and Equipment: Due to the acquisition of Shanghai Qianshu this year, the lease liabilities increased, resulting in an increase in non-current liabilities.
- 2. Interest Protection Multiples: Due to the pandemic in 2020, the government has tightened control over group gatherings and limited the crowd sizes in specific areas. As consumers are worried about the infection with COVID-19, they have changed their spending habits in the physical stores. Although all stores have taken the initiative to obtain rent reductions from its tenant landlords, fixed operating expenses, such as water and electricity, salaries, etc. did not decrease likewise, resulting in a decrease in profitability, and a net loss before tax.
- 3. Return on Assets (ROA): Same as item 1,2 •
- 4. Return on Equity: Same as item 2 •
- 5. Ratio of Net Profit before Tax to Paid-in Capital: Same as item 2  $\circ$
- 6. Net Income to sales: Same as item 2 •
- 7. Earning per Share: Same as item 2 •
- 8. Cash Flow Ratio: Affected by the pandemic in 2020, the revenue and the profit decreased significantly.
- 9. Cash Flow Reinvestment Ratio: Same as item 8  $\circ$
- 10. Operating Leverage: Same as item 8 •
- 11. Financial Leverage: Same as item 2
  - Note 1: All the financial statements over the past 5 years have been certificated by the accountant.
  - Note 2: Financial information as of Mar 31, 2022 has been examined by the accountant.
  - Note 3: The net cash flow from operating activities is a net cash outflow and is therefore not presented here.

Calculation formula for the financial ratios described as above are as the following:

- 1. Financial Structure
  - (1) L/A Ratio = Total Liabilities / Total Assets
  - (2) Long-term Capital as a Percentage of Property, Plant and Equipment = (Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment
- 2. Solvency
  - (1) Current Ratio = Current Assets / Current Liabilities
  - (2) Quick Ratio = (Current Assets Inventory Prepayment) / Current Liabilities
  - (3) Interest Coverage Ratio = Net Profit before Income Tax and Interest Expense / Current Interest Expense
- 3. Management Capacity
  - (1) Receivables (including accounts receivable and notes receivable due to business) Turnover Rate = Net Sales / Average Receivables Balance for Each Period (including accounts receivable and notes receivable due to business)
  - (2) Average Collection Days = 365 / Receivables Turnover Rate
  - (3) Inventory Turnover Rate = Cost of Goods Sold / Average Inventory Amount
  - (4) Receivables (including accounts receivable and notes receivable due to business) Turnover Rate = Cost of Goods Sold / Average Receivables Balance for Each Period (including accounts receivable and notes receivable due to business)
  - (5) Average Sales Days = 365 / Inventory Turnover Rate
  - (6) Property, Plant and Equipment Turnover Rate = Net Sales of Goods / Average Net of Property, Plant and Equipment
  - (7) Total Assets Turnover Rate = Net Sales / Average Total Assets
- 4. Profitability
  - (1) ROA = [After-tax Profit and Loss + Interest Expense × (1 Tax Rate)] / Average Total Assets
  - (2) ROE = After-tax Profit and Loss / Average Total Equity
  - (3) Net Profit Rate = After-tax Profit and Loss / Net Sales
  - (4) Earnings per Share = (Profit or Loss Attributed to Owner of Parent Company Preferred Stock Dividends) / Weighted Average Number of Issued Shares
- 5 Cash Flow
  - (1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities
  - (2) Net Cash Flow Allowable Ratio = Net Cash Flow from Operating Activities for the Last Five Years / Last Five Years (Capital Expenditure + Inventory Increase + Cash Dividends)
  - (3) Cash Reinvestment Ratio = (Net Cash Flow from Operating Activities Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investment + Other non-Current Assets + Operation Capital)
- 6. Leverage
  - (1) Operating Leverage = (Net Operating Income Variable Operating Costs and Expenses) / Operation Revenues
  - (2) Financial Leverage = Operation Revenues / (Operation Revenues Interest Expenditure)

Note 5: The formula for calculating the earnings per share should be paid attention to the following:

- 1. It is based on the weighted average number of common shares but not the number of shares issued at the end of the year.
- 2. For those who have transactions regarding cash replenishment or treasury shares, of which the circulation period should be considered to calculate the weighted average number of shares.
- 3. Regarding the earnings or capital reserves transferred to capital increase will be retrospectively adjusted according to the proportion of capital increase when calculating the earnings per share of the previous year and the semi-annual, and there is no need to consider the issue period of the capital increase.
- 4. If the preferred stock is a non-convertible accumulative one, its current year's dividend (whether or not it is paid) should be deducted from the net profit after tax, or increase the net loss after tax. If the preferred stock is non-cumulative, in the case of net profit after tax, the preferred stock dividends shall be deducted from the net profit after tax; if it is a loss, it shall not be adjusted.
- Note 6: Cash flow analysis should be paid attention specially to the following items when measuring:
  - 1. Net cash flow from operating activities refers to the net cash inflows from operating activities in the cash flow statement.
  - 2. Capital expenditure refers to the number of cash outflows per year of capital investment.
  - 3. The increase in inventory is only included when the balance at the end of the period is greater than the opening balance. If the inventory at the end of the period is reduced, it is calculated as zero.
  - 4. Cash dividends include cash dividends for ordinary shares and preferred shares.
  - 5. Gross property, plant and equipment are the total amount of property, plant and equipment before deducting accumulated depreciation.

- Note 7: The issuer shall classify various operating costs and operating expenses into fixed and variable terms according to the nature thereof. If there is any estimation or subjective judgment, they should be paid attention to their rationality and maintain the consistency.
- Note 8: If the company's stock is not denominated or the denomination is not NT\$10, the calculation of the proportion of the paid-up capital in the preceding paragraph shall be calculated based on the equity ratio of the balance sheet attributable to the owner of the parent company.



# **Audit Report of Audit Committee**

The Board of Directors produced the Company's 2021 Annual Business Report and Consolidated Financial Statements. The consolidated financial statements were entrusted by the CPAs Zhang Shuying, and Lai Lizhen of KPMG Taiwan to verify the audit and issued an audit report. Business report, consolidated financial statements and loss make-up proposal as above have been checked by the Audit Committee, and incompatibility is not yet found. Thus Article 14.4 of Securities Exchange Act as well as Article 219 of Company Act of R.O.C. are to be adopted for the report, please be informed.

# Sincerely

GRAND OCEAN RETAIL GROUP LTD. Shareholders General Meeting 2022



Audit Committee Coordinator: Sher Ching Ye

MAY 13, 2022

# **Accountant's Audit Reports**

To the boad of Grand Ocean Retail Group Ltd.:

#### **Audit Comment**

We have audited the consolidated financial statements of Grand Ocean Retail Group Ltd. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2021 and 2020, and the consolidate7 statement of comprehensive income, changes in equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation developed by the International Financial Reporting Interpretations Committee ("SIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Foundation of Audit Comment**

We conducted our audit of the consolidated financial statements in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis of our opinion.

#### **Critical Audit Matters (CAM)**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

# I. Impairment of Goodwill and Trademark Rights

Please refer to notes 4(m), 5(b), and 6(h) to the consolidated financial statements for the accounting principles on the recognition of impairment of non-financial assets, the accounting estimates and uncertainty of assumptions in assessment of impairment of goodwill and trademark privileges, as well as details of impairment of goodwill and intangible assets, respectively.

#### Description of key audit matter:

As of December 31, 2021, the carrying amounts of intangible assets 7% of the total assets of the Group. The major part of goodwill and trademark originated from the acquisition of GORG in 2006. Since retailing business was influenced by COVID-19 pandemic, maintaining revenue and profitability had become a challenge. Therefore, the goodwill and trademark from acquisition were affected, and the Group concerned if the carrying amounts exceeded recoverable amounts of retailing department. The Group's management should follow IAS 36 to determine the value in use using a discounted cash flow forecast of retailing department. Due to the fact that the estimated recoverable amounts involved management's judgment, and it had great uncertainty, there was an overestimated risk on value in use of goodwill, trademark, and assets of retailing business department. Therefore, we considered the assessment of assets impairment as one of the key audit matters to the consolidated financial statements in the audit process.

# How the matter was addressed in our audit

We obtain the model that the Group's management used to assess the impairment of goodwill and trademark and assumptions, including to evaluate whether management had identified cash generating units ("CGU") which might have impairments, and to consider all the assets that had to be tested had been included in the assessment. We also reviewed separate financial assumptions that the management used to assess impairments and related verification of recoverable amounts. We verified the reasonability of the assumptions and accuracy of management's calculation based on available data. We also examined the appropriateness of disclosure for the aforesaid assets.

# II. Impairment of Assets

Please refer to notes 4(m), 5(a), 6(f), and 6(g) to the consolidated financial statements for the accounting principles on the recognition of impairment of non-financial assets, the accounting estimates and assumptions uncertainty in assessment of impairment of property, plant and equipment, and right of use assets, details of impairment of property, plant and equipment, as well as right -of- use assets, respectively.

# Description of key audit matter:

As of December 31, 2021, the carrying amounts of property, plant and equipment and right- of- use assets constitute 70% of the total assets of the Group. Since retailing business was influenced by COVID-19 pandemic; shipping business was affected by the uncertainty of international economic cycle and transportation volume, maintaining revenue and profitability had become a challenge. Therefore, the carrying amounts of operating assets were affected, and the Group concerned if the carrying amounts exceeded recoverable amounts. The Group's management should follow IAS 36 to determine the recoverable amounts by the higher of using discounted cash flow forecast or fair value less disposal costs. Due to the fact that the estimated recoverable amounts involved management's judgment, and it had great uncertainty, there was an overestimated risk on value in use of operating assets. Therefore, we considered the assessment of assets impairment as one of the key audit matters to the consolidated financial statements in the audit process.

### How the matter was addressed in our audit

We obtain the model that the Group's management used to assess assets impairment and assumptions, including to evaluate whether management had identified CGU which might have impairments, and to consider all the assets that had to be tested had been included in the assessment. We also reviewed separate financial assumptions that the management used to assess impairments and related verification of recoverable amounts. We verified the reasonability of the assumptions and accuracy of management's calculation based on available data. We also examined the appropriateness of disclosure for the aforesaid assets.

# III. Recoverability of Other Receivables

Please refer to notes 4(g), 6(c), and 6(i) to the consolidated financial statements for the accounting principles on the recognition of financial instruments, the disclosures of other receivables and other financial assets, respectively.

# Description of key audit matter:

The retailing department of the Group recently ended part of their investment due to the downturn of business cycle and rigorous competition in mainland China. As of December 31, 2021, the carrying amounts of other receivables, originated from uncollected prepaid investments, amounted to \$462,201 thousand, and constituted 2% of the total assets of the Group. The Group measured loss allowance for expected credit losses of other receivables in accordance with IFRS 9 "Financial Instruments". Therefore, we considered the assessment as one of the key audit matters to the consolidated financial statements in the audit process.

#### How the matter was addressed in our audit

We obtained the management's assessment for the expected credit losses of other receivables to examine the related supporting documents of default risk. We evaluated the reasonability of expected credit losses of other receivables in duration according to IFRS 9 "Financial Instruments".

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or

business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit.

We communicate with those charged with governance regarding, among other matters, the

planned scope and timing of the audit and significant audit findings, including any significant

deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with

relevant ethical requirements regarding independence, and to communicate with them all relationships

and other matters that may reasonably be thought to bear on our independence, and where applicable,

related safeguards.

From the matters communicated with those charged with governance, we determine those

matters that were of most significance in the audit of the consolidated financial statements of the

current period and are therefore the key audit matters. We describe these matters in our auditors'

report unless law or regulation precludes public disclosure about the matter or when, in extremely rare

circumstances, we determine that a matter should not be communicated in our report because the

adverse consequences of doing so would reasonably be expected to outweigh the public interest

benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Ying

Chang and Li-Chen Lai.

**KPMG** 

Taipei, Taiwan (Republic of China)

March 30, 2022

120

OTTP 13Th, and Relational Subsidiaries	ed Balance Sheets	31, 2021 and 2020	818
GRAND OCEAN RETAIL GRO	Consolidate	Neecmber 31,	or new Is

Currency: NTD (thousand)

	Assets	Amount	8	Amount 9	8		Liabilities and Equity	Dec 31, 2021 Amount %	14	Amount %
	Current Assets:						Current Liabilities:			
1100	Cash and Cash Equivalents (Note 6 (a) )	\$ 3,525,958	3	3,757,428	2	2100	Short-tenn Loans (Note 6 (j) )	\$ 2,540,031 9	6	2,303,897 9
1110	Financial Assets Measured at Fair Value through Profit or Loss - Current (Note 6	69,476	i	74,619		2171	Accounts Payable (Note 6 (1))	2,005,631 8	00	2,305,644 10
	((0))					2219	Other Payables (Note 6 (f),(s) and 7)	875,611	53	741,751
1170	Accounts Receivable of Net Amount (Note 6 (c) )	189,072	-	198,626	-	2230	Current Tax Liabilities	54,514 -		2,671
1200	Other Receivables (Note 6 (c),(i) &7)	568,734	2	460,733	61	2280	Current lease liabilities(Note 6 (m) and 7)	832,236 4	4	870,702
1300	Inventones - Merchandising Business	233,185	-	314,428	-	2322	Current portion of long-term borrowings (Note 6 (k) )	907,627	2	604,616
1410	Pre-payments (Note 7)	365,430	-	270,170		2399	Other current liabilities	10,081		10,142
1476	Other Financial Assets - Current (Note 6 (i) and 8)	47,250		40,668				7,225,731 26		6,839,423 28
		4,999,105	18	5,116,672	20		Non-current Liabilities:			
	Non-current Assets:					2541	Long-term Loans of Bank (Note 6 (k))	523,548 2	2	1,132,535
1550	Investments accounted for using equity method, net (Notes 6(d))	36,634	ř.			2570	Deferred Tax Liabilities (Note 6 (o) )	50,533		61,473
1600	Property, Plants and Equipment (Note 6 (t) > 8)	6,733,070	25	7,101,445	29	2580	Non-Current lease liabilities(Note 6 (m) and 7)	10,767,895 40		7,297,423 30
1755	Right of use asset (Note 6 (g))	12,440,063	45	8,641,219	36	2645	Deposit Received (Note 6 (e) )	670,699	2	498,699 2
1780	Intangible Assets (Note 6 (h) )	1,849,497	7	1.765,189	7			12,012,875 44		8,990,130 37
1840	Deferred Tax Assets (Note 6 (o))	861,906	6	1,051,329	10		Total Liabilities:	19,238,606 70		15,829,553 65
1980	Other Financial Assets - Non-current (Note 6 (i) & 7)	216,039	-	466,514	7					
0661	Other Non-current Assets (Note 6 (p) and 7)	141,093	-	183,676	-		Equity of Owner of Parent Company (Note 6 (p) ):			
		22,278,302	22	19,209,372	80	3100	Share Capital	1,955,310	7	955,310
						3200	Additional Paid-in Capital	5,066,363 21	-	5,065,491 21
						3310	Legal Reserve	580,244 2	2	580,244
						3320	Appropriated Retained Earnings	956,578 4	4	,114,697
						3350	Retained Earnings	472,898 2	2	742,445
						3400	Other Equity	(992,592) (4)	9	961,696) (4)

(please refer to the note for details attached in the encolidated financial statements) Manager: HUANG QINGHAI

Accounting Supervisor: LI MINFANG

\$ 27,277,407 100 24,326,044 100

Total Liabilities and Equity

S 27,277,407 100 24,326,044 100

Total Assets

Retained Earnings Total Equity

(992,592) (4) (961,696) (4) 8,038,801 30 8,496,491 35

Chairman: GUO RENHAO

postal Betri Car	GRAND OCEAN RETAIL GROUP LID and Relational Subsidiaries	Consolidated Balance Sheets	December 31, 2021/and 2020	18/18/18/18/18/18/18/18/18/18/18/18/18/1
	GRANI			

Currency: RMB (thousand)

						-						
		Dec	Dec 31, 2021		Dec 31, 2020	0			Dec 31, 2021		Dec 31, 2020	20
	Assets	Amount	Î	% Ar	Amount	8		Liabilities and Equity	Amount	8	Amount	%
	Current Assets:							Current Liabilities:				
1100	Cash and Cash Equivalents (Note 6 (a) )	\$	812,449	13	860,844	15	2100	Short-tenn Loans (Note 6 (j) )	\$ 585,272	6	527,833	6
1110	Financial Assets Measured at Fair Value through Profit or Loss - Current (Note 6		16,009		17,096		2171	Accounts Payable (Note 6 (1) )	462,136	00	528,234	10
	(b))						2219	Other Payables (Note 6 (f),(s) and 7)	201,758	m	169,938	6
1170	Accounts Receivable of Net Amount (Note 6 (c) )		43,566	-	45,506	-	2230	Current Tax Liabilities	12,561		612	1
1200	Other Receivables (Note 6 (c),(f) &7)	1	131,047	7	105,556	7	2280	Current lease liabilities(Note 6 (m)and 7)	191,763	(4)	199,482	4
1300	Inventories - Merchandising Business	-550	53,730	-	72,037	-	2322	Current portion of long-term borrowings (Note 6 (k) )	209,135	ю	138,520	7
1410	Pre-payments (Note 7)		84,202		61,897	-	2399	Other current liabilities	2,323		2,325	
1476	Other Financial Assets - Current (Note 6 (i) and 8)		10.887		9,317	٦			1,644,948	26	1,566,944	28
		1.1	1,151,890	8	1,172,253	20		Non-current Liabilities:				
	Non-current Assets:						2541	Long-term Loans of Bank (Note 6 (k) )	120,636	N	259,469	9
1550	Investments accounted for using equity method, net (Notes 6(d))		8,441		Ý	*	2570	Deferred Tax Liabilities (Note 6 (o) )	11,690	•	14,084	9
1600	Property, Plants and Equipment (Note 6 (f) · 8)	1,5.	,551,429	25	1,626,974	53	2580	Non-Current lease liabilities(Note 6 (m) and 7)	2,481,130	40	1,671,874	30
1755	Right of use asset (Note 6 (g))	2,8	2,866,430	45	1,979,743	36	2645	Deposit Received (Note 6 (e) )	154,542	7	114,254	2
1780	Intangible Assets (Note 6 (h) )	4	426,159	7	404,413	7			2,767,998	44	2,059,681	37
1840	Deferred Tax Assets (Note 6 (0))	1	009'861	33	240,864	2		Total Liabilities:	4,432,946	70	3,626,625	65
1980	Other Financial Assets - Non-current (Note 6 (i) & 7)	***	49,780	-	106,881	7						
0661	Other Non-current Assets (Note 6 (p) and 7)		32,511	_	42,081	-		Equity of Owner of Parent Company (Note 6 (p) ):				
		5.1.	5,133,350	82 4	4,400,956	80	3100	Share Capital	492,105	00	492,105	6
							3200	Additional Paid-in Capital	1,017,940	16	1,017,738	18
							3310	Legal Reserve	121,053	cı	121,053	7
							3320	Appropriated Retained Earnings	213,635	m	250,178	5
							3350	Retained Earnings	32,665	-	94,811	7
							3400	Other Equity	(25,104)		(29,301)	О
								Total Equity	1,852,294	30	1,949,584	35

(please refer to the note for details attacks 中華 (please refer to the note for details attacks)

Manager: HUANG QINGHAI 即清 Total Liabilities and Equity S 6,285,240 100 5,573,209 100



\$ 6,285,240 100 5,573,209 100

Chairman: GUO RENHAO

Total Assets

# GRAND OCEAN RETATION OF LTD, and Relational Subsidiaries Consolidated Income Statement

For the years ended December 31, 2021 and 2020

			Cur 2021	rency:	NTD (thousas 2020	nd)
			Amount	%	Amount	96
4000	Operating Revenues (Note 6 (r) &7)	\$	5,159,425	100	4,790,864	100
5000	Operating Costs		1,433,268	28	1,573,658	33
	Gross Profit		3,726,157	72	3,217,206	67
6000	Operating Expenses (Note 6 (f), (g), (h), (m), (n), (s)and 7)		3,294,613	64	2,958,101	62
6450	Expected credit loss(Note 6 (c))		2,686	(m)	12,625	-
			3,297,299	64	2,970,726	62
	Operating Income		428,858	8	246,480	5
	Non-operating Income and Expenses:					
7100	Total interest income(Note 6 (t))		25,759	1	26,242	1
7010	Other Revenues (Note 6 (t))		2,639		2,796	-
7020	Other Gains and Losses (Note 6 (f) and (t) )		147,439	3	188,756	4
7050	Financial Costs (Note 6 (m), (t) and 7)		(529,580)	(10)	(560,110)	(12)
7055	Expected Credit Losses (Note 6 (i),(h) and (u))		5,572	-	(66,628)	(1)
7060	Share of profit (loss) of associates accounted for using equity method, net(Notes 6(d))		(2,771)	-	-	
			(350,942)	(6)	(408,944)	(8)
7900	Earnings before Tax		77,916	2	(162,464)	(3)
7950	Deduction: Income Tax Expenses (Note 6 (o))		310,051	6	(59,287)	(1)
	Current Net Income		(232, 135)	(4)	(103,177)	(2)
8300	Other Comprehensive Income:					
8360	Items that may be Re-classified Subsequently to Profit or Loss					
8361	Exchange Difference on Translation of Foreign Operations		(30,574)	(1)	159,304	3
8370	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	•	(322)	-	-	-
8399	Income tax related to components of other comprehensive	_	-	-	-	-
	income that will be reclassified to profit or loss  Sum of Items that may be Re-classified Subsequently to  Profit or Loss	_	(30,896)	(1)	159,304	3
8300	Other comprehensive income (loss)		(30,896)	(1)	159,304	3
	Comprehensive income	S	(263,031)	(5)	56,127	1
	Profit (loss), attributable to:					
8610	Owners of parent	\$	(232, 135)	(4)	(103,177)	(2)
8620	Non-controlling interests		-	-	-	-
		8	(232,135)	(4)	(103,177)	(2)
	Comprehensive income (loss) attributable to:					
8710	Owners of parent	\$	(263,031)	(5)	56,127	1
8720	Non-controlling interests		_	-	-	-
7076-5-T		8	(263,031)	(5)	56,127	1
	Earnings (loss) per Share (Note 6 (q))	_	1-11111	100	23,122	
	Basic earnings (loss) per share (NT dollars)	\$		(1.19)		(0.53)

(please refer to the note for details attached in the consolidated financial statements)

Chairman: GUO RENHAO



Manager: HUANG QINGHAI

海黄甲清

Accounting Sup

# GRAND OCEAN RETAIL SKOUP LTD. and Relational Subsidiaries Consolidated Income Statement

For the years ended December 31, 2021 and 2020

	man 18		Cur 2021	rency:	RMB (thousa: 2020	nd)
			Amount	%	Amount	%
4000	Operating Revenues (Note 6 (r) &7)	\$	1,189,084	100	1,118,630	100
5000	Operating Costs		330,323	28	367,437	33
	Gross Profit		858,761	72	751,193	67
6000	Operating Expenses (Note 6 (f), (g), (h), (m), (n), (s) and 7)		759,304	64	690,694	62
6450	Expected credit loss(Note 6 (c))		619	-	2,948	2
			759,923	64	693,642	62
	Operating Income		98,838	8	57,551	5
	Non-operating Income and Expenses:					
7100	Total interest income(Note 6 (t))		5,937	1	6,127	1
7010	Other Revenues (Note 6 (t))		608	-	653	-
7020	Other Gains and Losses (Note 6 (f) and (t) )		33,980	3	44,073	4
7050	Financial Costs (Note 6 (m), (t) and 7)		(122,051)	(10)	(130,782)	(12)
7055	Expected Credit Losses (Note 6 (i),(h) and (u))		1,284	-	(15,557)	(1)
7060	Share of profit (loss) of associates accounted for using equity method, net(Notes 6(d))	_	(639)	-	-	-
			(80,881)	(6)	(95,486)	(8)
7900	Earnings before Tax		17,957	2	(37,935)	(3)
7950	Deduction: Income Tax Expenses (Note 6 (o) )	_	71,457	6	(13,843)	(1)
	Current Net Income	_	(53,500)	(4)	(24,092)	(2)
8300	Other Comprehensive Income:					
8360	Items that may be Re-classified Subsequently to Profit or Loss					
8361	Exchange Difference on Translation of Foreign Operations		4,273	-	16,197	1
8370	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		(76)	*	-	•
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss				.=:	-
	Sum of Items that may be Re-classified Subsequently to Profit or Loss	-	4,197	( <b>9</b> )	16,197	1
8300	Other comprehensive income (loss)		4,197	-	16,197	1
	Comprehensive income	5	(49,303)	(4)	(7,895)	(1)
	Profit (loss), attributable to:					
8610	Owners of parent	\$	(53,500)	(4)	(24,092)	(2)
		5	(53,500)	(4)	(24,092)	(2)
	Comprehensive income (loss) attributable to:					
8710	Owners of parent	\$	(49,303)	(4)	(7,895)	(1)
	Earnings (loss) per Share (Note 6 (q))					
	Basic earnings (loss) per share (NT dollars)	S		(0.27)		(0.12)

(please refer to the note for details attached in the consolidated financial statements)

Chairman: GUO RENHAO



Manager:

海黄 印渍

Accounting Sup

GRAND OCEAN RETAIL GROUPLIFF) and Relational Subsidiaries Consolidated Statement of Changes in Shareholders' Equity For the years ended December 51, 2021 and 2020 Currency:

Owner's Equity

nean Retail G.

Currency: NTD (thousand)

				Retained Earnings	mings		Other Equity Exchange	Aftributed to	
	Share Capital	Additional Paid-in Capital	Legal Reserve	Appropriated Retained Earnings Reserve	Retained Earnings	Sum	on Translation of Foreign Operations	Parent Company Total Equity	Total Equity
Balance as of Jan 1, 2020	1,955,310	5,063,420	580,244	742,835	1.647,652	2,970,731	(1,121,000)	8,868,461	8.868,461
Current Net Income	73 <b>.</b> S	(30)	•		(103,177)	(103,177)	•	(103,177)	(103,177)
Current Other Comprehensive Income	•						159,304	159,304	159,304
Current Total Comprehensive Income				į	(103.177)	(103,177)	159,304	56,127	56,127
Appropriation and Distribution of Retained Earnings:									
Secial reserve appropriated	•		1	371,862	(371,862)		í.	) <b>1</b>	1
Cash dividends of ordinary share		)(10)	1	1	(430,168)	(430, 168)	4	(430,168)	(430, 168)
Share based payment transaction		2.071						2,071	2,071
Balance as of Dec 31, 2020	1,955,310	5,065,491	580,244	1,114,697	742,445	2,437,486	(961,696)	8,496,491	8,496,491
Current Net loss		,	,		(232,135)	(232,135)	ĭ	(232,135)	(232,135)
Current Other Comprehensive Income			ì		15		(30,896)	(30,896)	(30,896)
Current Total Comprehensive Income					(232,135)	(232,135)	(30,896)	(263,031)	(263,031)
Appropriation and Distribution of Retained Earnings:									
Cash dividends of ordinary share	1	×	,	ř	(185,531)	(195,531)	×	(195,531)	(185,531)
Reversal of secial reserve	3		ı	(158,119)	158,119	1	ä		
appropriated Share based payment transaction		872		ı	,		ı	872	872
Balance as of Dec 31, 2021	\$ 1,955,310	5,066,363	580,244	956,578	472,898	2,009,720	(992,592)	8,038,801	8.038.801

GUO RENHAO Chairman:





GRAND OCEANRETAIL GROUP LTD. and Relational Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity
For the year's ended December 31, 2021 and 2020

Currency: RMB (thousand)

Owner's Equity

Other

Balance as of Jan 1, 2020  Current Net Income Current Other Comprehensive Income Current Total Comprehensive Income Appropriation and Distribution of Retained Earnings: Secial reserve appropriated Cash dividends of ordinary share							Net Appended	Attributed to	
Balance as of Jan 1, 2020  Current Net Income  Current Other Comprehensive Income  Current Total Comprehensive Income  Appropriation and Distribution of  Retained Earnings:  Secial reserve appropriated  Cash dividends of ordinary share	Share Capital	Additional Paid-in Capital	Legal Reserve	Appropriated Retained Earnings Reserve	Retained Earnings	Sum	On Translation of Foreign	Parent Company Total	Total
Current Net Income Current Other Comprehensive Income Current Total Comprehensive Income Appropriation and Distribution of Retained Earnings: Secial reserve appropriated Cash dividends of ordinary share	492,105	1,017,256	121,053	161.321	310.550	592.924	(45,498)	2.056.787	2.056,787
Current Other Comprehensive Income Current Total Comprehensive Income Appropriation and Distribution of Retained Earnings. Secial reserve appropriated Cash dividends of ordinary share	1	1			(24,092)	(24,092)	300	(24,092)	(24,092)
Current Total Comprehensive Income Appropriation and Distribution of Retained Earnings: Secial reserve appropriated Cash dividends of ordinary share		ı					16.197	16,197	16,197
Appropriation and Distribution of Retained Earnings: Secial reserve appropriated Cash dividends of ordinary share					(24.092)	(24,092)	16,197	(7,895)	(7,895)
Secial reserve appropriated Cash dividends of ordinary share									
Cash dividends of ordinary share		,	31	88,857	(88,857)	1	r		
The see Lorent and see the second framework from	1	1	•	,	(102,790)	(102,790)	r	(102,790)	(102,790)
shale oased payment flansaction		482						482	482
Balance as of Dec 31, 2020	492,105	1,017,738	121,053	250,178	94,811	466,042	(29,301)	1,946,584	1,946,584
Current Net loss	,	,	ı		(53,500)	(53,500)	1	(53,500)	(53,500)
Current Other Comprehensive Income			,				4.197	4.197	4.197
Current Total Comprehensive Income					(53,500)	(53,500)	4,197	(49,303)	(49,303)
Appropriation and Distribution of									
Retained Earnings:									
Cash dividends of ordinary share	1	,	,	į	(45,189)	(45,189)	ï	(45,189)	(45,189)
Reversal of secial reserve		i	i	(36,543)	36,543	,	<b>4</b>	a	9
appropriated									
Share based payment transaction		202	1					202	202
Balance as of Dec 31, 2021	492,105	1,017,940	121.053	213,635	32,665	367,353	(25,104)	1,852,294	1,852,294

(please refer to the note for details artimehed in the consolidated financial statements)

Manager: Accounting S HUANG QINGHAI

Accounting Supervi

LI MINFANG





# GRAND OCEAN RETAIL GROUP LTD. and Relational Subsidiaries Consolidated Statement of Cash Flows

# For the years ended December 31, 2021 and 2020

	Currency: 2021	NTD (thousand) 2020
ash Flows from Operating Activities (Loss) profit before tax	VELETICA (S	
(Loss) profit before tax Adjusting Events:	77,916	(162,464)
Income and Expenses		
Depreciation expense	1 500 561	
Amortization expense	1,503,564	1,487,375
Expected credit loss	4,552	4,727
Net gain on financial assets or liabilities at fair value through	(2,886)	79,253
profit or loss	(25,191)	(69,706)
Interest expense	529,580	560,110
Interest income	(25,759)	(26,242)
Dividend income	(2,639)	(2,796)
Cost of share-based payments awards	872	2,071
Share of loss (profit) of associates accounted for using equity method	2,771	2,071
Loss on disposal of property, plant and equipment	2,348	1 112
Impairment loss on non-financial assets	21,893	1,113
Gain on rent concessions	(31,195)	(190,193)
Total adjustments to reconcile profit (loss)	1,977,910	
Changes in operating assets and liabilities:	1,977,910	1,845,712
Changes in operating assets:		
Financial assets and liabilities at fair value through profit	20.247	52 700
Accounts receivable	28,247	52,709
Other receivables	5,733	(64,607)
Inventories	(26,152)	59,580
Prepayments	79,432	(20,771)
Sum of Net Variance of Assets Concern Operating Activities	(60,035)	8,956
Changes in operating liabilities:	27,225	35,867
Accounts Payable	(2.2 = 2.2)	
Other Payables	(28,798)	(762,709)
Other current liabilities	16,624	76,828
Sum of Net Variance of Liabilities Concern Operating	(3)	(183)
Activities —	(270,177)	(686,064)
Sum of Net Variance of Assets and Liabilities Concern Operating Activities	(242,952)	(650,197)
Total adjustments	1,734,958	1,195,515
Cash inflow generated from operations	1,812,874	1,033,051
Interest received	19,250	
Dividends received		21,713
Interest paid	2,639	2,796
Income taxes paid	(528,930)	(560,792)
Cash Inflow from Operating Activities	(114,694)	(205,523)
And Hom Operating Activities	1,191,139	291,245

# GRAND OCEAN RETAIL GROUP LTD. and Relational Subsidiaries Consolidated Statement of Cash Flows (continued)

For the years ended December 31, 2021 and 2020

Currency: NTD (thousand)

	2021	2020
		2020
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(39,727)	-
Acquisition of subsidiaries (net of cash obtained)	(3,529)	(E)
Acquisition of property, plant and equipment	(229,624)	(409,271)
Proceeds from disposal of property, plant and equipment	228	434
Decrease in Refundable Deposits	(65,893)	24,156
Decrease in other receivables	240,815	-
Acquisition of Intangible Assets	(1,047)	(344)
(Decrease) Increase in other financial assets	(6,500)	4,455
Decrease in other non-current assets	41,491	32,278
Net cash flows used in investing activities	(63,786)	(348,292)
Cash flows from (used in) financing activities:		
Increase in Short-term Loans	265,852	131,142
Lease from Long-term Loans	270,538	915,170
Payments for Long-term Loans	(548,493)	(596,709)
(Decrease) Increase in Deposit Received	128,540	(59,493)
Other payables - increase in related parties	41,990	=
Payment of lease liabilities	(1,300,894)	(826,541)
Distribution of Cash Dividends	(195,531)	(430,168)
Net cash flows used in financing activities	(1,337,998)	(866,599)
Effect of exchange rate changes on cash and cash equivalents	(20,825)	39,750
Net decrease in cash and cash equivalents	(231,470)	(883,896)
Cash and cash equivalents at beginning of period	3,757,428	4,641,324
Cash and cash equivalents at end of period	\$ 3,525,958	3,757,428

(please refer to the note for details attached in the consolidated financial statements)

Chairman: GUO RENHAO



Manager: HUANG QINGH

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Accounting Super

# GRAND OCEAN RETAIL GROUP ATD. and Relational Subsidiaries

For the years ended December 31, 2021 and 2020

		Currency: I 2021	RMB (thousand 2020
Cash Flows from Operating Activities			
(Loss) profit before tax	\$	17,957	(27.025)
Adjusting Events:	Ψ	17,937	(37,935)
Income and Expenses			
Depreciation expense		346,524	247.201
Amortization expense		1,049	347,291
Expected credit loss		(665)	1,104
Net gain on financial assets or liabilities at fair value thro profit or loss	ugh	(5,806)	18,505 (16,276)
Interest expense		122,051	130,782
Interest income		(5,937)	(6,127)
Dividend income		(608)	(653)
Cost of share-based payments awards		202	482
Share of loss (profit) of associates accounted for using equity n	nethod	639	- 402
Loss on disposal of property, plant and equipment		541	260
Impairment loss on non-financial assets		5.046	_
Gain on rent concessions		(7,189)	(44,409)
Total adjustments to reconcile profit (loss)	8 <del></del>	455,847	430,959
Changes in operating assets and liabilities:	-	100,017	430,737
Changes in operating assets:			
Financial assets and liabilities at fair value through pro-	fit	6,510	12,307
Accounts receivable		1,321	
Other receivables		(6,027)	(15,085) 13,913
Inventories		18,307	(4,850)
Prepayments		(13,836)	2,091
Sum of Net Variance of Assets Concern Operating A	ctivities	6,275	
Changes in operating liabilities:		0,275	8,376
Accounts Payable		(66,098)	(170.007)
Other Payables		3,831	(178,087)
Other current liabilities		(1)	17,939
Sum of Net Variance of Liabilities Concern Operating		(62,268)	(160,191)
Activities		(02,208)	(160,191)
Sum of Net Variance of Assets and Liabilities Con- Operating Activities	cern	(55,993)	(151,815)
Total adjustments	-	399,854	279,144
Cash inflow generated from operations		417,811	241,209
Interest received		4,437	5,070
Dividends received		608	653
Interest paid		(121,902)	(130,941)
Income taxes paid		(26,433)	(47,987)
Cash Inflow from Operating Activities	-	274,521	
	-	2/4,321	68,004

# GRAND OCEAN RETAIL GROUP LTD. and Relational Subsidiaries Consolidated Statement of Cash Flows (continued)

For the years ended December 31, 2021 and 2020

Currency: RMB (thousand)

	2021	2020
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(9,156)	S <b>&amp;</b> )
Acquisition of subsidiaries (net of cash obtained)	(810)	-
Acquisition of property, plant and equipment	(52,921)	(95,562)
Proceeds from disposal of property, plant and equipment	53	100
Decrease in Refundable Deposits	(15,186)	5,640
Decrease in other receivables	55,500	-
Acquisition of Intangible Assets	(241)	(80)
(Decrease) Increase in other financial assets	(1,498)	1,040
Decrease in other non-current assets	9,562	7,537
Net cash flows used in investing activities	(14,697)	(81,325)
Cash flows from (used in) financing activities:		
Increase in Short-term Loans	61,271	30,620
Lease from Long-term Loans	62,350	213,685
Payments for Long-term Loans	(126,410)	(139,327)
(Decrease) Increase in Deposit Received	29,624	(13,891)
Other payables - increase in related parties	9,677	-
Payment of lease liabilities	(299,815)	(192,991)
Distribution of Cash Dividends	(45,189)	(102,790)
Net eash flows used in financing activities	(308,492)	(204,694)
Effect of exchange rate changes on cash and cash equivalents	273	2,436
Net decrease in cash and cash equivalents	(48,395)	(215,579)
Cash and cash equivalents at beginning of period	860,844	1,076,423
Cash and cash equivalents at end of period	\$ 812,449	860,844

(please refer to the note for details attached in the consolidated financial statements)

Chairman: GUO RENHAO



Manager: HUANG QINGHAT Accounting Su

#### GRAND OCEAN RETAIL GROUP LTD. and Relational Subsidiaries

# Notes to the Consolidated Financial Statements For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

# I. Company History

GRAND OCEAN RETAIL GROUP LTD. (the "Company") was founded in the Cayman Islands on Aug 23, 2006, and the organizational structure re-engineering of the company was executed in Oct 2007. Afterwards there were 160,000 thousand newly-issued shares from the company in exchange for 100% equity of REGAL OCEAN INTERNATIONAL LTD., making the company also acquire 100% equity of the Grand Ocean Department Store indirectly. After reengineering, the company has become the parent company of the Grand Ocean Department Store Group. Shares of the company had been listed in Taiwan Stock Exchange since Jun 6, 2012. The consolidated financial statements of the company as of Dec 31, 2020 include equity of the associates by the company and its subsidiaries (the "Group"), as well as the consolidated company. Main business contents of the consolidated company are business management consulting and retail sales.

#### II. Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issuance by the Board of Directors on March 30, 2022.

# III. New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted. The details of impact on the Group's adoption of the new amendments beginning January 1, 2021 are as follows, and there is no significant impact on the consolidated equity statement.
  - Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
  - Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform— Phase 2"

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on April 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June, 2021"
- (b) The impact of IFRS issued by the FSC but not yet effective
  - The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:
  - Amendments to IAS 16"Property, Plant and Equipment: Proceeds before Intended Use"
  - Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"
  - Annual Improvements to IFRS Standards 2018–2020
  - Amendments to IFRS 3"Reference to the Conceptual Framework"

# (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or		Effective date per		
Interpretations	Content of amendment	IASB		
Amendments to IAS 1	The amendments aim to promote	January 1, 2023		
"Classification of Liabilities	consistency in applying the requirements			
as Current or Non-current"	by helping companies determine whether,			
	in the statement of balance sheet, debt and			
	other liabilities with an uncertain			
	settlement date should be classified as			
	current (due or potentially due to be			
	settled within one year) or non-current.			
	The amendments include clarifying the			
	classification requirements for debt a			
	company might settle by converting it into			
	equity.			

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements.

# IV. Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

# (a) Statement of compliance

The consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language consolidated financial statements, the Chinese version shall prevail.

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.

# (b) Basis of preparation

#### (i)Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1)Financial instruments at fair value through profit or loss are measured at fair value;

# (ii)Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company's

functional currency. All financial information presented in NTD and RMB has been rounded to the nearest thousand.

#### (c) Basis of consolidation

(i)Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intergroup balances and transactions, and any unrealized income and expenses arising from Intergroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non- controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non- controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non- controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost; and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

# (ii) Subsidiary Listed in Consolidated Financial Statements

All the shareholding ratios of other subsidiaries listed in the consolidated financial statements are 100%, which are listed as follows:

			Shareholding		_
Name of	Name of	Principal	December	December	
Investor	Subsidiary	activity	31, 2022	31, 2021	Note
GRAND	GRAND CITI	Investment holding	100.00%	100.00%	The company directly
OCEAN	LTD.	company			(indirectly) holds more than
RETAIL					50% of its subsidiaries
CPOLIDITO					

		Shareholding			
Name of	Name of	Principal	December		-
Investor	Subsidiary	activity	31, 2022	31, 2021	Note
GRAND CITI LTD.	Grand Ocean Classic Commercial Group Co., Ltd	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Classic Commercial Group Co., Ltd	Nanjing Grand Ocean Classic Commerce Limited	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Classic Commercial Group Co., Ltd	Fuzhou Grand Ocean Commerce Limited	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Classic Commercial Group Co., Ltd	Quanzhou Grand Ocean Commerce Limited	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Classic Commercial Group Co., Ltd	Shanghai Jingxuan Business Management Co., Ltd.	Management consulting business, and trading of cosmetics, furnishings, etc.	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Grand Ocean Classic Commercial Group Co., Ltd	Shanghai Grand Ocean Qianshu Commercial Management Co.,Ltd.	Management consulting business, and trading of cosmetics, furnishings, etc.	100.00%	- %	The company directly (indirectly) holds more than 50% of its subsidiaries
Quanzhou Grand Ocean Commerce Limited	Wuhan Grand Ocean Classic Commercial Development Limited	Trading of cosmetics, furnishings, etc.	30.00%	30.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Nanjing Grand Ocean Classic Commerce Limited	Hefei Grand Ocean Classic Commercial Development Limited	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Fuzhou Grand Ocean Commerce Limited	Fuzhou Grand Ocean Classic Commerce Limited	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Fuzhou Grand Ocean Commerce Limited	Wuhan Grand Ocean Classic Commercial Development Limited	Trading of cosmetics, furnishings, etc.	70.00%	70.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Fuzhou Grand Ocean Commerce	Fuzhou Jiaruixing Business Administration	Trading of cosmetics,	100.00%	100.00%	The company directly (indirectly) holds more than

			Shareholding		
Name of	Name of	Principal	December	December	=
Investor	Subsidiary	activity	31, 2022	31, 2021	Note
Limited	Limited	furnishings, etc.			50% of its subsidiaries
Wuhan Grand Ocean Classic Commercial Development Limited	Wuhan Optics Valley Grand Ocean Commercial Development Limited	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Grand Ocean Classic Commercial Development Limited	Chongqing Optics Valley Grand Ocean Commercial Development Limited	Trading of cosmetics, furnishings, etc.	50.00%	50.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Grand Ocean Classic Commercial Development Limited	Wuhan Longyang Grand Ocean Commercial Development Limited	Trading of cosmetics, furnishings, etc.	50.00%	50.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Grand Ocean Classic Commercial Development Limited	Hengyang Grand Ocean Commercial Development Limited	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Grand Ocean Classic Commercial Development Limited	Shiyan Grand Ocean Commerce Limited	Trading of cosmetics, furnishings, etc.	100.00%	100.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Optics Valley Grand Ocean Commercial Development Limited	Chongqing Optics Valley Grand Ocean Commercial Development Limited	Trading of cosmetics, furnishings, etc.	50.00%	50.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Optics Valley Grand Ocean Commercial Development Limited	Wuhan Longyang Grand Ocean Commercial Development Limited	Trading of cosmetics, furnishings, etc.	50.00%	50.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Optics Valley Grand Ocean Commercial Development Limited	Yichang Grand Ocean Commerce Limited	Trading of cosmetics, furnishings, etc.	99.00%	99.00%	The company directly (indirectly) holds more than 50% of its subsidiaries
Wuhan Longyang Grand Ocean Commercial Development Limited	Yichang Grand Ocean Commerce Limited	Trading of cosmetics, furnishings, etc.	1.00%	1.00%	The company directly (indirectly) holds more than 50% of its subsidiaries

(iii) Subsidiaries excluded from the consolidated financial statements: None.

# (d) Foreign currencies

# (i)Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

# (ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

# (e) Classification of current and non-current assets and liabilities

A asset is classified as current under one of the following criteria, and all other assets are classified as non current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

# (f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

# (g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

# (i)Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- •it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- •its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item. On initial recognition, the Group may irrevocably designate a financial asset, which

meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

# 3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and trade receivables, other receivables, long-term lease payments receivable and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- •debt securities that are determined to have low credit risk at the reporting date; and
- occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade and other receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB or higher per Standard & Poor's, Baa3 or higher per Monday's or twA or higher per Taiwan Ratings'

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- •a breach of contract such as a default or being more than 90 days past due;
- •the lender of the borrower, for economic or contractual reasons relating to the

borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

- •it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- •the disappearance of an active market for a security because of financial difficulties.

  Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

# 4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

# (ii) Financial liabilities and equity instruments

# 1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### 2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

# 3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

#### 4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the

effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

# 5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

# 6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### (h) Inventories

Inventory is measured at the lower of cost or net realizable value. Costs include other costs incurred in making them available for use at locations and conditions, and are calculated using the first-in first-out method.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### (i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate. When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would

have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued. If the Group's ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

The Group used equity method rather than re-evaluating the retained equity, if the investment of the Group in associates becomes an investment in a joint venture, or the investment in a joint venture becomes an investment in associate.

# (j) Property, plant and equipment

# (i)Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

# (ii)Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

#### (iii)Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1)Buildings $20 \sim 50$  years2)Transportation equipment $1 \sim 5$  years4)Office equipment $1 \sim 5$  years5)Leasehold improvement $5 \sim 20$  years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### (k) Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### (i)As a leasee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments

that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1)there is a change in future lease payments arising from the change in an index or rate; or
- 2)there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3)there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- 4)there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5)there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2)the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- 4)there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

# (ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The Group recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'

# (1) Intangible assets

# (i)Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

#### (ii)Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred, including internally developed goodwill and brands.

#### (iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

#### Computer software

5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

# (m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the

combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (n) Revenue

# (i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

# 1)Sales of goods

The Group's department store sells goods in the retail market. The Group recognizes revenue when the goods are delivered to the customer. Payment of the transaction price is due immediately when the customer purchases the product.

# 2)Customer loyalty program

The Group operates a customer loyalty program to its retail customers. Retail customers obtain points for purchases made, which entitle them to discount on future purchases. The Group considers that the points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. The Group has recognized contract liability at the time of sale on the basis of the principle mentioned above. Revenue from the award points is recognized when the points are redeemed or when they expire.

#### 3)Services

The Group provides consultancy services and management services to the customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to services performed to date as a percentage of total services to be performed.

#### 4)Commissions

When the Group acts as an agent rather than as a principal in a transaction, the revenue is recognized as the net amount of the commission received.

# (o) Employee benefits

#### (i)Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

#### (ii)Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

## (p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the board of directors authorized the price and number of a new award.

# (q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the

reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2)different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

# (r) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

# (s) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

## (t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

# V. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements: none.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Impairment of property, plant and equipment and right-of-use assets

In the process of evaluating the potential impairment of tangible assets, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years. Refer to notes 6(f) and (g) for further description of the impairment of property, plant and equipment and right-of-use assets.

# (b)Impairment of goodwill and intangible assets

The assessment of impairment of goodwill and intangible assets requires the Group to make subjective judgments to identify CGUs, allocate the goodwill to relevant CGUs, and estimate the recoverable amount of relevant CGUs. Refer to note 6(h) for further description of the impairment of goodwill and intangible assets.

## (c)Recognition of deferred tax assets

Deferred income tax assets are recognized when it is probable that there will be sufficient taxable income for deducting temporary differences and losses in the future. The consolidated company is based on the assumptions of expected future sales revenue growth and profit margins, etc. Assess the achievability of deferred income tax assets. Changes in the economy, industrial environment and laws may cause significant adjustments to deferred income tax assets. Please refer to note 6(o) for the estimation of deferred income tax assets.

# VI. Explanation of significant accounts:

(a) Cash and cash equivalents

	Dec 31, 2021	Dec 31, 2020
Vault Cash and Petty Cash	\$ 10,1699	12,187
Demand Deposit	3,515,259	3,745,241
Total	\$ 3,525,958	3,757,428

Please refer to note 6(u) for the sensitivity analysis and interest rate risk.

## (b) Financial assets and liabilities

(i) as below:

	Dec	31, 2021	Dec 31, 2020
Mandatorily measured at fair value through profit or			
loss: – Current:			
Open-end Funds	\$	13,268	13,127
Shares of stock of listed companies		56,208	61,492
Total	\$	69,476	74,619

- (ii) Please refer to note 6(u) for disclosure of credit risk and market risk of all financial instruments mentioned above.
- (iii) The financial assets mentioned above had not been pledged as collateral.
- (iv) For gain or loss on financial assets or liabilities at fair value through profit or loss, please refer to note 6(t).

#### (c) Account receivables and other receivables

	Dec 31, 2021	Dec 31, 2020
Accounts Receivable	\$ 202,33	8 209,266
Allowance for impairment	(13,266	(10,640)
-	189,07	<u>198,626</u>
Other Receivables - Current:		
Other Receivables - Investment Funds(note6(o))	462,20	1 353,550
Other Receivables - Lease deposit	62,28	4 63,165
Other Receivables - Receivable returns(note)	34,24	7 -
Other Receivables- Others	60,76	7 62,101
Deduction: Impairment Loss Allowance	(50,765)	(18,083)
Subtotal	568,73	4 460,733
Total	\$ 757,80	6 659,359

Note: Fuzhou Grand Ocean Commerce Limited, a subsidiary of the Group, failed to reach

the contract renewal conditions with the owners of some department store floors. Most of the floors are self-operated. The Group reached an agreement with the supplier to return some of the inventory to the supplier, so a return payment was incurred.

(i) The Group's main trade receivables from retail department in China are credit card payments collected from banks, with an average credit period of 2 to 3 days, wherein there is no concern about the collectability. In addition, the retail business department in China which is classified as leasing was effected by COVID-19 pandemic. Therefore, partial receivables was deferred, so the simplified method is used to estimate the expected credit loss for the leased accounts receivable, the expected credit loss during the lifetime is used to measure. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information.

-		De		
		s carrying mount	Weighted-ave	Loss allowance provision
1 to 90 days past due	\$	11,568	0%	-
91 to 180 days past due		5,506	3%	192
181 to 270 days past due		3,949	52%	1,849
271 to 365 days past due		414	100%	414
More than 365 days past		10,811	100%	10,811
due	<u>\$</u>	32,248	=	13,266
		De	ecember 31, 2020	
				Loss
	C	~ ~~~~	Wainblad area	allarranaa

	oss carrying amount	Weighted-ave	Loss allowance provision
1 to 90 days past due	\$ 26,991	0%	-
91 to 180 days past due	2,252	3%	68
181 to 270 days past due	1,092	12%	130
271 to 365 days past due	679	100%	679
More than 365 days past	 9,763	100%	9,763
due			
	\$ 40,777		10,640

- (ii) Other receivables Other of the consolidated company are mainly the advances for those promotional activities held by the department stores and vendors. Due to the long-term cooperation between the consolidated company and these vendors as well as considering the experience in the past, there is no need to concern about the recoverability of those advances. Hence, evaluation is confirmed by the consolidated company that other receivables explained as above are the financial assets with a lower credit risk, and the measurement of impairment loss allowance in those periods can stand based on the amount of 12-month expected credit losses. After the assessment, there is no need to concern about the credit losses.
- (iii) Since the rental agreement of, Xiangtan Grand Ocean Department Store Co., Ltd. (Xiangtan) one of the Group's subsidiaries, have reached its maturity in December 2018, the Group ceased Xiangtan's business operation, wherein a security deposit amounting to CNY\$15,000 thousand is expected to be received. Xiangtan had already returned the property to its owner, Xiangyuan Industrial Development Co., Ltd.(Xiangyuan), but failed to receive the security deposit. In order to receive the

payment and begin the liquidation process, Xiangtan filed a lawsuit against Xiangyuan. On July 1, 2019, the people's court ordered Xiangyuan to pay the amount of CNY\$14,700 thousand to Xiangtan. However, Xiangyuan disagreed with the court's decision, therefore, filed an appeal on November 13, 2019, wherein it was denied on January 16, 2020. Furthermore, Xiangtan filed an appeal to the court to freeze the property of Xiangyuan, in which the court granted the approval do to so. After a thorough investigation by the court, it was found that Xiangyuan has enough property to pay for the security deposit, and the Group has collected the mandatory payment of \$1,511 thousand (CNY\$348 thousand). As a result, the Group assessed that amount of \$62,284 thousand (CNY\$14,352 thousand) should have no impairment concern.

(iv) The movements in the allowance for accounts receivable were as follows:

		2020	
Balance on January 1	\$	10,640	-
Impairment losses recognized		2,686	12,625
Amounts written off		-	(2,184)
Foreign exchange		(60)	199
Balance on December 31	<u>\$</u>	13,266	10,640

# (d) Investments accounted for using equity method

The affiliated companies of the Group adopting the equity method are individually insignificant, and the summary financial information for the period is as follows, which are the amounts included in the consolidated financial statements of the Group.

		2021.12.31	2020.12.31
Period-end aggregated carrying amount of	\$	36,634	
equity in individually insignificant			
affiliates			
	2	2021.12.31	2020.12.31
Net attributable to the combined			
company:			
Net loss of continuing business units for			
the current period	\$	(2,771)	-
Other comprehensive gains and losses		(322)	-
Total comprehensive profit and loss	\$	(3,093)	

- (i) Nanjing Grand Ocean Dongfadao Catering Co., Ltd.
  - (1) The Group signed an investment agreement with Shanghai Dongfadao Catering Management Co., Ltd. (hereinafter referred to as Shanghai Dongfadao) on May 6, 2021. The investment agreement negotiated an investment of RMB 7,000,000, and jointly established Nanjing Grand Ocean Dongfadao Catering Co., Ltd (hereinafter referred to as Nanjing Dongfadao), the Group acquires 49% of the equity, and the cooperation period is 5 years. As of June 30, 2021, the Group has invested \$30,373 thousand (RMB 7,000 thousand).
  - (2) The share repurchase agreement of the investment agreement A. If Shanghai Dongfadao needs to be listed, it can negotiate with the Group about share repurchase. The equity of Nanjing Dongfadao can be repurchased after the written consent of the Group. B. If Nanjing Dongfadao continue to be negative of profit for six months or accumulate profit loss amount to RMB 5,000 thousand, the consolidated company will have the right to notify Shanghai Dongfadao to

repurchase the shares holding by the Group unconditionally, and the repurchase price shall be deducting the profit distribution in previous of the total investment of the Group.

## (ii) Sandmartin International Holdings Limited

On December 7, 2018, the board of directors of the Group resolved to sale the investment of equity method —Sandmartin International Holdings Limited; it has started to conduct the related sales and is expected to complete the sales within one year, and be reported under the non current assets classified as held for sale. Later, due to changes in the economic environment and the impact of the COVID-19, the above assets could not be sold within the expected period. The Group has taken necessary actions to respond to the changes in the situation and actively seek other buyers at a reasonable price. It is expected to complete the transaction within one year. In order to strive for better conditions, the Group was approved by the board of directors on June 25, 2021 to increase the capital of Sandmartin International Holdings Limited. in cash according to the shareholding ratio by HK\$2,475,000. In the second quarter of 2021, the requirements for recognition of non-current assets to be sold were reassessed. It is expected the transaction cann't complete within one year. Therefore, the Group ceased to classify them as non-current assets to be sold, and revised the financial statements for the comparative period, and to descibe situation of effect. As follows:

## 2020.12.31Consolidated Balance Sheet

Non-current assets classified as held for sale Retained earnings Other equity interest	Amount before revision  \$ 14,953     752,281     (956,579)	Effect of modified (14,953) (9,836) (5,117)	Amount after revision - 742,445 (961,696)
2020.01.01Consolidated Balance Sheet			
	Amount before	Effect of	Amount after
	revision	modified	revision
Non-current assets classified as held for sale	\$ 35,083	(35,083)	-
Retained earnings	1,676,433	(28,781)	1,647,652
Other equity interest	(1,114,697)	(6,303)	(1,121,000)
2020 Consolidated Income Statement			
	Amount before	Effect of	Amount after
	revision	modified	revision
Other gains and losses,net	\$ 169,811	18,945	188,756
In addition, the change plan has no significa	ant impact on the o	perating resul	ts of 2021.

#### (e) Business combination-accquition of subsidiaries

The Group obtained control of the company through the acquisition of 100% of the shares of Shanghai Qianshu Commercial Management Co., Ltd. (hereinafter referred to as Shanghai Qianshu) on June 30, 2021. The merged company's interest in Shanghai Qianshu As a result, it increased from 0% to 100%. The acquisition of the control of Shanghai Qianshu enabled the combined company to expand its department store business.

From the acquisition date to December 31, 2021, the income and net profit contributed by Shanghai Qianshu were \$21,981 and \$ (3,844) thousand . If this acquisition occurred on January 1, 2021, the management estimated that the income and net loss of the consolidated

company for 2021, would reach \$5,159,425 thousand and \$ (286,551) thousand respectively. When determining these amounts, the management assumed that the acquisition took place on January 1, 2021, and that the provisional fair value adjustments on the acquisition date were the same.

The main types of transfer consideration, assets acquired and liabilities assumed on the acquisition date, and the amount of recognized goodwill are as follows:

# 1. The main categories of transfer consideration are as follows:

Cash \$ 4,313

# 2.Identifiable assets acquired and liabilities assumed

The fair value details of the identifiable assets acquired and liabilities assumed on the acquisition date are as follows:

Property, plant and equipment	\$ 15,454
Advance	5,981
Cash and cash equivalents	811
Other non-current financial assets	4
Other payables	(74,394)
Deposits received	 (46,278)
Net identifiable assets of fair value	\$ (98,422)

#### 3.Goodwill

The goodwill recognized as a result of the acquisition is as follows:

Transfer consideration	\$ 4,340
Less: net identifiable assets of fair value	 (98,422)
	\$ 102,762

The acquisition price apportionment report of the subsidiary is based on the evaluation of independent evaluators (with relevant recognized professional qualifications and relevant experience in the subject of evaluation).

# (f) Property, Plants and Equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2021 and 2020, were as follows:

	_	Building	Transportati on Device	Office Equipment	Lease Improvement	Construction in progress	Total
Cost or deemed cost:							
Balance as of Jan 1, 2021	\$	4,615,729	24,008	227,997	6,623,373	58,534	11,549,641
Merger and acquisition		-	-	1,243	-	14,211	15,454
Add		-	2,784	4,998	56,738	165,737	230,257
Current Re-classification		-	-	7,446	191,009	(202,652)	(4,197)
Disposal and Abandonment		(2,170)	(3,768)	(12,518)	(91,604)	-	(110,060)
Influenced by Fluctuation of		(26,335)	(162)	(1,322)	(37,824)	(4,235)	(69,878)
Exchange Rates							
Balance as of Dec 31, 2021	\$	4,587,224	22,862	227,844	6,741,692	31,595	11,611,217
		D:1.4:	Transportati	Office	Lease	Construction	Total
	_	Building	on Device	Equipment	Improvement	in progress	Total
Balance as of Jan 1, 2020	\$	3,615,178	28,267	229,461	6,569,038	962,527	11,404,471
Add		87,827	-	4,743	65,279	154,778	312,627

Current Re-classification	850,307	-	1,858	201,230	(1,053,395)	-
Disposal and Abandonment	-	(4,373)	(10,690)	(292,031)	-	(307,094)
Influenced by Fluctuation of	 62,417	114	2,625	79,857	(5,376)	139,637
Exchange Rates						
Balance as of Dec 31, 2020	\$ 4,615,729	24,008	227,997	6,623,373	58,534	11,549,641
Depreciation and Impairment						
Losses:						
Balance as of Jan 1, 2021	\$ 559,324	20,831	172,755	3,695,286	-	4,448,196
Depreciation	107,395	412	13,984	419,144	-	540,935
Disposal and Abandonment	(1,326)	(3,604)	(11,388)	(91,166)	-	(107,484)
Impairment loss				21,379	514	21,893
Influenced by Fluctuation of	 (3,168)	(144)	(1,001)	(21,080)	<u> </u>	(25,393)
Exchange Rates						
Balance as of Dec 31, 2021	\$ 662,225	17,495	174,350	4,023,563	514	4,878,147
Balance as of Jan 1, 2020	\$ 461,091	24,313	162,467	3,541,552	-	4,189,423
Depreciation	90,824	373	18,187	400,195	-	509,579
Disposal and Abandonment	-	(3,936)	(9,940)	(291,671)	-	(305,547)
Influenced by Fluctuation of	 7,409	81	2,041	45,210	-	54,741
Exchange Rates						
Balance as of Dec 31, 2020	\$ 559,324	20,831	172,755	3,695,286	-	4,448,196
Book Value:						
Dec 31, 2021	\$ 3,924,999	5,367	53,494	2,718,129	31,081	6,733,070
Jan 1, 2020	\$ 3,154,087	3,954	66,994	3,027,486	962,527	7,215,048
Dec 31, 2020	\$ 4,056,405	3,177	55,242	2,928,087	58,534	7,101,445

- 1. As of December 31, 2021 and 2020, due to payments to stores maintenance and to acquire the property for department stores, the Group recognized other payables amounting to \$166,014 thousand and \$166,330 thousand, respectively.
- 2. The significant components of the buildings include the main building, machinery and air conditioner with their own estimated useful lives as 5 to 50 years, 5 to 20 years and 5 to 20 years.
- 3. The disposal and obsolescence for 2020 were mainly due to the resolution decided during the board meeting of a subsidiary, Fuzhou Grand Ocean World Department Store Ltd., for not extending the original lease maturing on April 30, 2020, resulting in the related assets to be disposed and scrapped accordingly.
- 4. Fuzhou Grand Ocean Commercial Limited. a subsidiary of the Group, in September 2010, because some shopping mall floors did not reach a lease renewal agreement, the Group cancelled the counters on these floors and recognized impairment losses of RMB 21,379 thousand.
- 5. The gas pipeline project of Quanzhou Grand Ocean Commercial Limited., a subsidiary of the Group, has been suspended for a long time, so the Group recognized an impairment loss of RMB 514 thousand in 2021.
- 6. Please refer to the Notes6(t) for disposal profit and loss
- 7. Guarantee

The property, plant and equipment of the Group had been pledged as collateral for bank borrowings; please refer to note 8 for further details.

# (g) Right of use assets

The movements in the cost and depreciation of the leased land, buildings, machine and transportation equipment were as follows:

				Machine	
		Land	Buildings	equipment	Total
Cost:					
Balance at January 1, 2021	\$	3,294,512	7,268,670	58,751	10,621,933
Additions		-	4,304,748	-	4,304,748
Lease modifications		-	505,204	-	505,204
Derecognition			(402,936)	-	(402,936)
Effect of changes in foreign exchange rates		(18,796)	(40,529)	(335)	(59,660)
Balance at December 31, 2021	\$	3,275,716	11,635,157	<u>58,416</u>	14,969,289
Balance at January 1, 2020	\$	3,254,497	7,331,030	58,037	10,643,564
Derecognition		-	(153,119)	-	(153,119)
Lease modifications		-	3,448	-	3,448
Effect of changes in foreign exchange rates		40,015	87,271	714	128,000
Balance at December 31, 2020	\$	3,294,512	7,268,670	58,751	10,621,933
Accumulated depreciation:					
Balance at January 1, 2021	\$	193,601	1,772,796	14,317	1,980,714
Depreciation		96,228	859,158	7,243	962,629
Derecognition		-	(402,936)	-	(402,936)
Effect of movement in exchange rate		(1,084)	(10,016)	(81)	(11,181)
Balance at December 31, 2021	\$	288,745	2,219,002	21,479	2,529,226
Balance at January 1, 2020	\$	95,625	959,252	6,945	1,061,822
Depreciation		94,981	875,666	7,149	977,796
Derecognition		-	(88,982)	-	(88,982)
Effect of movement in exchange rate		2,995	26,860	223	30,078
Balance at December 31, 2020	\$	193,601	1,772,796	14,317	1,980,714
Carrying amounts:					
Balance at December 31, 2021	<u>\$</u>	2,986,971	9,416,155	36,937	12,440,063
Balance at January 1, 2020	\$	3,158,872	6,371,778	51,092	9,581,742
Balance at December 31, 2020	\$	3,100,911	5,495,874	44,434	8,641,219

- 1. For 2021, the company Hefei Grand Ocean Classic Commercial Department Ltd. signed a department store building lease modification agreement to adjust part of the annual rent so that the right-of-use assets and lease liabilities increased by 505,204 thousand
- 2. For 2021, Fuzhou Grand Ocean Commercial Limited. was excluded from the right-of-use assets and accumulated depreciation of RMB 402,936 thousand in the third quarter of 2021 due to the expiry of the leases of some shopping mall floors and no renewal agreement has been reached.
- 3. The Group signed a department store building lease agreement with Shanghai Kaixuanmen Enterprise Development Co., Ltd. as approved by the board of directors on June 30, 2021, and signed a lease agreement on July 9, 2021, with a lease term of 20 years, the starting date is December 2021, resulting in an increase of NT 4,304,748 thousand (RMB 992,108 thousand) in the cost of the right of use and the lease liability at the same time

#### (h) Intangible Assets

The costs, amortization, and impairment loss of intangible assets for the years ended December 31, 2021 and 2020, were as follows:

	(	Goodwill	Trademark Rights	Computer Software	Total
Costs:					
Balance as of Jan 1, 2021	\$	1,355,778	399,178	25,811	1,780,767
acquired in a business combination		102,762	-	-	102,762
Additions		-	-	1,047	1,047
Reclassification in this period		-	-	4,197	4,197

Disposal		-	-	(5,602)	(5,602)
Derecognition		-	-	(89)	(89)
Influenced by Fluctuation of Exchange Rates		(7,735)	(11,353)	(149 <u>)</u>	(19,237)
Balance as of Dec 31, 2021	\$	1,450,805	387,825	25,215	1,863,845
Balance as of Jan 1, 2020	\$	1,339,311	421,604	64,820	1,825,735
Additions		-	<u>-</u>	344	344
Disposal		_	-	(39,396)	(39,396)
Influenced by Fluctuation of Exchange Rates		16,467	(22,426)	43	(5,916)
Balance as of Dec 31, 2020	\$	1,355,778	399,178	25,811	1,780,767
Amortization and Impairment Losses:	·	, ,	,		, ,
<u>.</u>	\$			15 570	15 570
Balance as of Jan 1, 2021	Ф	-	-	15,578	15,578
Amortization		-	=	4,552	4,552
Disposal		-	-	(5,602)	(5,602)
Derecognition		-	-	(89)	(89)
Influenced by Fluctuation of Exchange Rates		-	-	(91)	(91)
Balance as of Dec 31, 2021	<u>\$</u>		-	14,348	14,348
Balance as of Jan 1, 2020	\$	-	-	50,299	53,236
Amortization		-	-	4,727	4,727
Disposal		-	-	(39,396)	(39,396)
Influenced by Fluctuation of Exchange Rates		-	-	(52)	(52)
Balance as of Dec 31, 2020	\$	-	-	15,578	15,578
Book Value:		<u>,                                     </u>			
Dec 31, 2021	\$	1,450,805	387.825	10,867	1.849.497
Jan 1, 2020	\$	1,339,311	421,604	14,521	1,775,436
Dec 31, 2020	\$	1,355,778	399,178	10,233	1,765,189

# (i) Recognition of amortization

The amortization of intangible assets are included in the consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020:

		2021	2020
Operating Expenses	<u>\$</u>	4,552	4,727

# (ii)Impairment testing of goodwill

For impairment testing, the Group had allocated goodwill to CGUs. The aggregated carrying amount of goodwill was allocated to each CGU as follows:

		December	31, 2021	<b>December 31, 2020</b>		
		Carrying amount	Recoverable amount	Carrying amount	Recoverable amount	
Goodwill						
Shanghai Grand Ocean Qianshu Commercial Management Co, Ltd.	\$	102,762	360,641	-	-	
Wuhan Grand Ocean Classic	\$	189,805	278,526	190,894	487,793	
Commercial Department Limited Fuzhou Grand Ocean Commerce		1,158,238	1,437,234	1,164,884	1,546,689	
Limited	•	4 450 005	2074104	4 255 550	2 02 4 402	
	\$	<u>1,450,805</u>	<b>2,076,401</b>	1,355,778	2,034,482	
Trademark						
Grand Ocean Classic Commercial	\$	387,825	690,191	339,178	636,231	
Group Co., Ltd.		,		,		

The recoverable amount of CGU is the higher of fair value less costs of disposal or value in use. If an asset's recoverable amount is higher than its carrying amount, the Group assumes that there is no doubt about impairment loss. The recoverable amount of CGUs as of December 31, 2021 and 2020 was estimated on its value in use except Fuzhou Grand Ocean Commerce Limited, its recoverable amount was fair value less costs of disposal. In addition, the Group acquired Shanghai Grand Ocean Qianshu Commercial Management Co., Ltd. on June 30, 2021. Please refer to Note 6 (V) for details.

The fair value of Fuzhou Grand Ocean Commerce Limited, as of December 31, 20201 and 2020, was estimated by market method, which was based on the identical industries in recent market or similar deal prices in the neighborhood, and it was level two input of the

fair value hierarchy.

The recoverable amount of three CGUs, Shanghai Grand Ocean Qianshu Commercial Management Co., Ltd. • Wuhan Grand Ocean Classic Commercial Department Limited and Fuzhou Grand Ocean Commerce Limited, as of December 31, 2021 and 2020, were estimated on the value in use. The key assumptions used in estimating the value in use were as follows:

	December 31, 2021	December 31, 2020
Discount rate	10%	10%
Terminal value growth rate	2%~6%	3%

- 1. The discount rate is a pre-tax earnings ratio based on the government debt of China due in 2040, and adjustments of risk premium to reflect incremental risk of general investment in equity and systematic risk specific to CGU.
- 2. Estimates of future cash flows are based on past experience, actual operating results and future lease agreement due date.
- 3. Operating revenue are considered the average growth level of the past three years. Also, managements use data to estimate that the selling price will stably grow at a rate higher than expected inflation rate in the future three years.
- 4. Operating costs and expenses are estimated based on past experiences and variable factors. The aforementioned key assumptions represent management's evaluation and best estimates of future economic trend of retail business based on the external and internal historical information.

#### (i)Other financial assets—current and non-current

The details of s Other financial assets—current and non-current are as below:

	Dec	December 31, 2020	
Other financial assets—current		_	
Deposits — out for lease	\$	559	661
Restricted deposits		43,468	37,179
Others		3,223	2,828
	<u>\$</u>	47,250	40,668
Other financial assets - non-current			
Deposits — out for lease	\$	211,317	147,063
Deposits—out for investment		-	353,550
Others		4,722	4,480
Less: Allowance for impairment			(38,579)
•	<u>\$</u>	216,039	466,514

- (i) Deposits—out for lease is leasing deposit from lessee.
- (ii) In 2012, the Group paid a guarantee deposit of CNY\$124,000 thousand to Quanzhou Fengsheng Group to purchase the commercial real estate of the Fengsheng Junyuan Development Project developed by Fengsheng Group in Fengze District, Quanzhou. After assessing the investment value of the project, the Board of Directors of the Group resolved during the meeting in July 2015 to invest Quanzhou Fengan Real Estate Development Co., Ltd.(Fengan), and expected to obtain 100% equity of the company with a contractual amount of CNY\$325,000 thousand. As of December 31, 2015, the Group had paid CNY\$200,000 thousand, which was reported under the prepayment for investments. The management of the Group evaluated the uncertainty of the investment and thus terminated the investment. Therefore, the original prepayment for investments of CNY\$200,000 thousand and other financial assets –

current of CNY\$124,000 thousand, were reclassified as other receivables as of June 30, 2016.

In addition, the Group reviewed the nature of other receivables and analyzed the current financial position of the counterparty. In order to secure the aforementioned debt, the Group had acquired pledge of stock rights of Fengan, and at the same time had obtained the debtor's promise that other investment profits to be priority to repay the debt. The Group evaluated that the aforementioned debt should have no impairment concern. Because the debtor takes time to complete the relevant legal procedures of the disposition of investment, the Group and the debtor renegotiate the repayment period, which should be before April 30, 2017, before September 30, 2017, and before December 31, 2017. The total amount of repayment should be 10%, 40% and 50%, respectively. In case of violation of the agreement, the aforementioned collateral would be transferred to the Group for debt repayment. As of December 31, 2017, the Group had recoverd CNY\$162,000 thousand according to aforesaid agreement. On December 19, 2017, the Board of Directors of the Group resolved during the meeting on the Fengsheng Group's extension of the repayment agreement, which extended remaining proceeds to June 30, 2018. Due to the delay of procedures of the disposition of investment, Fengsheng Group could not make the payments by the aforementioned date.

To ensure the recovery of the aforementioned creditor's rights and the development of Fengan's property, on August 12, 2019, the Board of Directors resolved to sign a "Debt Confirmation and Repayment Plan" with Damahua Investment Co., Ltd. (Damahua), Fengsheng and Fengan, stating that Damahua will provide financial support to Fengan for the development and construction of a real estate property to be sold to the market to ensure that the future sales proceeds will be used to repay for the aforementioned claims. Considering the development progress of Fengan's property, the credit recovery period will exceed one year; therefore, the related receivables reclassified to other non current receivables were recognized as other non- current financial assets. The Group evaluated that the aforementioned debt should have no impairment concern under the cash flow of pledge asset.

The aforementioned "Debt Preservation and Conditional Credit Transfer Agreement" stated that the development project of the Fengan property must be restarted before June 30, 2020. However, the progress of approval was delayed because of COVID-19 pandemic; therefore, the development project could not start as expected. As a result, the Group has agreed to extend 6 more months before restarting the development project of Fengan property due to force majeure.

On December 31, 2020, the aforementioned "Debt Preservation and Conditional Credit Transfer Agreement" has been reached, Damahua carried the aforementioned creditor's right. On February 9, 2021, the Group agreed to modify the original payment terms and timeline because of the impact of COVID-19 pandemic and the property policy in Quanzhou, which are force majeure. The details of payments are as follows:

- 1. Damahua agrees to pay CNY\$30,000 thousand before February 9, 2021.
- 2. Damahua agrees to pay CNY\$51,000 thousand before December 31, 2021.
- 3. Damahua agrees to pay CNY\$81,000 thousand before June 30, 2022.
- 4. Under the premise of obtaining written consent of the Group, Damahua can transfer the title of properties located in Citong road to the Group, as the payment of debt.

The Group has collected CNY\$55,500 thousand for the year ended December 31, 2021, and collected CNY\$25,500 thousand for the year ended March, 2022. As of December 31, 2021and 2020, the outstanding receivables were \$462,201 thousand (NCY\$106,500 thousand) and \$707,100 thousand (NCY\$162,000 thousand). The aforementioned investment receivables due within one year on December 31, 2011 and 2010 have been reclassified to other receivables. Please refer to Note 6 (iii) for details. In addition, the Group and Damahua renegotiate the method of repayment of the creditor's rights and consider the risk that the above-mentioned creditor's rights may default during the expected period of existence. The Group recognizied expected credit loss of \$55,597 thousand (CNY\$12,981 thousand) for the year ended December 31, 2020.

# (j) Short-term Loans

The details of short-term loans are as below:

	<b>D</b> (	Dec 31, 2021		
Unsecured Bank Loans	\$	857,012	575,866	
Secured Bank Loans		1,683,019	1,728,031	
Total	<u>\$</u>	2,540,031	2,303,897	
Unused Credit Lines	<u>\$</u>	52,947	125,550	
Range of interest rates	1.4	41%~4.35% <u></u>	1.71%~4.35%	

For the collateral of short-term borrowings, please refer to note 8.

## (k) Long-term Loans

The list, terms and conditions of long-term borrowings of the Group were as follows:

	Dec 31, 2021				
		<b>Interest Rate</b>	Year of		_
	Currency	Collar	Expiry		Amount
Unsecured Bank Loans	USD	1.72%~2.10%	111~112	\$	671,689
<i>"</i>	RMB	4.50%~4.94%	111~113		368,892
Secured Bank Loans	RMB	5.23%	111		390,593
					1,431,174
Less: current portion					(907,626)
Total				\$	523,548
Unused Credit Lines				\$	_

	Dec 31, 2020				
		<b>Interest Rate</b>	Year of		
	Currency	Collar	Expiry		Amount
Unsecured Bank Loans	USD	1.75%~2.20%	110~111	\$	899,968
<i>//</i>	RMB	4.60%~4.94%	111~112		264,301
Secured Bank Loans	RMB	5.23%	110~111		572,882
					1,737,151
Less: current portion					(604,616)
Total				\$	1,132,535
Unused Credit Lines				\$	98,197

- (i) For the collateral of long-term borrowings, please refer to note 8.
- (ii) Concerning the risk exposure of interest rates, foreign currencies and current risks of the consolidated company, please refer to note 6 (u).

# (1) Accounts Payable

	Dec 3	31, 2021	Dec 31, 2020
Arising from direct sales	\$	86,889\$	117,806

Arising from concessionaire sales		1,853,055	2,135,103
Others		65,687	52,735
Total	<u>\$</u>	2,005,631\$	2,305,644

Most of payable arising from suppliers.

# (m) Lease liabilities

The Group's lease liabilities were as follows:

	De	ec 31, 2021	Dec 31, 2020
Current	<b>S</b>	832,236	870,702
Non-current	<u>\$</u>	10,767,8958	7,297,423

Please refer to note 6 (u) for maturity analysis.

The amounts recognized in profit or loss were as follow:

	For the year ended December 31		
		2021	2020
Interest on lease liabilities	\$	381,405\$	417,297
Variable lease payments not included in the measurement of lease liabilities	\$	86,536\$	88,358
Expenses relating to short-term leases	\$	1,518\$	1,594
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	<u>\$</u>	35\$	39
Related rent concessions for Covid-19	<u>\$</u>	31,195\$	190,193

The amounts recognized in the statement of cash flows for the Group was as follows:

	For the year en	nded December 31
	2021	2020
Total cash outflow for leases	\$ 1,770,38	1,333,829

## (i)Lease of land, housing and construction

The Group leases land use rights, housing and buildings as office space and department store buildings for business. The lease period of office premises and department store buildings is usually with three years and ten to twenty years, respectively. Some leases include the option to extend the lease period at the end of the lease term.

Some leases provide for additional rent payments that are based on changes in local price indices, or sales that the Group makes at the leased store in the period.

Some leases of retail stores contain variable lease payments which are based on sales that the Group makes at the store. These payment terms are common in retail stores in the country where the Group operates. Fixed and variable retail payments for the year ended December 31, 2021 were as follows:

		202	21	
	Fixed payments	Variable payments	Total payments	Estimated annual impact on rent of a 1% increase in sales
Leases with lease payments based on sales	<u>\$ 111,501</u>	86,536	198,037	865
		202	20	
	Fixed payments	Variable payments	Total payments	Estimated annual impact on rent of a 1% increase in sales
Leases with lease payments				
based on sales	<u>\$ 92,813</u>	88,358	181,171	884

The Group expects the relative proportions of fixed and variable lease payments to remain broadly consistent in future years.

## (ii)Other leases

The lease period of the Group leased transportation and machinery and equipment is five to ten years. Some lease contracts stipulate that the Group has options to purchase the leased assets at the end of lease term.

In addition, the period in which the Group leases part of the office is one year, and the leases are short-term leases. The Group chooses to apply the exemption recognition requirement without recognizing its related right-of-use assets and lease liabilities.

## (n) Employee Benefits

#### **Defined Contribution Plans**

Defined contribution plans of the employees in Taiwan office of the consolidated company are plotted in accordance with Taiwan Labor Pension Act, where a contribution rate as 6% of the wage of a labor each month is conducted and contributed to the personal account of retirement created by the Bureaus of Labor Insurance. After the consolidated company has contributed the fixed amount to Bureaus of Labor Insurance under the plans, it shall not assume any more legal or constructive obligations for paying an extra amount.

Defined benefit plans of the employees working in the Chinese subsidiaries are also applied with the contribution system, where an amount corresponding to the wage per month of the position as for an employee is to be contributed to his (or her) own account respectively. Whenever resigning or retiring from the job of an employee, the voluntary pension calculated by the subtraction of early withdrawn provident fund from actual cumulative voluntary amount over the years will be returned at one time; the pension contributed by company will be returned by the subtraction of early withdrawn provident fund during the tenure from actual cumulative provident fund contributed by company over the years multiplying percentage of seniority-based pay.

Pension expenses of the defined contribution plans of the consolidated company in 2021 and 2020 were \$54,951 thousand and \$6,821 thousand respectively.

Note: Due to the impact of COVID-19, China issued document instructions for small and medium-sized enterprises, extending the implementation of the three social insurance exemption policies until the end of 2019.

# (o) Income Tax

#### (i) Income tax expense

The components of income tax were as follows:

	For the year ended December 31		
		2021	2020
Current Income Tax Expense			
Current period	\$	135,573\$	78,886
Adjustment for prior periods		347	(1,384
		135,920	77,502
Deferred Tax Expense			
Origination and reversal of temporary differences		(174,131)	(136,789)
Income Tax Expense	<u>\$</u>	310,051	(59,287)

Reconciliation of income tax and profit before tax were as follows:

	For the years ended December 31		
		2021	2020
(Loss) profit excluding income tax	\$	77,916\$	(162,464)
Income Tax Calculated by Domestic Tax Rate of		19,479	(40,616)
Consolidated Company			
Effective Influence of Tax Rate by Foreign Jurisdiction		12,815	16,256
Expenses Not Able to Be Offset		12,820	8,007
Investment Losses		(24)	(197,308)

Current Taxing Losses on Unrecognized Deferred Tax	172,031	127,803
Assets		
Prior Period Underestimation (or overestimation)	347	(1,384)
Tax losses deduction	90,628	<u>-</u>
Others	 1,955	27,955
Income Tax Expense	\$ 310,051\$	(59,287)

# (ii) Deferred Tax Assets

# 1. Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

The carry forward of unused tax losses

Dec	31, 2021	Dec 31, 2020
\$	540,419\$	307,404

The R.O.C Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Besides, the Law of the People's Republic of China on Enterprise Income Tax allows net losses, as assessed by the tax authorities, to offset taxable income over a period of five years for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

# 2. Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 were as follows:

Tay losses

Deferred tax assets:

			deduction and	
	Ren	tal expenses	other	Total
Balance at January 1, 2021	\$	686,921	364,408	1,051,329
Recognized in profit or loss		(23,574)	(159,812)	(183,386)
Foreign currency translation		(3,924)	(2,113)	(6,037)
differences for foreign operations	S			
Balance at December 31, 2021	<u>\$</u>	659,423	202,483	861,906
Balance at January 1, 2020	\$	682,681	195,104	877,785
Recognized in profit or loss		(5,962)	165,654	159,692
Foreign currency translation		10,202	3,650	13,852
differences for foreign operations	S			
Balance at December 31, 2020	<u>\$</u>	686,921	364,408	1,051,329

Deferred Tax Liabilities:

	_ Retained Earning	
Balance as of Jan 1, 2021	\$	61,473
Recognized in profit or loss		(9,255)
Influenced by Fluctuation of Exchange Rates		(1,485)
Balance as of Dec 31, 2021	\$	50,733
Balance as of Jan 1, 2020	\$	41,605
Recognized in profit or loss		22,903
Influenced by Fluctuation of Exchange Rates	-	(3,035)
Balance as of Dec 31, 2020	\$	61,473

3. As of December 31, 2021, the information of the Group's unutilized business losses for which no deferred tax assets were recognized are as follows:

<b>Deficit Year</b>	<b>Deficit witho</b>	ut Deduction	<b>Last Year with Deduction</b>
2017	\$	408,451	2022
2018		193,241	2023
2019		335,832	2024
2020		625,591	2025
2021		598,561	2026
Total	<u>\$</u>	2.161.676	

# (iii) Examination and Approval

The annual tax returns of subsidiaries in China through 2020 were examined and approved by the tax authority.

# (p) Capital and Other Equity

As of December 31, 2021 and 2020, the number of authorized ordinary shares were both 5,000,000 thousand shares, with par value of \$10 per share. The total value of authorized ordinary shares was amounted to both \$500,000 thousand. Also, the number of issued and outstanding shares were both 195,531 thousand shares. All issued shares were paid up upon issuance.

# (i)Capital surplus

The components of the capital surplus were as follows:

	De	ec 31, 2021	Dec 31, 2020
Premium on Issued Shares	\$	5,041,030\$	5,041,030
Treasury Stock Trading		25,333	24,461
,	\$	5,066,363\$	5,065,491

#### (ii)Retained Earnings

Based on the articles of the company, the board should in accord with the measures and procedure described as below to draft the disposition of earnings and submit it to the shareholders meeting for approval by an ordinary resolution if there is any earning at general accounts annually of the company:

- 1. Tax payables contributed by law;
- 2. Compensation to the accumulated deficit by previous years;
- 3. 10% as a contribution to the legal reserve in accordance with the applicable laws and regulations, except for when the legal reserve approaches the paid-in capital of the company;
- 4. Contribution of the appropriated retained earnings by the applicable laws and regulations or the demands from a competent authority; and
- 5. Profit available for distribution is the amount of earnings of the current year minus the sum from (a) to (d) above, and then plus cumulative retained earnings of the prior period. The board will propose the project of dividend distribution from it and then submit to the shareholders meeting for approval by an ordinary resolution according to the applicable laws and regulations.

Policies concerning the dividends of the company must take the environment as well as trends in the industry in the future, requirements for funds and financial structure into consideration. Dividends shall be paid no less than 30% of the current year 's surplus. As for the profit available for distribution, except for an option of retaining, it can be distributed through equity dividends or cash dividends, which the latter is subject to be more than 10% of the total dividends.

#### 1)Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a

shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

# 2)Special reserve

The Group chose to apply the exemption under the IFRS1 "First-time adoption of IFRS"; therefore, a portion of cumulative translation adjustments amounting to thousand was reclassified as special earnings reserve. The net increase in retained earnings due to this reclassification is not covered by the Ruling No. 1010012865 issued by the FSC on April 6, 2012 for purposes of appropriating the same amount of special earnings reserve.

In accordance with the aforementioned Ruling No. 1010012865, a portion of current period earnings and undistributed prior period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

A resolution was passed during the shareholders' meeting held on July 29, 2021 and June 17, 2020 for the reversal of special earnings reserve of \$158,119 thousand and the appropriation of special earnings reserve of \$371,862 thousand, respectively. 3) Earnings distribution

On July 29, 2021 and June 17, 2019, resolutions were passed during the special shareholders' meeting and shareholders' meeting, respectively, to appropriate the 2020 and 2019 earnings, respectively. These earnings were appropriated as follows:

· ·	For the years en	For the years ended December 31		
	2020	2019		
Dividends of Common Stock				
Cash	<u>\$ 195,531</u>	430,168		

## (iii) Treasury stock

1. As of December 31, 2021 and December 31, 2020, total treasury share were both cancelled.

In accordance with the Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of total issued shares. Also the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized reserves.

On February 27, 2020, the Group was approved by the board of directors to amend the trust period agreed with the employees as follows:

Management share		
incentive plan	1st	2nd
The period which	A.The employees cannot appl	y for these shares to be traded
employees must comply	until the 24th month pe	eriod has elapsed from the
with after shares have been	subscription date.	
granted	B.After the 24th from the sub	scription date, the employees
	can choose to sell all of th	e original shares subscripted
	or postpone the sale.	

The details for transferring treasury shares to employees:

(In thousands of shares)

	For the years ended	For the years ended December 31		
	2021	2020		
Outstanding at January 1	10,507	11,882		
Vested during the year	(1,500)	(1,375)		

**Exchange Difference on** 

The proceeds from transferring treasury shares were recognized as prepaid salary for employees to subscribe. As of December 31, 2021 and 2020, these prepaid salaries amounting to \$141,093 thousand and \$183,676 thousand were recognized under prepaid account, respectively. Considering the crisis the industry is facing and the impact caused by COVID-19, a resolution was passed during the board of directors' meeting to defer the repayment of advanced employees' salary for 2023 on August 31, 2021.

# (iv) Other Equity (net income after tax)

	Translation of Foreign Operations
Balance as of Jan 1, 2021	(961,696)
Exchange Difference on Translation of	(30,574)
Net Assets of Foreign Operations	
Share of translation differences between	(322)
affiliates using the equity method	
Balance as of Dec 31, 2021	(992,592)
Jan 1, 2020	(1,121,000)
Exchange Difference on Translation of Net	159,304
Assets of Foreign Operations	
Balance as of Dec 31, 2020	<u>(961,696)</u>

# (q) Earnings per Share

Calculations of the basic as well as diluted earnings per share of the consolidated company in 2021 and 2020 are listed as below:

company in 2021 and 2020 are inside as ealern	For the years ended December 31		December 31
		2021	2020
Basic Earnings per Share			
Net Profit Attributed to Shareholder of Common Stock of	\$	(232,135)\$	(103,177)
Company			
Weighted Average Common Shares Outstanding		195,531	195,531
Basic Earnings per Share (NTD)	\$	(1.19)\$	(0.53)
Diluted Earnings per Share			
Net Profit Attributed to Shareholder of Common Stock of	\$	(232,135)\$	(103,177)
Company			
Weighted Average Common Shares Outstanding (basic)		195,531	195,531
Influence of Potential Common Stock with Dilution Function			- (Note)
Weighted Average Common Shares Outstanding (diluted)		195,531	195,531
Diluted Earnings per Share (NTD)	<u>\$</u>	(1.19)\$	(0.53)

Note: Antidilutive effect on earnings per share was not calculated.

## (r) Revenue from Contracts with Customers

## (i) Details of Revenue

	For the years ended December 31		December 31
		2021	2020
Main Regional Markets:	<u> </u>		
China	\$	5,159,425\$	4,790,864
Main Product/Service:			_
Commissions revenue (Retail revenue – concessionaire	\$	1,695,646	1,512,406
sales)			
Commodity sales (Retail revenue – direct sales)		1,546,443	1,685,987
Lease revenue (Note)		954,479	709,330
Service revenue and others		962,857	883,141
	\$	5,159,425\$	4,790,864

Note: The lease revenue and financial lease interest income of the Group are under IFRS 16.

# (s)Employee compensation and directors' remuneration

According to the Articles of Association, once the Company has annual profit, it should appropriate no less than 1% of the profit to its employees and 3% or less as directors' and supervisor's remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The pervading target given via shares or cash includes dependent employees of the Company and Company's subsidiaries. Directors' remuneration is in cash only

The compensation to employees amounted to \$787 thousand for the year ended December 31, 2021. The remunerations to directors amounted to \$0 thousand for the year ended December 31, 2021. These amounts were calculated using the Company's net profit before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the approved by the Board of Directors, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

As the operations for the year 2020 resulted in a net loss, no employee compensation and directors' remuneration were estimated and accrued. The compensation to employees amounted to \$9,430 thousand for the year ended December 31, 2019. The remunerations to directors amounted to \$4,715 thousand for the year ended December 31, 2019. On March 30, by board resolutions, the company had accounted for \$9,450 thousand, respectively, as the rewards for employees, as well as accounting for \$0 thousand, respectively, as the rewards for board members, where the differences between actual distribution and estimation were \$4,695 thousand, respectively. They will be treated as the changes in accounting estimates and recognized as the profit or loss of 2020, respectively. All the relational information can be referred in the Market Observation Post System.

#### (t) Non-operating Income and Expenses

#### (i) Interest Income

The details of other income were as follows:

For the years	ended	December
---------------	-------	----------

	31		
		2021	2020
Interest of Back Deposit	\$	19,822\$	19,250
Open-end Funds		937	989
Other		5,000	6,003

Total \$ 25,759\$ 26,242

#### (ii)Other Income

The details of other income were as follows:

Fo	or the years en	ded December
	31	-
	2021	2020
\$	2,639	2,796

For the years ended December

For the years ended December

Dividend income

# (iii)Other gains and losses

The details of other gains and losses were as follows:

	31		
		2021	2020
Loss on disposal of property, plant and equipment	\$	(2,348)	(1,113)
Foreign exchange gain (losses)		6,295	576
Net gain (loss) on financial assets at fair value through profit or loss		25,191	69,706
Impairment losses on non-financial assets Other Gains and Losses (such as fees and charges		(21,893)	-
of credit card, etc.)		140,194	119,587
Total	<u>\$</u>	147,439	188,756

# (iv) Finance costs

The details of finance costs were as follows:

	31		
		2021	2020
Interest Expense	\$	148,175	142,813
Interest on Lease liabilities		381,405	417,297
Total	<u>\$</u>	529,580	560,110

#### (u) Financial Instruments

#### (i)Credit risks

# 1. Exposure of Credit Risk

Carrying amount of a financial asset represents the maximum amount of credit risk exposure.

## 2. Concentration of credit risk

There is no significant concentration on single customer in the Group's retail business, and debtors of accounts receivable are banks with high credit rating; therefore, management believes that there is no significant concentration of credit risk.

#### 3. Credit risk of receivables

For credit risk exposure of accounts receivables, please refer to note 6(c).

Other financial assets at amortized cost includes other receivables etc., as stated above, there were almost low credit risk, therefore the impairment provision of all of these financial assets recognized during the period was limited to 12 months expected losses or lifetime ECL measurement, please refer to note 4(g).

Part of investment receivables, please refer to note 4(i).

The movement in the allowance for impairment for other receivables and other financial assets for the year ended December 31, 2021 and 2020 were as follows:

# For the years ended December

	31		
		2021	2020
Balance at January 1	\$	56,662 -	_
Recognized Gain on reversal		(5,572)	66,628
Amounts written off	-		(11,032)
Influenced by Fluctuation of Exchange Rates		(325)	1066
Balance at December 31	\$	50,765	56,662

#### (ii)Liquidity risks

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	(	Carrying	Contract	within 1		
		Amount	Cash Flows	Year	1 – 5 Years	over 5 Years
Dec 31, 2021						
Non-derivative Financial						
Liabilities						
Floating Rate Instruments	\$	1,528,701	1,558,151	1,138,858	419,293	-
Fixed Rate Instruments		2,484,010	2,578,663	2,468,218	110,445	-
Non-interest-bearing		3,510,436	3,510,436	2,839,737	-	670,699
Lease liabilities		11,600,131	15,732,260	1,366,773	5,480,195	8,885,292
	\$	19,123,278	23,379,510	7,813,586	6,009,933	9,555,991
Dec 31, 2020						
Non-derivative Financial						
Liabilities						
Floating Rate Instruments	\$	1,475,834	1,507,817	951,503	556,314	-
Fixed Rate Instruments		2,565,214	2,688,131	2,089,601	598,530	-
Non-interest-bearing		3,546,094	3,546,094	3,047,395	-	498,699
Lease liabilities		8,168,125	10,042,843	1,247,628	4,648,640	4,146,575
	\$	15,755,267	17,784,885	7,336,127	5,803,484	4,645,274

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

# (iii)Interest rate analysis

The Group's significant exposure to interest rate risk was as follows:

	Carrying Amount			
	D	December 31, 2021		
Fixed interest rate				
Financial Asset	\$	43,468	36,776	
Financial Liability		(2,484,009)	(2,265,214)	
	<u>\$</u>	(2,440,541)	(2,528,438)	
Variable interest rate			_	
Financial Asset	\$	3,515,259	3,745,644	
Financial Liability		(1,528,701)	(1,475,834)	
·	\$	1,986,558	2,269,810	

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments at the reporting date. Regarding of liabilities with floating interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.5%, the Group's profit before tax would have increased or decreased by \$9,933 thousand and \$11,439 thousand, which is mainly due to the Group's borrowings at variable rates and demand deposits for the years

ended December 31, 2021 and 2020, respectively, given that all other variable factors remaining constant.

## (iv) Other market price risk

If the equity price changes, the impact of equity price change to other comprehensive income will be as follows, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remain the same:

	For the years ended December 31						
	202	21	20	20			
	Other		Other				
	Comprehensi	<b>Profit or</b>	Comprehens	<b>Profit or</b>			
Reporting Day	ve Income	Loss before	ive Income	Loss before			
<b>Security Prices</b>	before Tax	Tax	before Tax	Tax			
5% Increase	<u>\$</u> -	2,810	_	3,075			
5% Decrease	<u>\$</u> -	(2,810)	-	(3,075)			

#### (v) Information of Fair Value

## 1. Measurement Process of Fair Value of Financial Instruments

Accounting policies and disclosure of the consolidated company include the assets and liabilities financial or non-financial measured by fair value. The consolidated company is to build an inner control system concerning fair value measurement. Wherein it includes an evaluation team to be responsible for reviewing all the assessments of fair value (including a Level 3 fair value), and this team will directly report to the CFO. The evaluation team will review the material inputs non-observable and adjust them periodically. If an input used for measuring fair value comes from the 3rd party information (such as a broker or pricing service institution), the team shall assess the evidence of this input provided and supported by the 3rd party, in order to ensure that this evaluation and the hierarchy classification of its fair value comply with IFRS.

The consolidated company shall use an observable input in the market as possible as it can when measuring the assets and liabilities. Fair value hierarchy is classified according to the input used of evaluation techniques:

- ·Level 1: Opening quotes (unadjusted) from the same assets or liabilities in an active market.
- ·Level 2: Except for the opening quotes in Level 1, input parameters of the assets or liabilities can be directly (i.e. price) or indirectly (i.e. inference from price) observed.
- ·Level 3: Input parameters of the assets or liabilities not based on the observable market information (non-observable parameters).

## 2. Classifications of Financial Instruments and Fair Value

The consolidated company measures the fair value based on repeatability by the financial assets and liabilities measured by fair value through profit or loss. Carrying amount and fair value of all kinds of financial assets and liabilities (including fair value hierarchy, yet carrying amount of the financial instruments not measured by fair value are those ones having the fair value to that are reasonably approximate) are listed as below:

		D	ec 31, 2021		
	Fair Value				
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial Assets Measured by Fair Value through Profit or Loss Non-derivative Financial Assets	<u>\$ 69,476</u>	69,476	-	<u> </u>	69,476
Measured by Fair Value through Profit or Loss by Enforcement					
		De	ec 31, 2020		
			Fair	Value	
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial Assets Measured by Fair Value through Profit or Loss					
		74,619			74,61

3. Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets or liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

- 4. Valuation techniques for financial instruments measured at fair value
  - a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well established, only small volumes are traded, or bid ask spreads are very wide. Determining whether a market is active involves judgment.

If the Group's financial instruments are regarded as being quoted in an active market, the classification and property of fair value are as follows:

Stocks in listed companies, fund and Corporate bonds, which have standard term and quoted prices in active markets. The fair values are referenced by market quotation.

5. Fair value of the financial assets as well as liabilities at each level in 2021 and 2020 did not transfer at all.

# (v)Financial risk management

(i)Overview

The Group have exposures to the following risks due to the uses of its financial instruments:

- 1. Credit risk
- 2. Liquidity risk
- 3. Market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

# (ii)Structure of risk management

The board and audit committee will be fully responsible to establish and supervise the risk management structure of the consolidated company.

The Groups risk management policies are established to identify and analyze the Group's exposure to risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

#### (iii)Credit risk

Credit risk is the risk of financial loss to the Group if counterparty to a financial instrument fails to meet its contractual obligations.

#### 1. Trade and other receivables

The Group's retail business is expected to have no significant credit risk because its collection methods of primary customers and debtors of accounts receivable are through cash or credit card.

#### 2. Other Receivables

The consolidated company is to track the current financial status of the trading partner sustainably, as well as measure the possibility to recover the accounts receivable periodically. Also, provision of the collateral or guarantee will be requested if necessary, therefore an expectation can be made that there will be no material credit risks.

#### 3. Investment

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks with high credit rating, or financial institutes and corporate organizations with level of professional investor; therefore, the Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

#### 4. Guarantee

Policies of the consolidated company can merely provide the financial guarantee for the ownership of the subsidiaries. As of 2021 and Dec 31, 2020, the consolidated company had not provided any endorsement and guarantee to the outside.

## (iv)Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Because the consolidated company has the characteristics of retail business, cash flows coming from the operating activities are plenty sufficient. Generally, the consolidated company makes sure it will have enough cash to expend for the operating expense requirements in the next 60 days to 90 days, yet this is an expectation excluding the potential influence of the extreme conditions which cannot be reasonably predicted, for example: natural disaster. In addition, unused credit lines of the loans as of 2021 and Dec 31, 2020 of the consolidated company were \$486,939 thousand and \$223,747 thousand respectively.

## (v) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### 1. Currency risk

Functional currency is as the same as the invoicing currency for sales and purchase for the consolidated company. Functional currency and invoicing currency of the subsidiaries in China and are both RMB, hence there is no exchange rate risks.

The Group choose US or EUR borrowings to reduce the finance cost, because these borrowings are denominated in currencies that not match the cash flows generated by the underlying operations of the Group. The Group considers that reduced finance cost should offset the exchange rate risk arising from US and EUR borrowings, and therefore, hedge accounting is not applied in these circumstances.

As for other monetary assets or liabilities denominated by a foreign currency, the consolidated company will purchase or sell this foreign currency according to the real-time exchange rate to ensure that the next risk exposure can be maintained within the acceptable levels.

#### 2. Interest Rate Risk

Cash flow risk incurs because of that the consolidated company borrows the funds with a floating interest rate, and according to the floating interest rate a part of this risk will be offset by the cash and cash equivalents as well as the financing products with a higher yield rate.

# 3. Other market price risk

The Group is exposed to equity price risk due to use capital effectively and hold different investment portfolios. The management of the Group monitors the proportion of equity securities in its investment portfolio based on market index. Material investments within the portfolio are managed on an individual basis, and all buy and sell decisions are approved by the management authority.

The primary goal of the Group's investment strategy is to maximize investment returns; the board of directors and member in investment department were all professional in finance to make appropriate decision, and therefore the market price risk of investment at fair value through profit or loss were controlled by management.

## (w) Capital management

The Group's objectives for managing capital are ensuring the ability to operate continuously, providing returns to shareholders and other stakeholders, and maintaining an optimal capital structure to reduce the cost of capital.

The Group's evaluate the value of related assets and variation of risk, in order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or stock repurchase.

The consolidated company supervises the capital structure through debt-to-capital ratios as well as cash flows. Debt-to-capital ratios of 2021 and Dec 31, 2020 are shown as below:

	$\mathbf{D}$	ec 31, 2021	Dec 31, 2020
Total Liabilities	\$	19,238,606\$	15,829,553
Deduction: Cash and Cash Equivalents		(3,525,958)	(3,757,428)
Net Liabilities	\$	15,712,648\$	12,072,125
Total Equity	\$	8,038,801\$	8,496,491
Total Capital	\$	23,751,449\$	20,568,616
Debt to capital Ratio		66.15%	58.69%

# (x) Changes in liabilities arising from financing activities

(i) The Group's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2021 and 2020 were as follows:

N	on-cas	h c	han	ges

				Foreign		
	J	anuary 1,	Cash	exchange		December
		2021	Flows	movement	Other	31, 2021
Short-term borrowings	\$	2,303,897	265,852	(29,718)		2,540,031
Long-term borrowings		1,737,151	(277,955)	(28,021)	-	1,431,175
Guarantee deposits		498,699	128,540	(2,818)	(Note1)46,278	670,699
-					(Note2)	
Lease liabilities		8,168,125	(1,300,894)	(45,857)	4,778,757	11,600,131
Total liabilities from financing activities	\$_	12,707,872	(1,184,457)	(106,414)	(4,825,035)	16,242,036

				Non-cash changes		
				Foreign		
	Ja	anuary 1,		exchange		December
		2020	Cash flows	movement	Other	31, 2020
Short-term borrowings	\$	2,184,324	131,142	(11,569)	-	2,303,897
Long-term borrowings		1,452,806	318,461	(34,116)	-	1,737,151
Guarantee deposits		552,538	(59,493)	5,654	-	498,699
					(Note3)	
Lease liabilities		9,153,596	(826,541)	31,263	(190,193)	8,168,125
Total liabilities from financing activities	\$_	13,343,264	(436,431)	(8,768)	(190,193)	12,707,872

Note1: The Group obtained 46,278 thousand, please refer to Note 6(v) for details

Note2: It is mainly the lease, which modify amounting to \$505,204 thousand and it is mainly the rent concession, which decreases operating expenses amounting to \$31,195 thousand and increase \$4,304,748 thousand in this period.

Note3: It is mainly the rent concession, which decreases operating expenses amounting to \$190,193 thousand.

# VII. Related-party transactions:

(a) Parent Company and Final Controller

First Steamship Co., Ltd. is the parent company of the consolidated company as well as the final controller over the group, who possesses 58.31% common shares outstanding of the company. First Steamship Co., Ltd. has prepared the consolidated financial statements for the public.

# (b) Names and Relations of Related Parties

All the related parties who have transacted with the consolidated company during the coverage period of the consolidated financial statements are as below:

Name of Related Party	Relation to the Consolidated Company
First Steamship Co., Ltd.	Final Parent Company of the
First Steamship S.A.	Consolidated Company Parent Company of the Consolidated Company
Ahead Capital Ltd.	Same Final Parent Company as the Consolidated Company
Yee Shin Investment Co., Ltd.	Same Final Parent Company as the Consolidated Company
Mariner Finance Ltd	Same Final Parent Company as the Consolidated Company
Morgan Finance Ltd.	Same Final Parent Company as the Consolidated Company
Nanjing Heaven Capital Industrial Co., Ltd.	Manager of the consolidated company is the chairman of this company.

Shanghai Tian An Center Building Co., Ltd.	Manager of the consolidated company is the
	board member of this company.
Huizhou Tianan Xinghe City Management	Substantial Related Parties
Co., Ltd.	
Huiyang Tamsui New Sun City Construction	Substantial Related Parties
Co., Ltd.	
Shanghai Green GUORUITONGSHUN	Substantial Related Parties
Technology Development Co., Ltd.	
Shanghai Qianshu Commercial Management	Substantial Related Parties
Co., Ltd.	
Shanghai Kaixuanmen Enterprise	Substantial Related Parties
Development Co., Ltd.	
Shanghai Tianrong Real Estate Co., Ltd.	Substantial Related Parties
Tianan (Shanghai) Investment Co., Ltd.	Substantial Related Parties
Shanghai Haiguang Real Estate	Substantial Related Parties
	Substantial Related Lattics
Management Co., Ltd. Nanjing Grand Ocean Dongfadao Catering	An associate
Co., Ltd.	
Significant transactions with related parties	

# (c) Significant transactions with related parties

(i) Prepayments

	December 31, 2021		December 31, 2020	
Parent Company	\$	120	120	
Other related parties- Nanjing Heaven Capital(Note)		106,668	49,291	
Other related parties-other		16,665		
	<u>\$</u>	123,453	49,411	

Note: It is a short-term prepaid lease fee and a monthly fixed prepaid variable rent of the Group, which is settled at the end of the year.

# (ii) Other Receivables

	Decem	ber 31,	December 31,
	20	21	2020
Other related parties	\$	1,302	<u> </u>

# (iii) Payables to Related Parties

The payables to related parties were as follows:

		December 31,	December 31,
Account	Relationship	2021	2020
Other payables	Other related parties	<b>S</b> 1,406	3,200

# (iv) Borrow from related parties

Parent company

The amount borrowed by the Group from related parties is as follows

Dece	ember 31,	December 31,
2	2021	2020
\$	41,505	

The Group borrowed from related parties with an annual interest of 3.5% and 10%, and the interest recognized was 11,889 thousand in 2022.

# (v) Lease

# 1. Liabilities lease

	Lease liabilities			
Purpose	December 31, 2021	<b>December</b> 1, 2020	January 1, 2020	
Office building and department store	\$ 22,526	50,590	76,266	
Office building and department store	4,295,335	-	-	
Energy-saving renovation engineering equipment	40,775	47,905	53,811	
	In	terest Exper	ıse	
Purpose	2021	•	2020	
Office building and department	\$	7,254	2,987	
store				
Energy-saving renovation engineering equipment	<u>,</u>	2,144	2,439	
	R	ent expens	e	
Account	2021		2020	
Office building	\$	1,440	1,440	
Office building and		67	143	
•				
1	\$	1.507	1,583	
		,		
	•			
			1 0110 100050	
Account			2020	
		3.612	85,934	
department store		<u> </u>	00,001	
	Property	y managen	nent fee	
Account	2021		2020	
Office building and		3,727	3,679	
	Office building and department store Office building and department store Energy-saving renovation engineering equipment  Purpose Office building and department store Energy-saving renovation engineering equipment  Account Office building Office building Office building and department store  Account Office building and department store	Purpose Office building and department store Office building and department store Energy-saving renovation engineering equipment  Purpose Office building and department store Energy-saving renovation engineering equipment  Purpose Office building and department store Energy-saving renovation engineering equipment  R Account Office building Office building Office building and department store  Account Office building and department store  Account Office building and department store  Propert Account Account Office building and department store  Propert Account Office building and department store	December 31, 2021December 31, 2021Office building and department store Office building and department store Energy-saving renovation engineering equipment\$ 22,52650,590Interest Exper 4,295,335Interest Exper 2021PurposeOffice building and department storeEnergy-saving renovation engineering equipmentAccount2,144Office buildingOffice building and department storeSaving renovation engineering equipmentOffice building and department storeSaving renovation engineering equipmentAccountOffice building and department storeSaving renovation engineering equipmentPayment expens2021Office building and department storeProperty managenAccountOffice building and department storeProperty managenAccount	

Note: These leases are short-term lease, and the Group chooses to apply the exemption recognition requirement without recognizing its related right-of-use assets and liabilities.

# 3. Rental deposit

Item	Relationship	20	21.12.31	2020.12.31
Other financial	Parent Company	\$	240	240
assets- non-current Other financial assets- non-current	Other related parties- Shanghai Kaixuanmen		65,099	-
Other financial assets- non-current	Other related parties		11,900	11,968
assets- non-current		\$	77,239	12,208

# (vi)Others

1. The Group provided management consulting services and shopping mall service and signed service contracts with other related parties. For the years ended December 31,

- 2021 and 2020, the revenue from consulting services was \$10,766 thousand and \$3,481 thousand.
- 2. For the years ended June 30, 2021 the Group signed an equity transfer agreement with Shanghai Kaixuanmen Enterprise Development Co., Ltd. and paid RMB 1,000 thousand acquire 100% equity of the subsidiary of Shanghai Qianshu Commercial Management Co., Ltd. Please refer to Note 6 (V) for relevant information about the merger and acquisition of the subsidiary.
- (d) Key management personnel compensation
  - (i) Key management personnel compensation comprised:

	_ For	For the years ended December 31		
		2021	2020	
Short-term employee benefits	<u>\$</u>	25,675	23,131	

(ii) The Group granted key management personnel rights to subscribe treasury shares in advance salaries. As of December 31, 2021 and 2020, those prepaid salaries amounting to \$39,572 thousand (CNY\$9,118 thousand) and \$41,291 thousand (CNY\$9,460 thousand), respectively, were recorded as non-current assets.

## VIII. Pledged assets:

The carrying amount of pledged assets were as follows:

Pledged assets	Object	December 31, 2021	December 31, 2020
Property, Plants and Equipment	Bank Loans	\$ 3,016,386\$	3,123,895
Other Financial Assets Restricted Deposit	Bank depository funds	 43,468	37,179
		\$ 3,059,854\$	3,161,074

Note1: Include land use rights and right of use assets.

# IX. Commitment of Material Contract or Not Recognized Contract due to Liabilities

- (a) While the Group acquired the Quanzhou real estate, the assignor, Quanzhou FuHua Co., Ltd., failed to comply with the term of the contract, which stated that the assignor should repay the mortgage loan secured by the fourth floor of Quanzhou real estate with the consideration paid by the Group to release the mortgage. Therefore, the mortgage filed an application to freeze the rent earned from the fourth floor of Quanzhou real estate in June 2020. The Group evaluates that the creditor still has means to repay the mortgage loan; hence, the fourth floor of Quanzhou real estate may not be at risk of impairment.
- (b) The subsidiaries of the Group, Chongqing Guanggu Grand Ocean Department Store Co., Ltd., negotiated with the lessor, Chongqing ZhengSheng Real Estate Ltd., to reduce the lease payments and to shorten the length of lease because its business was not able to operate as expected and its lease payments were higher than those within the vicinity. Meanwhile, the subsidiaries negotiated with the lessor about rent concessions due to the COVID-19 pandemic during 2020. The aforementioned negotiation about lease payments reduction and rent concessions failed to reach an agreement, resulting in the lessor to file a lawsuit against Chongqing Guanggu Grand Ocean Department Store Co., Ltd. in November 2020 for overdue payments. The aforementioned overdue payments include rent in dispute, which the lessor claimed that the lessee had occupied the area not mutually agreed on. As of the reporting date, the trial has yet to be conducted. For the years ended December 31, 2021, The Group has set aside rent in accordance with the original lease contract and the force majeure time limit stipulated by the government.

In addition, the Group also counter-sued for the rent pricing of the case, requesting a reduction in rent. Currently, the case has been lost in the first instance, and the second instance is being

appealed.

(c) Wuhan Optics Valley Grand Ocean Commercial Development Limited, a subsidiary of the Group, has purchased commercial properties from the first floor to the ninth floor of the Shiyan International Financial Center Project from Hubei Dayang Huayu Investment Co., Ltd. The sale and purchase agreement stipulated that the real estate property rights should be registered with the Group. The Group filed a lawsuit on September 6, 2021, and the court has formally accepted it. Since the purchase of the property has already completed the advance notice registration, it is illegal to dispose of the real estate without the consent of the Group according to law. Effective, so the Group has sufficient protection.

In addition, Hubei Huayu filed a lawsuit against Dayang Classic and Wuhan Optics Valley Dayang in the third quarter of 2021, claiming RMB 93 million for the dispute over the equity investment in Hubei Huayu before the year in 2017. According to the evaluation of the Group, the right of claim it made occurred in 2017, and the three-year limitation period for the protection of civil rights has exceeded the three-year limitation period according to the law, and according to the subsequent equity capital reduction agreement signed by the two parties, both parties negotiated and agreed that the Group has paid on time. Therefore, it is judged that the Group has no obligation to compensate.

# X. Material Loss due to Disaster: None.

# XI. Material Subsequent Events: None.

#### XII. Other

A summary of current-period employee benefits, depreciation, depletion and amortization, by function, is as follows:

		For th	e years end	led Decemb	er 31		
Function		2021			2020		
	Operating	Operating		Operating	Operating		
Item	Cost	expense	Total	Cost	expense	Total	
Employee benefits							
Salary	-	475,665	475,665	-	435,654	435,654	
Health and labor insurance	-	617	617	-	724	724	
Pension	-	54,951	54,951	-	6,821	6,821	
Others	-	85,803	85,803	-	77,660	77,660	
Depreciation	-	1,503,564	1,503,564	-	1,487,375	1,487,375	
Depletion	-	-	-	-	-	-	
Amortization	-	4,552	4,552	-	4,727	4,727	
Amortization	_	7,332	7,332	_	7,727	٦,	

#### XIII. Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

- (i) Loans to other parties: Appendix 1.
- (ii) Guarantees and endorsements for other parties: Appendix 2.
- (iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): Appendix 3.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300,000 thousand or 20% of the capital stock: None.

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300,000 thousand or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300,000 thousand or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300,000 thousand or 20% of the capital stock: None
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100,000 thousand or 20% of the capital stock: Appendix 4.
- (ix) Trading in derivative instruments: None
- (x) Business relationships and significant intercompany transactions: Appendix 5.
- (b) Information on investees: Appendix 6.
- (c) Information on investment in mainland China: Appendix 7.
- (d) Major shareholders:

Shareholding		
Shareholder's Name	Shares	Percentage
Mega International Commercial Bank Co., Ltd. Acting	91,560,000	46.82%
as Custodian for the Investment Account of FIRST		
STEAMSHIP S.A.		
First Steamship Co., Ltd.	18,949,000	9.69%

# **XIV. Segment Information**

(a) General Information:

Main revenues of the Group come from department store retail business, and the main operating decision makers are to assess the performance based on the entire operating results. Therefore, the consolidated company is an individual operating department, and the information of operating department in 2021 as well as 2020 is identical with the consolidated financial statements.

- (b) Information of Products and Services: The consolidated company belongs to department store retail business.
- (c) Information of Regional Finance: Sales regions of the retail commodity are all in China.
- (d) Information of VIP: Sales objects of the consolidated company are all general consumers, and there is no dependence upon the VIP.
- **II** Company Entity Financial Report Certificated by Accountant Last Year: NA.
- III Last year, as of the date of publication of Annual Report, should the company and its associates have any difficulty on financial operations, the influence on the financial status of the company should be detailed: None.

Seven . Review and Analysis of Financial Status and Performance, as well as Risks

# I Financial Situations

Currency: NTD (thousand)

Item	2020	2021	Increase, Decrease and Variation		
Item	2020	2021	Amount	Variation Ratio	
Current Assets	5,116,672	4,999,105	(117,567)	(2.30%)	
Property, Plant and Equipment	7,101,445	6,733,070	(368,375)	(5.19%)	
Intangible Assets	1,765,189	1,849,497	84,308	4.78%	
Other Assets	10,342,738	13,659,101	3,316,363	32.06%	
Total Assets	24,326,044	27,277,407	3,352,997	13.78%	
Current Liabilities	6,839,423	7,225,731	386,308	5.65%	
Non-current Liabilities	8,990,130	12,012,875	3,022,745	33.62%	
Total Liabilities	15,829,533	19,238,606	3,409,073	21.54%	
Owner's Equity	8,496,491	8,038,801	(457,690)	(5.39%)	
Share Capital	1,955,310	1,955,310	-	-	
Additional Paid-in Capital	5,065,491	5,066,363	872	0.02%	
Retained Earnings	2,437,386	2,009,720	(427,666)	(17.55%)	
Other Equity	(961,696)	(992,592)	(30,896)	3.21%	
Treasury Stock	-	-	-	-	
Non-controlling Interest	-	-	-	-	
Total Equity	8,496,491	8,038,801	(457,690)	(5.39%)	

For those who have changed more than 20% in consecutive two periods, the explanation is as follows:

1. Other Assets: Due to the lease of Shanghai 1000 trees in 2021, the right-of-use assets increased, resulting in an increase in other assets.

<sup>2.</sup> Non-current Liabilities: Same as item 1.

#### II Financial Performance

1. Analysis Table of Management Outcomes

Currency: NTD (thousand)

T.	2020	Increase, Decrease	se and Variation	
Item	2020	2021	Amount	Variation Ratio
Operation Revenues	4,790,864	5,159,425	368,561	7.69%
Gross Profit	3,217,206	3,726,157	508,951	15.82%
Operation Profit or Loss	246,480	428,858	182,378	73.99%
Non-operation Income and Expense	(408,944)	(350,942)	58,002	(14.18%)
Earnings before Tax	(162,464)	77,916	240,380	(147.96%)
Current Net Profit of Continued Operating Unit	(103,177)	(232,135)	(128,958)	124.99%
Losses on Discontinued Unit	-	-	-	-
Current Net Income (Loss)	(103,177)	(232,135)	(128,958)	124.99%
Current Other Comprehensive Profit or Loss (Net Amount after Tax)	159,304	(30,896)	(190,200)	(119.39%)
Current Total Comprehensive Income	56,127	(263,031)	(319,158)	(568.64%)
Net Profit Attributed to Owner of Parent Company	(103,177)	(232,135)	(128,958)	124.99%
Net Profit Belongs to Non- controlling Interests	-	-	-	-
Total Amount of Comprehensive Income Attributed to Owner of Parent Company	56,127	(263,031)	(319,158)	(568.64%)
Total Amount of Comprehensive Income Belongs to Non-controlling Interests	-	-	-	-
Earnings per Share	(0.53)	(1.19)	(0.66)	124.53%

For those who have changed more than 20% in consecutive two periods, the explanation is as follows:

- 1. Gross Profit: Due to the pandemic in 2020, the government has tightened control over group gatherings and limited the crowd sizes in specific areas. As consumers are worried about the infection with COVID-19, the number of customers has decreased due to the change of spending habits in the physical stores.
- 2. Operation Profit or Loss: Affected by the pandemic in 2020, the revenue decreased significantly. Although all stores have taken the initiative to obtain rent reductions from its tenant landlords, fixed operating expenses, such as water and electricity, salaries, etc. did not decrease likewise.
- 3. Earnings before Tax: Same as item 1 and 2.
- 4. Current Net Profit of Continued Operating Unit: Same as item 1, 2 and income tax expense increased with some stores.
- 5. Current Net Income (Loss): Same as item 1 and 2.
- 6. Current Other Comprehensive Profit or Loss (Net Amount after Tax): The functional currency of the Company is RMB, and the statement is converted into the exchange evaluation gain arising from the expression of the New Taiwan Dollar in 2020.
- 7. Current Total Comprehensive Income: Same as item 1,2 and 6.
- 8. Net Profit Attributed to Owner of Parent Company: Same as item 1 and 2.
- 9. Total Amount of Comprehensive Income Attributed to Owner of Parent Company: Same as item 1, 2 and 6.
- 10. Earning Per Share: same as item 1, 2 and 4.

- 2. Expected Sales Volume and the Basis Thereof
  - The Company belongs to department store industry, therefore sales volume cannot be expected.
- 3. Possible Influence and Countermeasure of Future Financial Status of the Company

The establishment of the Company's future operational objectives is mainly based on past operating performance and consumer preferences. As target of the industry is the end consumer, the Company shall pay attention to any fluctuation in market of consumption at any time, and achieve sales improvement and profitability. At present, the Company's financial situation is still good.

#### **III** Cash Flow

(I) Analysis on Variation of Cash Flow Last Year

Currency: NTD (thousand); %

Year Item	2020	2021	Increase (Decrease) Amount	Increase (Decrease) Ratio (%)
Operating Activities	291,245	1,191,139	899,894	308.98%
Investing Activities	(348,292)	(63,786)	284,506	(81.69%)
Financing Activities	(866,599)	(1,337,998)	(471,399)	54.40%

Analysis and Explanation on Variation of Increase/Decrease Ratio:

- 1. Operating Activities: Due to the pandemic, the government has tightened control over group gatherings and limited the crowd sizes in specific areas. As consumers are worried about the infection with COVID-19, they have changed their spending habits in the physical stores. Although all stores have taken the initiative to obtain rent reductions from its tenant landlords, fixed operating expenses, such as water and electricity, salaries, etc. did not decrease likewise, resulting in a decrease in profitability.
- 2. Investing Activities: due to the recovery of part of Fengan's investment in 2021.
- 3. Financing Activities: Due to the lease of Shanghai 1000 trees in 2021, the lease liabilities increased, resulting in an increase in the repayment of the lease principal.
  - (II) Improvement plan on insufficient currency: NA.
  - (III) Analysis on Cash Currency within Next Year:

Currency: NTD (thousand)

Ι,	nitial Cash	Cash Flow from Operating	Net Cash Flow from Investment	Cash Surplus		ash Shortage nedy
	Balance (1)	Activities throughout the Whole Year (2)	and Financing Activities throughout the Whole Year (3)	(insufficient) Amount (1) + (2) + (3)	Investment Plan	Financing Plan
	3,525,958	1,497,792	(441,155)	4,582,595	_	_

Analysis on Variation of Cash Flow:

Operating Activities: Mainly from net income and depreciation expenses •

Investing Activities: Mainly used for the capital expenditure of each store.

Financing Activities: Which mainly are cash dividend distribution and debt payment.

The company's 2021 annual cash balance is NT\$3,525,958. It is estimated that the net cash flow from operating activities in the coming year will be NT\$1,497,792. In the coming year, it is expected that renovation fee for each store in the coming year, issue shareholders' cash dividends, and repay the bank. Loan, etc.

Remedial measures and liquidity analysis for expected cash shortfalls:Not Applicable •

- V Reinvestment Policies Last Year, Main Reasons of Profit or Loss Thereof, Improvement Pan, as well as Investment Plan within Next Year
  - (I) Reinvestment Policies of the Company

The Company's investment policy is implemented in accordance with the internal control system "Investment Cycle" and "Procedures of Acquisition or Disposal of Assets". The main objectives of the investment project are to actively seek other suitable strategies for investment opportunities related to the basic business of the department store. As well as expansion of the department store market map to increase the Company's revenues, and create the profits.

(II) Main Reasons of the Profit or Loss by Reinvestment Last Year, and the Improvement Plan Thereof

Currency: NTD (thousand)

Company Invested	Sharehold ing Ratio (%)	Recognized Profit or Loss due to Investment Last Year	Main Reasons of Profit or Loss	Improvement Plan
GRAND CITI LTD.	100	(185,294)	The pandemic affects the profitability of the Company's re-invested stores.	None
Sandmartin International Holding Limited	3.59	(2,871)	to interest expense and to the increase in material cost suffered from shortage in supply chain by COVID pandemic. Further, the Company's material associate company in Nepal is entering its 2nd phase of business, the FTTH business, which requires heavy CAPEX resulting increase in depreciation expense, dragging the performance of the associate company.	The Company's loss was due to interest expense and to the increase in material cost suffered from shortage in supply chain by COVID pandemic. Further, the Company's material associate company in Nepal is entering its 2nd phase of business, the FTTH business, which requires heavy CAPEX resulting increase in depreciation expense, dragging the performance of the associate company.
Grand Ocean Classic Commercial Group Co., Ltd (Grand Ocean Department Store Group Limited)	100	(180,877)	The pandemic affects the profitability of the Company's re-invested stores.	None
Nanjing Grand Ocean Classic Commerce Limited (Nanjing Grand Ocean Department Store Limited)	100	213,306	Good operating condition	None
Fuzhou Grand Ocean Commerce Limited (Fuzhou Zhongcheng Grand Ocean Department Store Limited)	100	(165,866)	1-3F ceased operations, resulting in a serious decline in operating income	After the epidemic is over, we will re-report new positioning and adjustment plans to realize the overall operation as soon as possible.
Quanzhou Grand Ocean Commerce Limited (Quanzhou Grand Ocean Department Store Limited)	100	(44,272)	Investment and operating conditions are to be improved post-pandemic.	Counter adjustment, reduce empty cabinet area, brand upgrade, and increase business types.
Wuhan Grand Ocean Classic Commercial Development Limited (Wuhan Zhongshan Grand Ocean Department Store Limited)	100	153,820	Good operating condition	None
Wuhan Optics Valley Grand Ocean Commercial Development Limited	100	254,164	Good operating condition	None

Company Invested	Sharehold ing Ratio (%)	Recognized Profit or Loss due to Investment Last Year	Main Reasons of Profit or Loss	Improvement Plan
(Wuhan Optics Valley Grand Ocean Department Store Limited)				
Wuhan Hanyang Grand Ocean Classic Commercial Limited (Wuhan Longyang Grand Ocean Department Store Limited)	100	(32,627)	Investment and operating conditions are to be improved post-pandemic.	Counter adjustment, brand upgrade, and increase business types.
Fuzhou Grand Ocean Classic Commerce Limited (Fuzhou Grand Ocean Department Store Limited)	100	35,547	Good operating condition	None
Chongqing Optics Valley Grand Ocean Commercial Development Limited (Chongqing Optics Valley Grand Ocean Department Store Limited)	100	(52,323)	Investment and operating conditions are to be improved post-pandemic.	Counter adjustment, brand upgrade, and increase business types. Negotiate with landlords to reduce rental costs.
Hengyang Grand Ocean Commercial Development Limited (Hengyang Grand Ocean Department Store Limited)	100	(58,329)	Investment and operating conditions are to be improved post-pandemic.	Counter adjustment, brand upgrade, and increase business types.
Yichang Grand Ocean Commerce Limited (Yichang Grand Ocean Department Store Limited)	100	142,038	Good operating condition	None
Hefei Grand Ocean Classic Commercial Development Limited (Nanjing Grand Ocean Department Store Hefei Limited)	100	52,344	Good operating condition	None
Shiyan Optics Valley Grand Ocean Commercial Limited (Shiyan Grand Ocean Modern Shopping Limited)	100	(80,289)	Investment and operating conditions are to be improved post-pandemic.	Counter adjustment, reduce empty cabinet area, brand upgrade. Introducing well-known catering brands and cinema to drive the flow of people in the store.
Shanghai Jingxuan Business Administration Limited	100	778	Regular operating condition	None
Fuzhou Jiaruixing Business Administration Limited	100	(39,257)	Investment and operating conditions are to be improved post-pandemic.	Counter adjustment, reduce empty cabinet area, brand upgrade. Introducing well-known catering brands to drive the flow of people in the store.
Shanghai Grand Ocean 1,000 Trees Commercial Management Co., Ltd	100	(3,844)	Trial operation at the end of 2021 and recongnition of start-up costs.	Continue to introduce high- quality curatorial art activities to form a more stable customer flow. With the rapid development of shopping mall, more income other than rent will be created, such as exhibition income, business management service income, etc. Further control operating costs.
Nanjing Grand Ocean Dongfadao Catering Co., Ltd.	49	100	Good operating condition	None

<sup>(</sup>III) Investment Plan within Next Year: None.

### VI Risk Management

(I) Influence of Interest, Exchange Rate Fluctuation, Inflation toward the Company and the Countermeasure in the Future

#### 1 Interest

The Group is exposed under the interest rate risk due to the loan of funds by a variable interest rate. Part of the risk is offset by cash and cash equivalence held at variable interest rates, as well as the higher-yielding wealth management products. As the Company is a retailer, the cash flow from its operating activities is sufficient and there is no cash flow risk.

In 2018, the company has effectively reduced the foreign currency liabilities and appropriately increased RMB liabilities. Although the RMB borrowing rate is higher than that of the US dollar and the EURO, yet the Company's operating entities are in China, in addition to the natural hedging, the RMB liabilities can also be deducted from the income tax of an enterprise, with a tax shield effect.

### 2 Exchange Rate

The principal place of operation of the Company is located in Mainland China. The sales outlets of the department stores in each region are the general consumers in Mainland China. The functional currency is the same as the currency denominated in the sales and purchase transactions. The functional currency of the mainland subsidiaries and The currency of the valuation is all in RMB, so there is no exchange rate risk.

In 2018, the Company has effectively reduced the foreign currency liabilities and appropriately increased RMB liabilities, reaching the natural hedging of currency of borrowing and cash currency generated by operations, which will continue to reduce foreign currency liabilities and reduce exchange rate risk.

### 3 Inflation

As the company is a department store retailer, although inflation affects our consumers, whereas the China economy continues to grow and the income level of the people continues to rise, thus generating higher consumer demand and consumption power for the popular department store products shall be provided by the Company. Also, the Company is to adjust the department store product mix at any time in response to changes in consumption environments. Therefore, it has not had an immediate and significant impact due to the above-mentioned inflation crisis, and the Company maintains awareness of the global political and economic changes, market price fluctuations of end products, and good interaction between suppliers and customers. While maneuvering the procurement and marketing strategies, effective responding to the impact of inflation is also performed so that the Company will not have a significant impact.

(II) Main Reasons of Profit or Loss for High-risk and High-leverage Investment, Capital Loans to Others, Policies of Endorsement/Guarantee and Derivative Commodity Trading, as well as the Future Countermeasure

The Company has established methods such as "Procedures of Acquisition or Disposal of Assets", "Procedures for Trading Derivative Commodities", "Management of Endorsement and Guarantee" and "Operating Procedures of Loan to Others" to be as the relevance for concerning work of the Company and its subsidiaries.

The Company's policy is not to engage in derivative commodity transactions of a transaction nature.

Due to the needs of capital for the Group operations, the Company has funds loan and endorsements/guarantees; and the Company's handling of loans and external endorsements/guarantees are based on the Company's "Operating Procedures of Loan to Others" and "Management of Endorsement and Guarantee", and will be still handled in the future in accordance with the 'Regulations Governing Loaning of Funds and

Making of Endorsements/Guarantees by Public Companies' promulgated by the Taiwan competent authorities, and the internal control operation regulations and methods of the Company .

(III) Future R&D Projects and the Expenses Input Thereof

The Group is a department store retailer, and there is no R&D and manufacturing of its own products. Therefore, there are no plans nor expenses for R&D. But, as far as the industry characteristics. The development and training of management personnel and the improvement of talent quality. Intensified competition in the department store industry. We will strengthen on human source and manpower development. Through education and training mechanisms. Providing systematic and professional service quality training courses for rising the efficiency of staff human source development.

(IV) Impact on Changes of Material Policies Domestic and Foreign and Laws on the Financial Status of the Company and the Countermeasure Thereof

The country of registration of the Company is the Cayman Islands and the main operating country is in mainland China. The Cayman Islands is dominated by financial services, while mainland China is one of the world's major economic systems, which its economic development and political environment remain stable. The products sold by the company belong to consumer goods, not licensed or restricted industries. The implementation of the Company's various businesses are treated in accordance with the material domestic and foreign policies and laws, and the Company shall pay attention to the development trends and changes amongst these policies and laws, and respond to any change in the market environments and take appropriate countermeasures immediately. In addition, due to the implementation of the Economic Substantive Law of the Cayman Islands in 2019, The company has no legal issues.

In addition, Hong Kong has always been one of the most popular cities for international investors, as its long-term operational advantage is based on a stable political environment, management policy convenient for commerce, laws of integrity and independent judicial system, also the spirit of free market, and fluent information. After returning to China in 1997, Hong Kong still maintains a high degree of autonomy and enjoys its own executive and legislative power. Its basic factors and advantages as an international business center continue to be maintained. It includes a clean administrative system and judicial independence. Furthermore, the Hong Kong dollar is independent from the RMB currency system. Freely convertible, with some fair competition environments, and no restriction on foreign investment. Capital, talent, goods and information can flow freely in Hong Kong. However, Hong Kong is now a special administrative region of China, and its political and economic development direction and risks will be affected by China's policy.

(V) Influence on Financial Status of the Company by Technology Change and Industry Variance and the Countermeasure Thereof

With the advancement of science and technology and changes in lifestyles, the innovation and the exploration have brought commerce into a "deep-water zone." A new wave of fusion and transformation is underway. The digital ecosystem rapidly formed will profoundly influence how people live from day to day and how society and the economy function. The process of satisfying a variety of consumer needs is about further segmentation and cross-fertilization of business innovations. The in-depth business innovation is always centered on promoting and applying the new generation of digital and information technology. The arrival of the Big Data era has been empowering better precision in sales and distribution activities. The connection from upstream to downstream of the supply has become closer. Digital information technology is increasingly part of our daily life. Online market size continues to expand. In the post-pandemic era, the consumer market continues to pick up, the demand for commodities continues to be released, consumer confidence continues to pick up, the

enthusiasm for online shopping remains unabated. The customer flow of physical stores has also rebounded. The retail industry has accelerated the reform and continues to be deeply empowered by technology. Technology drives the development of logistics and enhances the smartness of new retail business models. Future growth is tremendous and smart business is only in its infancy. In upgrading the retail industry, technology plays an important role, and the degree of participation is increasing. On the core driving force of retail upgrading, consumption upgrading and technological progress have an increasingly greater impact on the evolution of the retail industry. Code scanning payment, face recognition, unmanned retail and XR technology application have become a part of people's daily life. The advancement of technology is making business activities faster and more efficient to meet a growing diversity of customer needs. Going forward, technology will drive three trends in business: 1. With the acceleration of digitization, large e-commerce platforms will become the digital infrastructure of the industrial chain. 2. De-borderlization of consumption scenes - consumption is everywhere. 3. Computing power and Cloud services to further improve business efficiency. The integration of advanced technology into business is a long-term process. New business models may also emerge along the way. In a nutshell, technology is the engine to hang onto in order to move forward for more opportunities and possibilities.

The Company has been committed to a full range of system integration, for the corresponding adjustment of the competitive environment faced by each store, towards the mall shopping center, in order to consolidate and expand the local market share, as well as establish product differentiation, and further introduce the business pattern and brands pursuant to the consumer habits. At the beginning of 2017, the company actively cooperates with China e-commerce companies and other industries. At present, all the stores of the Group have realized the support of QQ wallet, WeChat payment, Alipay, ApplePay, Quick Pass, JD Wallet and other mainstream electronic payment in China. On the other hand, the Group has successfully cooperated with the companies such as JD, Meituan, Baiwang, Weimeng to expand the business and develop WeChat E-membership Cards and electronic invoices. Expanding the visibility and influence of the Company amongst the young generation, stepping forward with the goal department store and expanding the new fashion and smart consumer market. In 2020, the Borderless Retail Department was established On the integration of the Group's online and offline channels, in the process of digital transformation, the Group has realized the upgrading of the member system and launched the data analysis app to further strengthened the intelligent construction, and integrated all the channels and platforms to improve the member's shopping experience. The online sales performance accounts for more than 11% of the current turnover, and the online performance is gratifying.

In 2022, the Group will strive toward the goals of "building a new landmark of humanities, art and innovative retail", take "being a leader in consumption, experience and lifestyle" as the business direction, keep the original intention and continue to forge ahead!

(VI) Influence in Enterprise Crisis Management by Change of Enterprise Image and the Countermeasure Thereof

The Company's business objectives are based on the principles of stability and honesty. The Company's image is good, and therefore it continues to introduce more outstanding talents into the services, thickening the strength of our management team, and then return the operating outcomes to the public, responding our CSR policies. As of now, there is no change of enterprise image to cause the crisis.

(VII) Expected Benefits, Possible Risks and Countermeasures for Consolidation

Last year, and as of the date of publication of Annual Report, there is no consolidation plan by the Company.

(VIII) Expected Benefits, Possible Risks and Countermeasures for Expansion of Plant

The Company is a department store retailer but not a manufacturer, hence there is no need to expand the plants. In addition, the plans for the expansion of department stores are subject to detailed assessment and planning by relevant units, and the expected benefits and possible risks are fully assessed by the financial module. After the establishment of the new business base, the relevant units will pay close attention to the changes and operating conditions of the industry, proposing appropriate response measures for possible risks.

(IX) Risks and Countermeasures for the Concentration of Incoming Goods or Sales

The Company belongs to the department store retail industry. The sales of goods are diversified, and there is no centralized purchase or sale of goods to a single manufacturer or customer. Therefore, there is no risk of concentration of goods or sales.

- (X) Regarding the Directors or shareholders holding more than 10% of the shares, the impact, risk and countermeasure of a large number of shares transferred or replaced on the company: None.
- (XI) Impact, Risks and Countermeasures of Changes in Management Rights on the Company
  Last year, and as of the date of publication of Annual Report, the Company has
  no changes in the management rights, and the Company has strengthened various
  corporate governance measures and established the Independent Directors with a
  view to enhancing the protection of the overall shareholders' equity.
- (XII) Litigation or Non-litigation Events
  - 1 Last two years, and as of the date of publication of Annual Report, any event of litigation, non-litigation or administrative litigation that has been determined or currently in the system, where the results may have a significant impact on shareholders' equity or securities prices, and should be disclosed of the facts, amount of the subject matter, commencement date of the lawsuit, parties involved in the proceedings and the current situation thereof:
    - (1) Grand Ocean Classic Commercial Group Co., Ltd, Chongqing Optics Valley Grand Ocean Commercial Development Limited and Chongqing Zhengsheng Real Estate Co., Ltd. real estate lease contract dispute:

The Chongqing store owner "Chongqing Zhengsheng Real Estate Co., Ltd." filed a lawsuit with the Chongqing No.5 Intermediate People's Court and listed the Chongqing store and the Grand Ocean Group as co-defendants. The lawsuit requested the court to: (1) confirm the calculated building rental area of the leased house under the lease contract; (2) order the Chongqing store to pay the rent in arrears (tentatively calculated at RMB\(\frac{1}{2}\)28,179,549.36); (3) order the Chongqing store to pay liquidated damages (tentatively calculated at RMB\(\frac{1}{2}\)13,585,587.61 as of December 31, 2020); (4) order the Grand Ocean Group to bear joint and several liabilities for compensation by the Chongqing store. After two court trials, the case is now in the stage of mediation and negotiation between the two parties. If both parties reach a settlement, the settlement results will be confirmed by court judgment. If the two parties fail to reach a settlement, the court will directly make a first instance judgment and the Chongqing store may face the risk of closing the store in advance.

The Chongqing Store has filed another lawsuit against the lawsuit filed by the Chongqing Zhengsheng Real Estate Co., Ltd. and requested the court to lower the rent standard under the lease contract to RMB¥45/square meter/month. The rent reduction from January 1, 2019 to December 31, 2024 is tentatively calculated at RMB¥59,758,875.56. The Chongqing No.5 Intermediate People's Court made the first instance and rejected the claim of Chongqing store. Chongqing store refused to accept the judgment of first

instance and appealed to the Chongqing High People's Court. The attorney received the second instance judgment of Chongqing High People's Court on February 10, 2022, which rejected the appeal and upheld the original judgment. However, Chongqing High People's Court also stated that "it is true that the legal and effective contract should be protected by law and that both parties should perform their respective responsibilities in accordance with the agreed obligations, but Zhengsheng Real Estate Co., Ltd. should also consider practical factors and reasonably respond to the concerns of Guanggu Grand Ocean Business Development Co., Ltd. through other appropriate ways."

(2) The dispute between Grand Classic Retail Group, Wuhan Guanggu Grand Ocean Business Development Co., Ltd. and Hubei Grand Ocean Huayu Investment Co., Ltd.:

On July 19, 2021, Hubei Grand Ocean Huayu Investment Co., Ltd. asked Guanggu store to bear the investment premium of RMB¥31.25 million and the financing interest of RMB¥18.475 million on the grounds that Guanggu store did not bear the investment premium of RMB¥31.25 million during the cooperation period and therefore incurred additional financing costs. On the grounds that the agreed minimum income term is invalid, Guanggu store was required to return the income of RMB¥27,262,897 obtained from Grand Ocean Huayu; on the grounds that Guanggu store should bear the financing interest, it is required to bear the financing interest cost of RMB¥16,345,533.11. The case has been represented by Tung, Che and Hsueh, Jui-Chen of Hubei Rui Tong Tian Yuan (Shiyan) Law Firm. As the case is still in the process of first instance and is relatively complex, it is not possible to make a comprehensive results analysis of the case for the time being. Even if there is a contingent loss, there is only a low possibility, not a high possibility or very likely to occur.

- 2 Directors, Supervisors, GMs, substantive principals of the Company, as well as major shareholders and subordinate companies with a shareholding ratio of more than 10%, litigations, non-litigations or administrative litigations that have been decided or are currently in the system in the last two years and as of the date of publication of Annual Report, where the results may have a significant impact on the company's shareholders' equity or securities prices: None.
- (XIII) Other Material Risks and the Countermeasure Thereof
  - 1 Protection of Shareholder Equity

There are many different regulations between the Cayman Islands Company Law and the ROC Company Act. Although the Company has amended the Articles of Incorporation in accordance with the "Checklist for the protection of shareholders' rights and interests in the country where the foreign issuer is registered" as stipulated by the Taiwan Stock Exchange Co., Ltd. Whereas there are many diversities of the local laws and regulations for the company operation in the two countries. Investors cannot guarantee the point of view by via the legal rights of the local companies in Taiwan, and the same application to the Cayman Islands is ditto.

2 Distribution of Cash Dividends and Tax

The Company is a holding company established in the Cayman Islands, where its mainly profit comes from the operations of its subsidiaries. Distribution of dividends of the Company will be affected by the operation status of the subsidiaries, policies of cash dividends and retained earnings. While distribution of dividends of the subsidiaries is subject to dividend distribution of local government, taxation and exchange rate regulations or other restrictions.

# Eight. Special Notation

## I Concerning Information of Associates

- (I) Organization Chart of Associates (as of Dec 31, 2021) Group Structure (Page11)
- (II) Basic Information of Associates

Dec 31, 2021; Currency: NTD (thousand)

Company Name	Date of Establishment	Address	Paid-in Capital	Major Business Scope
Grand Citi Limited	2007.10.26	15/F.,BOC Group Life Assurance Tower, 136 Des Voeux Road Central, Central, Hong Kong	HKD1,040,000	Investment Holding Company
Sandmartin International Holding Limited	2004.01.27	Unit 04-05, 16/F., Nam Wo Hong Building, No. 148 Wing Lok Street, Sheung Wan, Hong Kong	HKD 492,161	Manufacturing of Satellite TV Equipment and Devices, as well as Trading of Other Electronic Products
Grand Ocean Classic Commercial Group Co., Ltd (Grand Ocean Department Store Group Limited)	2002.05.21	No. 1 of Leye Street, Xigang District, Dalian City	RMB850,000	Department Store Retail, Internet Sales, Management and Consulting, Non- Residential Real Estate Lease
Grand Ocean Classic Commercial Group Co., Ltd Shanghai Nanjing West Road Branch (Grand Ocean Department Store Group Limited Shanghai Branch)	2006.12.07	Room 04-06, 27F of No. 338, West Nanjing Road, Huangpu District, Shanghai City	-	Department Store Retail, Internet Sales, Management and Consulting
Nanjing Grand Ocean Classic Commerce Limited (Nanjing Grand Ocean Department Store Limited)	2002.08.15	No. 122 of South Zhongshan Road, Baixia District, Nanjing City, Jiangsu Province, China	RMB50,000	Department Store Retail, Commercial Investment, Internet Sales, Management and Consulting, Non- Residential Real Estate Lease, Property Management
Nanjing Grand Ocean Classic Commerce Limited Jiangbei Branch (Nanjing Grand Ocean Department Store Limited Jiangbei Branch)	2010.12.13	Building C1 of Huadong Mall, No.48 of North Daqiao Road, Jiangbei New District, Nanjing City, Jiangsu Province, China	-	Department Store Retail, Commercial Investment, Catering Services, Food Business, Internet Sales, Management and Consulting, Non- Residential Real Estate Lease, Property Management
Fuzhou Grand Ocean Commerce Limited (Fuzhou Zhongcheng Grand	2002.06.21	No.133 of North Bayiqi Road, Gulou District, Fuzhou City, Fujian Province, China	RMB70,000	Department Store Retail, Commercial Investment, Internet Sales, Management and Consulting, Commercial Complex Management

Company Name	Date of Establishment	Address	Paid-in Capital	Major Business Scope
Ocean Department Store Limited)				Services, Non- Residential Real Estate Lease, Property Management
Quanzhou Grand Ocean Commerce Limited (Quanzhou Grand Ocean Department Store Limited)	2003.01.02	Fuhua Business Center, Wenling Road, Fengze District, Quanzhou City, Fujian Province, China	RMB20,000	Department Store Retail, Commercial Investment, Management and Consulting, Commercial Complex Management services, Non-Residential Real Estate Lease, Property Management
Wuhan Grand Ocean Classic Commercial Development Limited (Wuhan Zhongshan Grand Ocean Department Store Limited)	2004.09.27	No.756 of Zhongshan Avenue, Jianghan District, Wuhan City, Hubei Province, China	RMB50,000	Department Store Retail, Commercial Investment, Internet Sales, Management and Consulting, Commercial Complex Management Services, Venue Rental, Property Management
Wuhan Optics Valley Grand Ocean Commercial Development Limited (Wuhan Optics Valley Grand Ocean Department Store Limited)	2007.07.05	Room 101, Zone 1, No. 3 of Optics Valley Street, Optics Valley World, East Lake High-Tech Development Zone, Wuhan City, Hubei Province, China	RMB20,000	Department Store Retail, Commercial Investment, Internet Sales, Management and Consulting, Commercial Complex Management Services, Venue Rental, Property Management
Wuhan Hanyang Grand Ocean Classic Commercial Limited (Wuhan Longyang Grand Ocean Department Store Limited)	2008.07.09	No. 36 of Longyang Avenue, Hanyang District, Wuhan City, Hubei Province, China	RMB20,000	Department Store Retail, Commercial Investment, Internet Sales, Management and Consulting, Commercial Complex Management Services, Venue Rental, Property Management
Fuzhou Grand Ocean Classic Commerce Limited (Fuzhou Grand Ocean Department Store Limited)	2006.11.28	No. 268 of North Bayiqi Road, Gulou District, Fuzhou City, Fujian Province, China	RMB50,000	Department Store Retail, Commercial Investment, Internet Sales, Management and Consulting, Commercial Complex Management Services, Non- Residential real Estate Lease, Property Management
Chongqing Optics Valley Grand Ocean Commercial Development Limited (Chongqing Optics Valley Grand	2008.03.10	No.3 of Xijiao Road, Jiulongpo District, Chongqing City, China	RMB170,000	Department Store Retail, Commercial Investment, Internet Sales, Management and Consulting, Commercial Complex Management Services, Venue Rental, Property Management

Company Name	Date of Establishment	Address	Paid-in Capital	Major Business Scope
Ocean Department Store Limited)				
Hengyang Grand Ocean Commercial Development Limited (Hengyang Grand Ocean Department Store Limited)	2009.08.03	No.121 of Jiefang Road, Yanfeng District, Hengyang City, Hunan Province, China	RMB20,000	Department Store Retail, Commercial Investment, Internet Sales, Management and Consulting, Commercial Complex Management Services, Real Estate Lease, Property Management
Yichang Grand Ocean Commerce Limited (Yichang Grand Ocean Department Store Limited)	2010.09.19	No.56 of Yiling Avenue, Yichang City, Hubei Province, China	RMB20,000	Department Store Retail, Commercial Investment, Internet Sales, Management and Consulting, Commercial Complex Management Services, Venue Rental, Property Management
Hefei Grand Ocean Classic Commercial Development Limited (Nanjing Grand Ocean Department Store Hefei Limited)	2011.6.24	Tower C, No.189 of West Changjiang Road, Shushan District, Hefei City, Anhui Province, China	RMB20,000	Department Store Retail, Commercial Investment, Internet Sales, Management and Consulting, Commercial Complex Management Services, Venue Rental, Property Management
Shiyan Optics Valley Grand Ocean Commercial Limited (Shiyan Grand Ocean Modern Shopping Limited)	2017.7.18	Room 5-1, No.1 of Middle Chaoyang Road, Maojian District, Shiyan City	RMB20,000	Department Store Retail, Commercial Investment, Internet sales, Management and Consulting, Commercial Complex Management Services, Housing Lease, Property Management
Shanghai Jingxuan Business Administration Limited	2017.11.24	Room 03, 27F, No.338 of West Nanjing Road, Huangpu District,Shanghai City	RMB10,000	Enterprise Management, E-commerce
Fuzhou Jiaruixing Business Administration Limited	2017.11.14	Floor B1, Dongjiekou Underground Commercial Street, 88 Bayiqi North Road, South Street, Gulou District, Fuzhou	RMB5,000	Department Store Retail, Non-Residential Real Estate Lease, Property Management, Merchandising and Consulting, Internet Sales
Shanghai Grand Ocean 1,000 Trees Commercial Management Co., Ltd	2018.09.20	Room L4F-28, No. 600 Moganshan Road, Putuo District, Shangha	RMB39,000	Business management and consulting, non- residential real estate leasing, property management, commodity sales, Internet sales
Nanjing Grand Ocean Dongfadao Catering Co., Ltd.	2021.05.31	1B-16, 2D-1, No. 122, Zhongshan South Road, Qinhuai District, Nanjing	RMB1,000	Catering Services

(III) Personal Information of Directors, Supervisors and GMs of Each Associate

Company Name	Title	Name or		of Shares	
	1100	Representative	Shares	%	
	Director	Kuo Jen Hao			
Grand Citi Limited	Director	Ng Qing Hai	Non-shareholding system	100.00%	
	Director	Lee Seng Chay			
Grand Ocean Classic	Chairman	Ng Qing Hai			
Commercial Group Co., Ltd	Director	Lee Seng Chay	Non-shareholding		
(Grand Ocean Department	Director	Zhang Jin Guo	system	100.00%	
Store Group Limited)	Supervisor	Lu Fang	System		
	General manager	Ng Qing Hai			
Nanjing Grand Ocean Classic Commerce Limited	Executive Director	Ng Qing Hai	Non-shareholding	100.00%	
(Nanjing Grand Ocean	Supervisor	Lu Fang	system	100.0070	
Department Store Limited)	General manager	Zhang Jin Guo			
Fuzhou Grand Ocean Commerce Limited	Executive Director	Ng Qing Hai			
(Fuzhou Zhongcheng Grand	Supervisor	Lu Fang	Non-shareholding	100.00%	
Ocean Department Store Limited)	General manager	Zhang Jin Guo	system		
Quanzhou Grand Ocean Commerce Limited	Executive Director	Ng Qing Hai	Non-shareholding	100.00%	
(Quanzhou Grand Ocean	Supervisor	Lu Fang	system		
Department Store Limited)	General manager	Zhang Jin Guo			
Wuhan Grand Ocean Classic Commercial	Executive Director	Ng Qing Hai			
Development Limited	Supervisor	Lu Fang	Non-shareholding		
(Wuhan Zhongshan Grand Ocean Department Store Limited)	General manager	Tian Xin	system	100.00%	
Wuhan Optics Valley Grand Ocean Commercial	Executive Director	Ng Qing Hai			
Development Limited	Supervisor	Lu Fang	Non-shareholding		
(Wuhan Optics Valley Grand Ocean Department Store Limited)	General manager	Tian Xin	system	100.00%	
Wuhan Hanyang Grand Ocean Classic	Executive Director	Ng Qing Hai			
Commercial Limited	Supervisor	Lu Fang	Non-shareholding		
(Wuhan Longyang Grand Ocean Department Store Limited)	General manager	Tian Xin	system	100.00%	
Fuzhou Grand Ocean Classic Commerce Limited	Executive Director	Ng Qing Hai	Non-shareholding		
(Fuzhou Grand Ocean	Supervisor	Lu Fang	system	100.00%	
Department Store Limited)	General manager	Zhang Jin Guo	] ~		
Chongqing Optics Valley Grand Ocean Commercial	Executive Director	Ng Qing Hai			
Development Limited	Supervisor	Lu Fang	Non-sharahaldina		
(Chongqing Optics Valley Grand Ocean Department Store Limited)	General manager	Tian Xin	Non-shareholding system	100.00%	
,	Executive Director	Ng Qing Hai	Non-shareholding system	100.00%	
		<u> </u>	J	1	

C N	TC: 41	Name or	Number of Shares		
Company Name	Title	Representative	Shares	%	
Hengyang Grand Ocean Commercial Development Limited (Hengyang Grand Ocean Department Store Limited)	Supervisor  Executive Director	Lu Fang Tian Xin			
Yichang Grand Ocean Commerce Limited	Executive Director	Ng Qing Hai	Non-shareholding	100.000/	
(Yichang Grand Ocean Department Store Limited)	Supervisor General manager	Lu Fang Tian Xin	system	100.00%	
Hefei Grand Ocean Classic Commercial Development	Executive Director	Ng Qing Hai			
Limited (Nanjing Grand Ocean Department Store Hefei Limited)	Supervisor  General manager	Lu Fang Zhang Jin Guo	Non-shareholding system	100.00%	
Shiyan Optics Valley Grand Ocean Commercial	Executive Director	Ng Qing Hai	N. 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		
Limited (Shiyan Grand Ocean Modern Shopping Limited)	Supervisor  General manager	Lu Fang Yuan Hanying	Non-shareholding system	100.00%	
Shanghai Jingxuan Business Administration Limited	Executive Director Supervisor General manager	Ng Qing Hai Li Min Fang Chuang Chow	Non-shareholding system	100.00%	
Fuzhou Jiaruixing Business Administration Limited	Executive Director Supervisor	Shown Ng Qing Hai Lu Fang	Non-shareholding	100.00%	
Shanghai Grand Ocean	General manager Executive	Zhang Jin Guo Ng Qing Hai	System		
1,000 Trees Commercial Management Co., Ltd	Director Supervisor General manager	Zhang Jing Zhou Dan	Non-shareholding system	100.00%	
Nanjing Grand Ocean Dongfadao Catering Co., Ltd.	Executive Director Supervisor General manager	Lu Hui Yu Fang Qi Meng Zhi Min	Non-shareholding system	49.00%	
	Chairman and Independent Non- Executive Director	Kuo Jen Hao			
	Executive Director	Hong Cong Jin			
Sandmartin International Holding Limited	Executive Director Independent non-	Chen Wei Jun	17,678,902	3.59%	
	executive director Independent non-	Ding Jin Huei			
	executive director Independent non- executive director	Lu Ming Xuan Wu Jia Ming			

# (IV) Operation Situations of Each Associate

Dec 31, 2021; Currency: NTD (thousand)

							21; Currency: N	(thousand)
Company Name	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operation Revenues	Operating Income (Loss)	Current Income or Loss	Earnings per Share (NTD)
Grand Citi Limited	3,693,026	10,313,262	50,888	10,262,374	0	(1,233)	(185,294)	(0.18) (Note1)
Grand Ocean Classic Commercial Group Co., Ltd (Grand Ocean Department Store Group Limited)	3,688,915	13,985,269	5,020,981	8,964,288	5,159,425	464,638	(180,877)	Not applicable
Nanjing Grand Ocean Classic Commerce Limited (Nanjing Grand Ocean Department Store Limited)	216,995	3,840,150	1,962,904	1,877,246	1,381,475	231,332	213,306	Not applicable
Fuzhou Grand Ocean Commerce Limited (Fuzhou Zhongcheng Grand Ocean Department Store Limited)	303,793	3,493,252	521,853	2,971,399	510,936	(170,610)	(165,866)	Not applicable
Quanzhou Grand Ocean Commerce Limited (Quanzhou Grand Ocean Department Store Limited)	86,798	2,602,838	1.822.943	779,895	31,736	(81,949)	(44,272)	Not applicable
Wuhan Grand Ocean Classic Commercial Development Limited (Wuhan Zhongshan Grand Ocean Department Store Limited)	216,995	5,263,908	2,778,514	2,485,394	914,341	162,315	153,820	Not applicable
Wuhan Optics Valley Grand Ocean Commercial Development Limited (Wuhan Optics Valley Grand Ocean Department Store Limited)	86,798	4,396,520	2,630,458	1,766,062	755,589	239,906	254,164	Not applicable
Wuhan Hanyang Grand Ocean Classic Commercial Limited (Wuhan Longyang Grand Ocean Department Store Limited)	86,798	1,300,429	1,681,151	(380,722)	208,628	27,602	(32,627)	Not applicable
Fuzhou Grand Ocean Classic Commerce Limited (Fuzhou Grand Ocean Department Store Limited)	216,995	2,121,985	1,871,178	250,807	325,340	52,027	35,547	Not applicable
Chongqing Optics Valley Grand Ocean Commercial Development Limited (Chongqing Optics Valley Grand Ocean Department Store Limited)	86,798	962,295	1,836,955	(874,660)	170,421	2,086	(52,323)	Not applicable
Hengyang Grand Ocean Commercial Development Limited (Hengyang Grand Ocean Department Store Limited)	86,798	288,339	377,963	(89,624)	77,525	(51,866)	(58,329)	Not applicable
Yichang Grand Ocean Commerce Limited (Yichang Grand Ocean Department Store Limited)	86,798	2,145,508	1,686,655	458,853	449,206	244,827	142,038	Not applicable
Hefei Grand Ocean Classic Commercial Development Limited (Nanjing Grand Ocean Department Store Hefei Limited)	86,798	1,502,291	1,374,024	128,267	321,836	109,238	52,344	Not applicable
Shiyan Optics Valley Grand Ocean Commercial Limited (Shiyan Grand Ocean Modern Shopping Limited)	86,798	239,754	323,136	(83,382)	64,813	(72,368)	(80,289)	Not applicable
Shanghai Jingxuan Business Administration Limited	43,399	34,240	0	34,240	0	(116)	778	Not applicable
Fuzhou Jiaruixing Business Administration Limited	21,700	426,211	599,950	(173,739)	48,660	(27,249)	(39,257)	Not applicable
Shanghai Grand Ocean 1,000 Trees Commercial Management Co., Ltd	134,537	4,516,253	4,439,989	76,264	21,981	(67,977)	(58,260)	Not applicable
Nanjing Grand Ocean Dongfadao Catering Co., Ltd.	4,340	41,168	4,004	30,480	33,391	214	205	Not applicable
N. 1 771 C 1 0 4	0.000.000.1	26 16:::	. 1	1				

Note 1: The Company owns 1,040,000,000 shares of Grand Citi Ltd., HK\$1 per share.

- II Last year, and as of the date of publication of Annual Report, treatment of the private placement of securities: None.
- III Last year, and as of the date of publication of Annual Report, acquisition or disposal of the stocks of the Company by its subsidiaries: None.

### IV Other Necessary Supplementary Descriptions

Due to the slight inconsistency between the Caiman Islands Act and the ROC Act, the "Check Sheet for the Protection of Shareholders Rights and Interests of Foreign Issuers" (hereinafter referred to as "PSR") amended by the Taiwan Stock Exchange on Mar 15,2022 is not applicable to the Company. The following list explains the differences between the Articles of the Company and the protection matters of shareholders rights as stipulated by the Cayman Islands Act and the Articles of the Company, respectively.

Difference	Cayman Island Laws and	Article Regulations and
	Descriptions	Descriptions
If the shareholders continue to hold more than one year and hold more than 3% of the total number of issued shares, they may request the board of directors to convene a temporary meeting of shareholders; when the directors are not convened, the shareholders may report to the competent authority for permission to convene themselves.	No relevant local competent authorities in the Cayman Islands are to be authorized to coordinate the Shareholders Meeting.	According to the contents of TWSE Letter Shang No.0991701319 issued by the Taiwan Stock Exchange Corporation on April 13, 2010, that there is not any reference or description of "shareholder must submit for ratification from competent authorities" regarding the convention of shareholders meeting by minority shareholders in Article 28 and 29, shareholders have to coordinate the meeting on their own when a notice is released that the Board will not coordinate the meeting thereof.
Shareholders who exercise their voting rights in writing or electronically are deemed to attend the Shareholders Meeting in person.	Whereas according to the Cayman Islands Act, written voting or electronic voting by a shareholder cannot be considered as attending in person. Therefore, attorneys of the Cayman Islands suggest that under this circumstance, it should be deemed to authorize the chairman of Shareholders Meeting to execute the voting right, whereas the authorization to the chairman of Shareholders Meeting is not subject to the limitation of	Articles 55, 57, and 58 of the Articles of Incorporation: When the shareholders exercise their voting rights in writing or in electronics with the consent through the Board, they shall be deemed to have acted as the representative designated of the chairman of Shareholders Meeting, where the voting rights by the shares thereof shall be exercised based on the instructions indicated in the written or electronic files. Representative

Difference	Cayman Island Laws and Descriptions	Article Regulations and Descriptions
	where 3% of the representative rights cannot be exceeded.	rights thereupon acquired by the chairman of Shareholders Meeting will not be subject to the limitation that the voting rights by representative should not exceed 3% of the voting rights by the total shares of the Company. The shareholders still have to appoint other persons to attend the Shareholders Meeting as his/her representative, which is deemed to revoke its appointment to the chairman of Shareholders Meeting as a
Regarding the regulations in "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies," for example, qualification of the power of attorney, number of shares by representative which are not restricted, method of solicitation, announcement of the solicitation, contents, and related restrictions, etc.	The Cayman Islands Act does not require the relevant provisions of the power of attorney and, based on the recommendations from the layers of Cayman Islands, considering the consistency, integrity and clarity of the Articles of Incorporation of the Company, 'Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies' is to be conducted and applied. The regulations define the way in which the power of attorney will be used after listing in Taiwan in the future, and this amendment is not in violation of the Cayman Islands Act.	representative thereof.  According to concepts in TWSE Letter Shang No.0991701319 issued by the Taiwan Stock Exchange Corporation on April 13, 2010, Article 59 of the Articles of Incorporation supersedes the detailed provisions on the use of power of attorney in the protection of shareholders rights and interests in the general terms: "Under the prerequisite of the scope of the applicable laws, as well as in compliance with the provisions of the Articles of Incorporation and the Company Act, the designated representative of the shareholder will attend the Shareholders Meeting. Any relevant provision of the 'Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies' shall also be applicable. "
Definition of "Special Resolution": Shareholders representing more than two- thirds of the total number of issued shares shall be present, and will have the special resolution ratified by at least	The special resolution defined by the Cayman Islands Act is a resolution made by the shareholders who have voted "consent for at least two-thirds of the total number" of shareholders. Protection	According to concepts in TWSE Letter Shang No.0991701319 issued by the Taiwan Stock Exchange Corporation on April 13, 2010, as well as the comments from the attorneys of Cayman

Difference	Difference Cayman Island Laws and	
	Descriptions	Descriptions
half of the attending	matters regarding the	Islands, definition of the
shareholders. If the total	shareholder's rights stipulated	proportion of special
number of shares of the	as "more than two-thirds of	resolution stipulated in Article
attending shareholders is less	the total number of issued	1 of the Articles of the
than the amount described in	shares of shareholders	Company is to be amended,
the preceding paragraph, the	attendance, and at least half of	and only to adopt the latter
representatives must attend the	the voting rights representing	segment of descriptions "more
meeting on behalf of the	the attending shareholders are	than half of the shareholders
shareholders who own more	of consent" where only the	attending, and a special
than 50% of the total issued	part of "at least half of the	resolution is to be ratified by
shares, and to ratify the	voting rights representing the	at least two-thirds of the
special resolution through at	attending shareholders are of	voting rights by the attending
least two-thirds of the voting	consent" in the preceding	shareholders" from the special
rights by the attending	paragraph does not comply	resolution listed in the
shareholders.	with the definition of special	protection matters of
	resolution due to the Cayman	shareholder equity.
	Islands Act.	

Night. Last year, and as of the date of publication of Annual Report, any material influence upon the shareholders equity or securities price defined in Article 36.3.2 in the Securities Exchange Act: None.



Chairman: Kuo Jen Ha





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